DBS BANK LTD

(Incorporated in Singapore. Registration Number: 196800306E)

AND ITS SUBSIDIARIES

ANNUAL REPORT

For the financial year ended 31 December 2011

Financial Statements
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DBS BANK LTD AND ITS SUBSIDIARIES
INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

In $ millions	Note	Bank Group 2011	Bank Group 2010	Bank 2011	Bank 2010
Income					
Interest income		**6,555**	5,699	**4,763**	4,256
Interest expense		**1,730**	1,381	**1,260**	1,126
Net interest income	5	**4,825**	4,318	**3,503**	3,130
Net fee and commission income	6	**1,542**	1,397	**1,068**	910
Net trading income	7	**698**	915	**456**	1,022
Net (loss) from financial instruments designated at fair value	8	**(18)**	(20)	**(9)**	(1)
Net income from financial investments	9	**454**	310	**593**	386
Other income	10	**130**	146	**144**	23
Total income		**7,631**	7,066	**5,755**	5,470
Expenses					
Employee benefits	11	**1,712**	1,422	**1,121**	906
Other expenses	12	**1,585**	1,500	**1,074**	904
Goodwill charges	25	**-**	1,018	**-**	-
Allowances for credit and other losses	13	**722**	911	**587**	757
Total expenses		**4,019**	4,851	**2,782**	2,567
Share of profits of associates		**127**	102	**-**	-
Profit before tax		**3,739**	2,317	**2,973**	2,903
Income tax expense	14	**443**	454	**325**	357
Net profit for the year		**3,296**	1,863	**2,648**	2,546
Attributable to:					
Shareholders		**3,184**	1,720	**2,648**	2,546
Non-controlling interests		**112**	143	**-**	-
		3,296	1,863	**2,648**	2,546

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

In $ millions	Bank Group 2011	Bank Group 2010	Bank 2011	Bank 2010
Net profit for the year	**3,296**	1,863	**2,648**	2,546
Other comprehensive income:				
Foreign currency translation differences for foreign operations	**(39)**	(186)	**(12)**	-
Share of other comprehensive income of associates	**(1)**	12	**-**	-
Available-for-sale financial assets and others:				
Net valuation taken to equity	**398**	598	**411**	577
Transferred to income statement on sale	**(425)**	(315)	**(420)**	(292)
Tax on items taken directly to or transferred from equity	**31**	(28)	**29**	(30)
Other comprehensive income for the year, net of tax	**(36)**	81	**8**	255
Total comprehensive income	**3,260**	1,944	**2,656**	2,801
Attributable to:				
Shareholders	**3,168**	1,917	**2,656**	2,801
Non-controlling interests	**92**	27	**-**	-
	3,260	1,944	**2,656**	2,801

(see notes on pages 6 to 89, which form part of these financial statements)

DBS BANK LTD AND ITS SUBSIDIARIES
BALANCE SHEETS AT 31 DECEMBER 2011

		Bank Group		Bank	
In $ millions	**Note**	**2011**	2010	**2011**	2010
Assets					
Cash and balances with central banks	16	**25,300**	31,200	**21,728**	29,217
Singapore government securities and treasury bills	17	**12,503**	11,546	**12,503**	11,546
Due from banks		**25,571**	20,306	**19,537**	14,200
Financial assets at fair value through profit or loss	18	**11,927**	10,179	**9,867**	9,304
Positive fair values for financial derivatives	39	**21,164**	16,767	**21,034**	16,632
Loans and advances to customers	19	**194,275**	151,698	**149,600**	117,747
Financial investments	20	**30,491**	26,550	**25,325**	21,633
Securities pledged	21	**2,634**	1,982	**1,236**	712
Subsidiaries	22	**-**	-	**14,435**	11,880
Due from special purpose entities		**-**	-	**15**	-
Investments in joint ventures	23	**-**	-	**1**	1
Investments in associates	24	**949**	813	**1,109**	988
Goodwill on consolidation	25	**4,802**	4,802	**-**	-
Properties and other fixed assets	26	**976**	1,025	**467**	451
Investment properties	26	**372**	358	**43**	54
Deferred tax assets	27	**149**	102	**60**	50
Other assets	28	**9,751**	6,400	**4,933**	4,057
Total assets		**340,864**	283,728	**281,893**	238,472
Liabilities					
Due to banks		**27,601**	18,811	**25,846**	17,548
Due to non-bank customers	29	**218,992**	187,695	**176,684**	147,763
Financial liabilities at fair value through profit or loss	30	**11,912**	10,228	**5,890**	6,612
Negative fair values for financial derivatives	39	**22,207**	17,222	**22,009**	16,903
Bills payable		**254**	601	**204**	560
Current tax liabilities		**836**	879	**742**	782
Deferred tax liabilities	27	**30**	40	**-**	-
Other liabilities	31	**10,282**	6,570	**4,987**	3,554
Other debt securities in issue	32	**10,354**	2,160	**7,609**	1,194
Due to holding company		**1,533**	2,362	**1,533**	2,362
Due to subsidiaries	33	**-**	-	**2,449**	7,549
Due to special purpose entities		**-**	-	**112**	130
Subordinated term debts	34	**5,304**	6,398	**5,304**	6,398
Total liabilities		**309,305**	252,966	**253,369**	211,355
Net assets		**31,559**	30,762	**28,524**	27,117
Equity					
Share capital	35	**16,196**	15,945	**16,196**	15,945
Other reserves	36	**2,718**	2,734	**2,748**	2,740
Revenue reserves	36	**10,888**	9,204	**9,580**	8,432
Shareholders' funds		**29,802**	27,883	**28,524**	27,117
Non-controlling interests	37	**1,757**	2,879	**-**	-
Total equity		**31,559**	30,762	**28,524**	27,117
Off-balance sheet items					
Contingent liabilities and commitments	38	**138,114**	111,949	**105,534**	87,762
Financial derivatives	39	**1,612,038**	1,347,522	**1,575,825**	1,322,421

(see notes on pages 6 to 89, which form part of these financial statements)

DBS BANK LTD AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

Bank Group **In $ millions**	**Ordinary shares**	**Non-cumulative non-convertible preference shares**	**Other reserves**	**Revenue reserves**	**Total**	**Non-controlling interests**	**Total equity**
2011							
Balance at 1 January 2011	**12,346**	**3,599**	**2,734**	**9,204**	**27,883**	**2,879**	**30,762**
Ordinary shares issued	**1,350**				**1,350**		**1,350**
Redemption of preference shares		**(1,099)**			**(1,099)**		**(1,099)**
Dividends paid to holding company				**(1,350)**	**(1,350)**		**(1,350)**
Dividends paid on preference shares				**(150)**	**(150)**		**(150)**
Dividends paid to non-controlling interests					**-**	**(124)**	**(124)**
Redemption of preference shares issued by a subsidiary						**(1,013)**	**(1,013)**
Change in non-controlling interests						**(77)**	**(77)**
Total comprehensive income			**(16)**	**3,184**	**3,168**	**92**	**3,260**
Balance at 31 December 2011	**13,696**	**2,500**	**2,718**	**10,888**	**29,802**	**1,757**	**31,559**
2010							
Balance at 1 January 2010	10,996	1,100	2,537	8,900	23,533	3,019	26,552
Ordinary shares issued	1,350				1,350		1,350
Preference shares issued		2,500			2,500		2,500
Shares issue expenses		(1)			(1)		(1)
Dividends paid to holding company				(1,350)	(1,350)		(1,350)
Dividends paid on preference shares				(66)	(66)		(66)
Dividends paid to non-controlling interests					-	(167)	(167)
Total comprehensive income			197	1,720	1,917	27	1,944
Balance at 31 December 2010	12,346	3,599	2,734	9,204	27,883	2,879	30,762

(see notes on pages 6 to 89, which form part of these financial statements)

DBS BANK LTD AND ITS SUBSIDIARIES
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

Bank **In $ millions**	**Ordinary shares**	**Non-cumulative non-convertible preference shares**	**Other reserves**	**Revenue reserves**	**Total equity**
2011					
Balance at 1 January 2011	**12,346**	**3,599**	**2,740**	**8,432**	**27,117**
Ordinary shares issued	**1,350**				**1,350**
Redemption of preference shares		**(1,099)**			**(1,099)**
Dividends paid to holding company				**(1,350)**	**(1,350)**
Dividends paid on preference shares				**(150)**	**(150)**
Total comprehensive income			**8**	**2,648**	**2,656**
Balance at 31 December 2011	**13,696**	**2,500**	**2,748**	**9,580**	**28,524**
2010					
Balance at 1 January 2010	10,996	1,100	2,485	7,302	21,883
Ordinary shares issued	1,350				1,350
Preference shares issued		2,500			2,500
Shares issue expenses		(1)			(1)
Dividends paid to holding company				(1,350)	(1,350)
Dividends paid on preference shares				(66)	(66)
Total comprehensive income			255	2,546	2,801
Balance at 31 December 2010	12,346	3,599	2,740	8,432	27,117

(see notes on pages 6 to 89, which form part of these financial statements)

DBS BANK LTD AND ITS SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

In $ millions	2011	2010
Cash flows from operating activities		
Net profit for the year	**3,296**	1,863
Adjustments for non-cash items:		
Allowances for credit and other losses	**722**	911
Depreciation of properties and other fixed assets	**185**	193
Goodwill charges	**-**	1,018
Share of profits of associates	**(127)**	(102)
Net gain on disposal (net of write-off) of properties and other fixed assets	**(6)**	(103)
Net gain on disposal of financial investments	**(454)**	(310)
Net gain on disposal of subsidiary	**(47)**	-
Income tax expense	**443**	454
Profit before changes in operating assets and liabilities	**4,012**	3,924
Increase/(Decrease) in:		
Due to banks	**8,790**	9,703
Due to non-bank customers	**31,297**	9,247
Financial liabilities at fair value through profit or loss	**1,684**	1,011
Other liabilities including bills payable	**8,521**	706
Debt securities and borrowings	**7,949**	1,405
Due to holding and related companies	**(829)**	(608)
(Increase)/Decrease in:		
Change in restricted balances with central banks	**(322)**	(2,857)
Singapore Government securities and treasury bills	**(957)**	4,414
Due from banks	**(5,297)**	1,895
Financial assets at fair value through profit or loss	**(1,748)**	1,078
Loans and advances to customers	**(43,215)**	(22,521)
Financial investments	**(3,509)**	(529)
Other assets	**(8,417)**	(2,283)
Tax paid	**(514)**	(382)
Net cash (used in)/generated from operating activities (1)	**(2,555)**	4,203
Cash flows from investing activities		
Dividends from associates	**46**	57
Purchase of properties and other fixed assets	**(177)**	(176)
Proceeds from disposal of properties and other fixed assets	**47**	192
Acquisition of interest in associates	**(55)**	(75)
Proceeds from disposal of associates/joint ventures	**-**	136
Net cash (used in)/generated from investing activities (2)	**(139)**	134
Cash flows from financing activities		
Increase in share capital	**251**	3,849
Payment upon maturity of subordinated term debts	**(1,046)**	(705)
Dividends paid to shareholders of the Bank	**(1,500)**	(1,416)
Dividends paid to non-controlling interests	**(124)**	(167)
Payment upon redemption of preference shares	**(1,013)**	-
Change in non-controlling interests	**(77)**	-
Net cash (used in)/ generated from financing activities (3)	**(3,509)**	1,561
Exchange translation adjustments (4)	**(19)**	(70)
Net change in cash and cash equivalents (1)+(2)+(3)+(4)	**(6,222)**	5,828
Cash and cash equivalents at 1 January	**25,109**	19,281
Cash and cash equivalents at 31 December (Note 40)	**18,887**	25,109

(see notes on pages 6 to 89, which form part of these financial statements)

These Notes are integral to the financial statements.

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

1 Domicile and Activities

DBS Bank Ltd (the Bank) is incorporated and domiciled in the Republic of Singapore and has its registered office at 6 Shenton Way, DBS Building Tower One, Singapore 068809. It is a wholly-owned subsidiary of DBS Group Holdings Ltd (DBSH).

The Bank is principally engaged in the provision of retail, small and medium-sized enterprise, corporate and investment banking services, including the operations of an Asian Currency Unit under terms and conditions specified by the Monetary Authority of Singapore. The principal activities of the subsidiaries of the Bank are disclosed in Note 51.

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

2 Summary of Significant Accounting Policies

2.1 Basis of preparation

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

The financial statements of the Bank are prepared in accordance with FRS including related Interpretations to FRS (INT FRS) promulgated by the ASC.

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

The preparation of financial statements in conformity with FRS requires management to exercise judgement, use estimates and make assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from these estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a higher degree of judgement and complexity, are disclosed in Note 4.

On 1 January 2011, the Bank Group adopted the new or revised FRS and INT FRS that are applicable in the current financial year. The financial statements have been prepared in accordance with the relevant transitional provisions in the respective FRS and INT FRS.

The adoption of these new or revised FRS and INT FRS did not result in substantial changes to the Bank Group's and Bank's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

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

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

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

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

2.2 Group accounting

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

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

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

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

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

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

Associates
Associates are entities over which the Bank Group has significant influence, but not control, and generally holds a shareholding of between and including 20% and 50% of the voting rights. The Bank Group recognises its investments in associates using the equity method of accounting.

Under the equity method of accounting, an investment in associates is initially carried at cost. The initial cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities assumed at the date of acquisition, plus costs directly attributable to the acquisition. The carrying amount is increased or decreased to recognise the Bank Group's share of net assets of the associate, less any impairment in value after the date of acquisition. Where the Bank Group's share of losses in an associate equals or exceeds its interest in the associate, the Bank Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The results of the associates are taken from the latest audited accounts or unaudited management accounts of the associates, prepared at dates not more than three months prior to the end of the financial year of the Bank Group. Adjustments are made for the effects of significant transactions or events that occur between the two dates.

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

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

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

2.3 Foreign currency translation

Functional and presentation currency
Items in the financial statements of the Bank and each of the Bank Group's subsidiaries are measured using the entities' functional currency, being the currency of the primary economic environment in which the entity operates. The financial statements are presented in Singapore dollars, which is the Bank's functional and the Bank Group's presentation currency.

Foreign currency transactions
Transactions in foreign currencies are measured at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Singapore dollars at the exchange rate ruling at the balance sheet date. Foreign exchange differences arising from this translation are recognised in the income statement. Non-monetary assets and liabilities measured at cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities measured at fair value in foreign currencies are translated into Singapore dollars at the exchange rate ruling at the date the fair value was determined.

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

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

- Assets and liabilities are translated at the exchange rate ruling at the balance sheet date;

- Income and expenses in the income statement are translated at an average exchange rate approximating the exchange rates at the dates of the transactions; and
- All resulting exchange differences are recognised in other comprehensive income.

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

Consolidation adjustments
On consolidation, foreign exchange differences arising from the translation of net investments in foreign entities, as well as any borrowings and instruments designated as foreign currency hedges of such investments, are recognised in other comprehensive income and accumulated under capital reserves in equity. When a foreign operation is disposed of, such currency translation differences are recognised in the income statement as part of the gain or loss on disposal.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to management responsible for allocating resources and assessing performance of the operating segments. Segment revenue, segment profits, segment assets and segment liabilities are also measured on a basis that is consistent with internal reporting.

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

2.5 Revenue recognition

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

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

Fee and commission income
The Bank Group earns fee and commission income from a diverse range of products and services provided to its customers. Fee and commission income is recognised on the completion of a transaction. For a service that is provided over a period of time, fee and commission income is recognised over the period during which the related service is provided or credit risk is undertaken.

Dividend income
Dividend income is recognised when the right to receive payment is established. Dividend income arising from held for trading financial assets is recognised in "Net trading income", while that arising from available-for-sale financial assets is recognised in "Net income from financial investments".

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

2.6 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and non-restricted balances with central banks which are readily convertible into cash.

2.7 Financial assets

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

The classification of financial assets is as follows:

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

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

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

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

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

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

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

Recognition and derecognition
Purchases and sales of financial assets are recognised on the date that the Bank Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Bank Group has transferred substantially all risks and rewards of ownership.

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

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

Reclassifications are made at fair value as of the reclassification date. The fair value becomes the new cost or amortised cost as applicable. Any gain or loss already recognised in the income statement before the reclassification date is not reversed.

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

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

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

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

2.8 Impairment of financial assets

The Bank Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

(a) Financial assets classified as loans and receivables
The Bank Group carries out regular and systematic reviews of all credit facilities extended to customers.

The criteria that the Bank Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor, including breach of covenants and/or financial conditions;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- Granting of a concession to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, that the Bank Group would not otherwise consider; and

- High probability of bankruptcy or other financial reorganisation of the borrower.

Specific allowances for credit losses
A specific allowance for credit losses is established if there is objective evidence that the Bank Group will be unable to collect all amounts due under a claim according to the original contractual terms or the equivalent value. A "claim" means a loan, debt security or a commitment such as a letter of guarantee and letter of credit.

A specific allowance for credit losses is recorded as a reduction in the carrying value of a claim on the balance sheet. For an off-balance sheet item such as a commitment, a specific allowance for credit loss is recorded as a component within other liabilities.

Specific allowances for credit losses are evaluated either as being counterparty-specific or collectively for a portfolio according to the following principles:

Counterparty-specific: Individual credit exposures are evaluated using the discounted cash flow method and an allowance is made when existing facts, conditions or valuations indicate that the Bank Group is not likely to collect the principal and interest due contractually on the claim. An allowance is reversed only when there has been an identifiable event that led to an improvement in the collectability of the claim.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Recoveries in full or in part of amounts previously written off are credited to the income statement in "Allowances for credit and other losses".

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

General allowances for credit losses
Apart from specific allowances, the Bank Group also carries general allowances for credit losses. The Bank Group maintains a level of allowances that is deemed sufficient to absorb the estimated credit losses inherent in its loan portfolio (including off-balance sheet credit exposures). In determining the level of general allowances, the Bank Group considers country and portfolio risks, as well as industry practices. The Bank Group maintains general allowances of at least 1% of credit exposures arising from both on and off-balance sheet items (against which specific allowances have not been made) adjusted for collateral held. This is in accordance with the transitional arrangements under Notice to Banks No. 612 "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore.

(b) Financial assets classified as available-for-sale
The Bank Group assesses at each balance sheet date whether there is objective evidence that an available-for-sale financial asset is impaired. In the case of an equity investment, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the asset is impaired. When there is objective evidence of an impairment of an available-for-sale financial asset, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is reclassified from the revaluation reserve within equity to the income statement. Impairment losses recognised in the income statement on equity investments are not reversed, until the equity investments are disposed of. A subsequent recovery in the value of an available-for-sale debt instrument whose value has been impaired is reversed through the income statement if there has been an identifiable event that led to the recovery.

2.9 Repurchase agreements

Repurchase agreements (*Repos*) are treated as collateralised borrowing. The amount borrowed is reflected as a liability either as "Due to non-bank customers", "Due to banks" or "Financial liabilities at fair value through profit or loss". The securities sold under repos are treated as pledged assets and remain on the balance sheet at amortised cost or fair value depending on their classification.

Reverse repurchase agreements (*Reverse repos*) are treated as collateralised lending. The amount lent is reflected as an asset either as "Loans and advances to customers", "Due from banks" or "Financial assets at fair value through profit or loss".

Amounts paid and received in excess of the amounts borrowed and lent on the repos and reverse repos are amortised as interest expense and interest income respectively using the effective interest method

2.10 Goodwill on consolidation

Goodwill arising from business combinations on or after 1 January 2010 represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired. Goodwill in business combinations prior to 1 January 2010 represents the excess of acquisition cost over the fair values of the identifiable assets acquired, liabilities and contingent liabilities assumed at the date of exchange. Goodwill is stated at cost less impairment losses and it is tested at least annually for impairment.

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

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

2.11 Properties and other fixed assets

Properties (including investment properties) and other fixed assets are stated at cost less accumulated depreciation and allowances for impairment. The cost of an item of properties and other fixed assets includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The basis of depreciation is as follows:

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

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

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

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

The estimated useful life and residual values of fixed assets are reviewed on each balance sheet date.

Subsequent expenditure relating to properties and other fixed assets that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Bank Group and the cost can be measured reliably. Other subsequent expenditure is recognised as hire and maintenance expense in the income statement during the financial year in which it is incurred.

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

2.12 Impairment of non-financial assets

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

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

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

2.13 Financial liabilities

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

Financial liabilities are classified as financial liabilities at fair value through profit or loss if they are incurred for the purpose of short-term repurchasing in the near term (held for trading) or designated by management on initial recognition (designated under the fair value option).

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

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

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

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

Financial liabilities classified as fair value through profit or loss are subsequently carried at fair value. Realised or unrealised gains or losses on financial liabilities held for trading and financial liabilities designated under the fair value option, except interest expense, are taken to "Net trading income" and "Net income from financial instruments designated at fair value" respectively in the income statement in the period they arise. All other financial liabilities are subsequently carried at amortised cost using the effective interest method.

The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Bank Group for similar financial instruments. Where applicable, a valuation reserve or pricing adjustment is applied to arrive at the fair value.

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

2.14 Provisions and other liabilities

Provisions are recognised when

- the Bank Group has a present legal or constructive obligation as a result of past events,
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and
- a reliable estimate of the amount of the obligation can be made.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

2.15 Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value at the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are classified as assets when the fair value is positive (Positive fair values for financial derivatives) and as liabilities when the fair value is negative (Negative fair values for financial derivatives).

Changes in the fair value of derivatives other than those designated as fair value hedges, cash flow hedges or net investments in foreign operations hedges are included in “Net trading income”.

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

For financial instruments designated as hedging instruments, each entity within the Bank Group documents at the inception the relationship between the hedging instrument and hedged item, including the risk management objective for undertaking various hedge transactions and methods used to assess the effectiveness of the hedge. Each entity within the Bank Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivative is highly effective in offsetting changes in the fair value or cash flows of the hedged item.

Fair value hedge
For a qualifying fair value hedge, the changes in the fair value of the hedging derivatives are recorded in the income statement, together with any changes in the fair value of the hedged item attributable to the hedged risk. Gain or loss arising from hedge ineffectiveness is recognised in the income statement.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item is amortised to the income statement over its remaining maturity, using the effective interest method.

Cash flow hedge
The effective portion of changes in the fair value of a derivative designated and qualifying as a hedge of future cash flows is recognised in other comprehensive income and accumulated under the cash flow hedge reserve in equity, and reclassified to the income statement in the periods when the hedged forecast cash flows affect the income statement. The ineffective portion of the gain or loss is recognised immediately in the income statement under “Net trading income”.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the cash flow hedge reserve remains until the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss in the cash flow hedge reserve is reclassified from equity to the income statement.

Hedge of net investment in a foreign operation
Hedges of net investments in the Bank Group’s foreign operations are accounted for in a manner similar to cash flow hedges. The gain or loss from the derivative relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated under the capital reserves in equity. The gain or loss relating to the ineffective portion of the hedge is recognised immediately in the income statement under “Net trading income”. On disposal of the foreign operations, the cumulative gain or loss in the capital reserves is reclassified to the income statement under “Net trading income”.

2.16 Employee benefits

Employee benefits, which include base pay, cash bonuses, share-based compensation, contribution to defined contribution plans such as the Central Provident Fund and other staff-related allowances, are recognised in the income statement when incurred. For defined contribution plans, contributions are made to publicly or privately administered funds on a mandatory, contractual or voluntary basis. Once the contributions have been paid, the Bank Group has no further payment obligations.

Employee entitlement to annual leave is recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

2.17 Share-based compensation

Employee benefits also include share-based compensation, namely the DBSH Share Ownership Scheme (the Scheme), the DBSH Share Option Plan, the DBSH Share Plan and the DBSH Employee Share Plan (the Plans). The details of the Scheme and Plans are described in Note 41.

Equity instruments granted and ultimately vested under the Plans are recognised in the income statement based on the fair value of the equity instrument at the date of grant by DBSH. The expense is amortised over the vesting period of each award. Monthly contributions to the Scheme are expensed off when incurred.

2.18 Current and deferred taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill that is not deductible for tax purposes and for the initial recognition of assets or liabilities that neither affects accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not be reversed in the foreseeable future.

Deferred tax related to fair value re-measurement of available-for-sale investments, which are recognised outside profit or loss, is also recognised outside profit or loss i.e. in other comprehensive income and accumulated in the available-for-sale revaluation reserves.

2.19 Financial guarantees

A financial guarantee is initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Bank Group's liability under each guarantee is measured at the higher of the initial measurement less amortisation and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date.

The exposure to potential losses associated with a financial guarantee is monitored periodically. When there is objective evidence indicating probable losses, a provision is recognised for the financial guarantee.

2.20 Share capital

Ordinary shares and preference shares which do not result in the Bank Group having a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities with the holder under conditions that are potentially unfavourable to the Bank Group, are classified as equity. Incremental external costs directly attributable to the issuance of new shares are deducted against share capital.

2.21 Dividend payments

Dividends are recorded during the financial year in which they are approved by the Board of Directors and declared payable.

2.22 Offsetting financial instruments

Certain financial assets and liabilities offset each other and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle them on a net basis, or realise the asset and settle the liability simultaneously.

2.23 Operating leases

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

2.24 Fiduciary activities

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

3 Effects on Financial Statements on Adoption of New or Revised FRS

The Bank Group has not applied the following FRS that have been issued but are not yet effective. These new/revised standards will be adopted by the Bank Group for annual periods commencing on their effective dates as indicated below, and are not expected to have significant impact to the Bank Group's financial statements. The adoption of FRS 112 Disclosure of Interests in Other Entities and FRS

113 Fair Value Measurement will create additional disclosure requirements for the Bank Group's financial statements.

FRS 110 Consolidated Financial Statements (effective 1 January 2013)
FRS 110 establishes control as the basis for determining which entities are consolidated. It provides a single model to be applied in the control analysis for all investees, including special purpose entities that are currently within the scope of INT FRS 12 Consolidation – Special Purpose Entities. Control exists under FRS 110 when the investor has power, exposure to variable returns and the ability to use that power to affect its returns from the investee. FRS 110 also provides guidance on how to apply the control principle, including circumstances involving de facto control and agency relationships, and whether voting rights or rights other than voting are relevant in assessing control.

FRS 111 Joint Arrangements (effective 1 January 2013)
FRS 111 applies to all parties to a joint arrangement including those who participate in, but do not have joint control of, a joint arrangement. The standard prescribes the accounting for joint operations and joint ventures in both consolidated and separate financial statements. It requires that the type of joint arrangement be determined based on the rights and obligations of the parties to the arrangement. Equity accounting is mandatory for participants in joint ventures, while participants in joint operations are to account for its interest in assets, liabilities, revenue and expenses.

FRS 112 Disclosure of Interests in Other Entities (effective 1 January 2013)
FRS 112 combines the existing disclosure requirements in a single disclosure standard. It requires the disclosure of summarised financial information about each subsidiary that has material non-controlling interests as well as material associate and joint venture. It also sets out new disclosure requirements such as financial or other support provided to consolidated and unconsolidated structured entities, and financial information about unconsolidated structured entities that the reporting entity had sponsored.

FRS 113 Fair Value Measurement (effective 1 January 2013)
FRS 113 defines fair value, establishes a framework for measuring fair value and sets out the disclosure requirements for fair value measurements. It explains how to measure the fair value when it is required by other FRSs. It does not introduce new fair value measurements, neither does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. FRS 113 defines fair value as a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date i.e. an exit price.

Amendments to FRS 1 Financial Statement Presentation (effective 1 July 2012)
The amendments require entities to group items presented in Other Comprehensive Income on the basis of whether they are potentially recycled to the income statement (reclassification adjustments). Where an entity presents its comprehensive income in two separate statements, the amendments specifically require these statements to be presented consecutively.

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

Amendments to FRS 107 Financial Instruments: Disclosures (effective 1 July 2011)
The amendments require additional disclosures for all transferred financial assets that are not derecognised in their entirety, and those that are derecognised in their entirety but for which the transferor retains continuing involvement existing at the reporting date, irrespective of when the related transfer transaction occurred. The amendments also clarify the conditions under which an entity is deemed to transfer a financial asset.

4 Critical Accounting Estimates

The Bank Group's accounting policies and use of estimates are integral to the reported results. Certain accounting estimates require exercise of management's judgement in determining the appropriate methodology for valuation of assets and liabilities. In addition, procedures are in place to ensure that methodologies are reviewed and revised as appropriate. The Bank Group believes its estimates for determining the valuation of its assets and liabilities are appropriate.

The following is a brief description of the Bank Group's critical accounting estimates involving management's valuation judgement.

4.1 Impairment allowances

It is the Bank Group's policy to establish, through charges against profit, specific and general allowances in respect of estimated and inherent credit losses in its portfolio.

In determining specific allowances, management considers objective evidence of impairment and exercises judgement in estimating cash flows and collateral value. When a loan is impaired, a specific allowance is assessed by using the discounted cash flow method, measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The amount of specific allowance also takes into account the collateral value, which may be discounted to reflect the impact of a forced sale or untimely liquidation.

In determining general allowances, management considers country and portfolio risks, as well as industry practices. General allowances of at least 1% of credit exposures on and off-balance sheet (against which specific allowances have not been made) are maintained and adjusted for collateral held. This is in accordance with the transitional arrangements under Notice to Banks No. 612, "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore.

4.2 Fair value of financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. The majority of the Bank Group's financial instruments reported at fair value are based on quoted and observable market prices or on internally developed models that are based on independently sourced market parameters, such as interest rate yield curves, credit spreads, exchange prices, dividend yields, option volatilities and foreign exchange rates. Valuation reserves or pricing adjustments where applicable will be used to converge to fair value

The determination of fair value is subject to the Valuation Framework approved by the Board Risk Management Committee and the oversight of senior management committees. The Valuation Framework is implemented by the Bank Group through policies and procedures approved by the committees. These policies and procedures facilitate the exercise of judgement in determining the risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors used in the valuation process. Judgment may also be applied in adjusting prices for less readily observable external parameters such as through the use of valuation reserves. Other factors such as model assumptions and market dislocations leading to market anomalies can also materially affect these estimates. Refer to Note 43 for more details about the fair value hierarchy of the Bank Group's financial instruments measured at fair value.

4.3 Goodwill on consolidation

The Bank Group performs an impairment review to ensure that the carrying amount of the CGU, to which the goodwill is allocated, does not exceed the recoverable amount of the CGU. The recoverable amount represents the present value of the estimated future cash flows expected to arise from continuing operations. Therefore, in arriving at the recoverable amount, management exercises judgement in estimating the future cash flows, growth rate and discount rate. Refer to Note 25 for more details.

4.4 Income taxes

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

4.5 Provisions for customer compensation

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

5 Net Interest Income

	Bank Group		Bank	
In $ millions	**2011**	**2010**	**2011**	**2010**
Cash and balances with central banks and Due from banks	**532**	358	**381**	301
Loans and advances to customers	**4,571**	3,937	**3,111**	2,778
Debt securities	**1,452**	1,404	**1,271**	1,177
Total interest income	**6,555**	5,699	**4,763**	4,256
Due to banks	**196**	137	**184**	154
Due to non-bank customers	**1,267**	970	**735**	567
Others	**267**	274	**341**	405
Total interest expense	**1,730**	1,381	**1,260**	1,126
Net interest income	**4,825**	4,318	**3,503**	3,130
Comprising:				
Interest income for financial assets at fair value through profit or loss	**317**	270	**308**	266
Interest income for financial assets not at fair value through profit or loss	**6,238**	5,429	**4,455**	3,990
Interest expense for financial liabilities at fair value through profit or loss	**(87)**	(118)	**(84)**	(113)
Interest expense for financial liabilities not at fair value through profit or loss	**(1,643)**	(1,263)	**(1,176)**	(1,013)
Total	**4,825**	4,318	**3,503**	3,130

6 Net Fee and Commission Income

	Bank Group		Bank	
In $ millions	**2011**	**2010**	**2011**	**2010**
Fee and commission income	**1,911**	1,737	**1,271**	1,056
Fee and commission expense	**369**	340	**203**	146
Net fee and commission income	**1,542**	1,397	**1,068**	910
Comprising:				
Loan-related	**359**	333	**302**	272
Trade and remittances	**284**	227	**171**	135
Stockbroking	**142**	179	**-**	-
Investment banking	**187**	154	**159**	130
Cards	**154**	149	**119**	117
Wealth management	**192**	136	**133**	84
Deposit-related	**82**	85	**67**	69
Guarantees	**71**	59	**69**	57
Others	**55**	53	**48**	46
Fund management	**16**	22	**-**	-
Net fee and commission income[(a)]	**1,542**	1,397	**1,068**	910

(a) Bank Group - Includes net fee and commission income of $56 million (2010: $47 million), which is derived from the provision of trust and other fiduciary services during the year. Net fee and commission income earned from financial assets or liabilities not at fair value through profit or loss is $607 million (2010: $571 million) during the year.
Bank - Includes net fee and commission income of $31 million (2010: $18 million), which is derived from the provision of trust and other fiduciary services during the year. Net fee and commission income earned from financial assets or liabilities not at fair value through profit or loss is $497 million (2010: $467 million) during the year.

7 Net Trading Income

	Bank Group		Bank	
In $ millions	**2011**	**2010**	**2011**	**2010**
From trading businesses				
- Foreign exchange	**738**	649	**504**	562
- Interest rates, credit and equities[(a)]	**(33)**	220	**32**	55
Other businesses	**(7)**	46	**(80)**	405
Total	**698**	915	**456**	1,022

(a) Includes dividend income of $12 million (2010: $9 million) for the Bank Group; and $12 million (2010: $9 million) for the Bank.

8 Net Loss from Financial Instruments Designated at Fair Value

	Bank Group		Bank	
In $ millions	**2011**	**2010**	**2011**	**2010**
Financial assets designated at fair value	**(42)**	5	**(41)**	(7)
Financial liabilities designated at fair value	**24**	(25)	**32**	6
Total	**(18)**	(20)	**(9)**	(1)

Gains or losses from changes in fair value of financial liabilities designated at fair value not attributable to changes in market conditions are not material. Refer to Note 30.

9 Net Income from Financial Investments

	Bank Group		Bank	
In $ millions	**2011**	**2010**	**2011**	**2010**
Debt securities				
- Available-for-sale	**301**	192	**291**	164
- Loans and receivables	**6**	5	**2**	(4)
Equity securities[(a) (b)]	**147**	113	**300**	226
Total[(c)]	**454**	310	**593**	386
Comprising net gains transferred from:				
Available-for-sale revaluation reserves	**425**	315	**420**	292

(a) Includes gain on sale of unquoted equity securities which were stated at cost of $1 million (2010:Nil) for the Bank Group and $6 million (2010: Nil) for the Bank, their carrying amounts were $1 (2010: Nil) for the Bank Group and $2 (2010: Nil) for the Bank at the time of sale.
(b) Includes dividend income of $24 million (2010: $22 million) for the Bank Group; and $177 million (2010: $137 million) for the Bank.
(c) Includes fair value impact of hedges for the financial investments.

10 Other Income

	Bank Group		Bank	
In $ millions	**2011**	**2010**	**2011**	**2010**
Rental income	**19**	19	**5**	5
Net gain on sale of properties and other fixed assets	**19**	103	**1**	8
Others [(a)]	**92**	24	**138**	10
Total	**130**	146	**144**	23

(a) 2011 includes a gain from disposal of DBS Asset Management, amounting to $47 million for the Bank Group and $120 million for the Bank.

11 Employee Benefits

	Bank Group		Bank	
In $ millions	**2011**	**2010**	**2011**	**2010**
Salary and bonus	**1,434**	1,207	**922**	750
Contributions to defined contribution plans	**83**	69	**51**	40
Share-based expenses	**54**	40	**46**	34
Others	**141**	106	**102**	82
Total	**1,712**	1,422	**1,121**	906

12 Other Expenses

In $ millions	Bank Group 2011	Bank Group 2010	Bank 2011	Bank 2010
Computerisation expenses[(a)]	**640**	569	**477**	407
Occupancy expenses[(b)]	**291**	269	**171**	152
Revenue-related expenses	**170**	136	**124**	100
Others[(c)]	**484**	526	**302**	245
Total	**1,585**	1,500	**1,074**	904

(a) Includes hire and maintenance of computer hardware and software.
(b) Includes rental expenses of office and branch premises of $148 million (2010: $139 million) for the Bank Group, and $91 million (2010: $84 million) for the Bank; as well as amounts incurred in the maintenance and service of buildings owned by the Bank Group's subsidiary companies.
(c) Includes office administration expenses (e.g. printing and stationary, telecommunications,etc), legal and professional fees.

Included in the above table are:

In $ millions	Bank Group 2011	Bank Group 2010	Bank 2011	Bank 2010
Depreciation expense	**185**	193	**114**	113
Hire and maintenance of fixed assets, including building-related expenses	**277**	267	**182**	171
Expenses on investment properties	**1**	2	#	#
Audit fees payable to external auditors[(a)]				
- Singapore	**3**	3	**3**	3
- Outside Singapore	**3**	3	**1**	1
Non audit fees payable to external auditors[(a)]				
- Singapore	**#**	1	**#**	1
- Outside Singapore	**1**	2	**#**	#

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

13 Allowances for Credit and Other Losses

In $ millions	Bank Group 2011	Bank Group 2010	Bank 2011	Bank 2010
Loans and advances to customers (Note 19)	**638**	796	**517**	647
Financial investments				
- Available-for-sale	**4**	(18)	**3**	(18)
- Loans and receivables (Note 20)	**17**	38	**18**	38
Investment in subsidiaries (Note 22)	**-**	-	**(6)**	13
Properties and other fixed assets (Note 26)	**1**	(2)	**1**	(2)
Off-balance sheet credit exposures (Note 31)	**26**	36	**22**	34
Others (bank loans and sundry debtors)	**36**	61	**32**	45
Total	**722**	911	**587**	757

14 Income Tax Expense

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

In $ millions	Bank Group 2011	Bank Group 2010	Bank 2011	Bank 2010
Current tax expense				
- Current year	**582**	490	**415**	382
- Prior years' provision	**(113)**	(35)	**(109)**	(22)
Deferred tax expense				
- Effect of change in tax rate	**1**	-	**1**	-
- Origination of temporary differences	**(27)**	(1)	**18**	(1)
- Prior years' provision	**-**	-	**-**	(2)
Total	**443**	454	**325**	357

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

In $ millions	Bank Group 2011	Bank Group 2010	Bank 2011	Bank 2010
Accelerated tax depreciation	**(4)**	(9)	**4**	(1)
Allowances for loan losses	**8**	10	**22**	9
Other temporary differences	**(30)**	1	**(7)**	(11)
Available-for-sale investments	**-**	(3)	**-**	-
Deferred tax credit to income statement	**(26)**	(1)	**19**	(3)

The tax on the Bank Group's profit (before share of profits of associates) and the Bank's profit differ from the theoretical amount that would arise using the Singapore basic tax rate as follows:

In $ millions	Bank Group 2011	Bank Group 2010	Bank 2011	Bank 2010
Profit	**3,612**	2,215	**2,973**	2,903
Prima facie tax calculated at a tax rate of 17% (2010: 17%)	**614**	376	**505**	493
Effect of different tax rates in other countries	**55**	35	**43**	28
Effect of change in tax rate	**1**	-	**1**	-
Net Income not subject to tax	**(62)**	(61)	**(84)**	(38)
Net Income taxed at concessionary rate	**(62)**	(54)	**(56)**	(65)
Non-tax deductible provisions	**-**	-	**(1)**	2
Goodwill charges not deductible for tax purposes	**-**	173	**-**	-
Others	**(103)**	(15)	**(83)**	(63)
Income tax expense charged to income statement	**443**	454	**325**	357

Refer to Note 27 for further information on deferred tax assets/liabilities.

15 Measurement Basis of Financial Instruments

	Bank Group 2011					
In $ millions	**Held for trading**	**Designated at fair value through profit or loss**	**Loans and receivables /amortised cost**	**Available-for-sale**	**Hedging derivatives**	**Total**
ASSETS						
Cash and balances with central banks	-	-	23,397	1,903	-	25,300
Singapore Government securities and treasury bills	2,039	-	-	10,464	-	12,503
Due from banks	-	-	24,193	1,378	-	25,571
Financial assets at fair value through profit or loss	11,394	533	-	-	-	11,927
Positive fair values for financial derivatives	20,989	-	-	-	175	21,164
Loans and advances to customers	-	-	194,275	-	-	194,275
Financial investments	-	-	9,244	21,247	-	30,491
Securities pledged	1,361	-	-	1,273	-	2,634
Other assets	-	-	9,751	-	-	9,751
Total financial assets	35,783	533	260,860	36,265	175	333,616
Other asset items outside the scope of FRS 39 [(a)]						7,248
Total assets						340,864
LIABILITIES						
Due to banks	-	-	27,601	-	-	27,601
Due to non-bank customers	-	-	218,992	-	-	218,992
Financial liabilities at fair value through profit or loss	6,764	5,148	-	-	-	11,912
Negative fair values for financial derivatives	21,806	-	-	-	401	22,207
Bills payable	-	-	254	-	-	254
Other liabilities	-	-	10,032	-	-	10,032
Other debt securities in issue	-	-	10,354	-	-	10,354
Due to holding company	-	-	1,533	-	-	1,533
Subordinated term debts	-	-	5,304	-	-	5,304
Total financial liabilities	28,570	5,148	274,070	-	401	308,189
Other liability items outside the scope of FRS 39 [(b)]						1,116
Total liabilities						309,305

(a) Includes investments in associates, goodwill on consolidation, properties and other fixed assets, investment properties and deferred tax assets.
(b) Includes current tax liabilities, deferred tax liabilities and provision for loss in respect of off-balance sheet credit exposures.

	Bank Group 2010					
In $ millions	**Held for trading**	**Designated at fair value through profit or loss**	**Loans and receivables /amortised cost**	**Available-for-sale**	**Hedging derivatives**	**Total**
ASSETS						
Cash and balances with central banks	-	-	31,200	-	-	31,200
Singapore Government securities and treasury bills	1,815	-	-	9,731	-	11,546
Due from banks	-	-	20,074	232	-	20,306
Financial assets at fair value through profit or loss	9,618	561	-	-	-	10,179
Positive fair values for financial derivatives	16,563	-	-	-	204	16,767
Loans and advances to customers	-	-	151,698	-	-	151,698
Financial investments	-	-	7,140	19,410	-	26,550
Securities pledged	992	-	-	990	-	1,982
Other assets	-	-	6,400	-	-	6,400
Total financial assets	28,988	561	216,512	30,363	204	276,628
Other asset items outside the scope of FRS 39 [(a)]						7,100
Total assets						283,728
LIABILITIES						
Due to banks	-	-	18,811	-	-	18,811
Due to non-bank customers	-	-	187,695	-	-	187,695
Financial liabilities at fair value through profit or loss	7,196	3,032	-	-	-	10,228
Negative fair values for financial derivatives	16,907	-	-	-	315	17,222
Bills payable	-	-	601	-	-	601
Other liabilities	-	-	6,352	-	-	6,352
Other debt securities in issue	-	-	2,160	-	-	2,160
Due to holding company	-	-	2,362	-	-	2,362
Subordinated term debts	-	-	6,398	-	-	6,398
Total financial liabilities	24,103	3,032	224,379	-	315	251,829
Other liability items outside the scope of FRS 39 [(b)]						1,137
Total liabilities						252,966

(a) Includes investments in associates, goodwill on consolidation, properties and other fixed assets, investment properties and deferred tax assets.
(b) Includes current tax liabilities, deferred tax liabilities and provision for loss in respect of off-balance sheet credit exposures.

	Bank					
	2011					
In $ millions	Held for trading	Designated at fair value through profit or loss	Loans and receivables /amortised cost	Available-for-sale	Hedging derivatives	Total
ASSETS						
Cash and balances with central banks	-	-	19,825	1,903	-	21,728
Singapore Government securities and treasury bills	2,039	-	-	10,464	-	12,503
Due from banks	-	-	18,260	1,277	-	19,537
Financial assets at fair value through profit or loss	9,347	520	-	-	-	9,867
Positive fair values for financial derivatives	20,915	-	-	-	119	21,034
Loans and advances to customers	-	-	149,600	-	-	149,600
Financial investments	-	-	8,987	16,338	-	25,325
Securities pledged	245	-	-	991	-	1,236
Due from subsidiaries	-	-	4,063	-	-	4,063
Due from special purpose entities	-	-	15	-	-	15
Other assets	-	-	4,933	-	-	4,933
Total financial assets	32,546	520	205,683	30,973	119	269,841
Other asset items outside the scope of FRS 39 [(a)]						12,052
Total assets						281,893
LIABILITIES						
Due to banks	-	-	25,846	-	-	25,846
Due to non-bank customers			176,684			176,684
Financial liabilities at fair value through profit or loss	5,385	505	-	-	-	5,890
Negative fair values for financial derivatives	21,691	-	-	-	318	22,009
Bills payable	-	-	204	-	-	204
Other liabilities	-	-	4,751	-	-	4,751
Other debt securities in issue	-	-	7,609	-	-	7,609
Due to holding company	-	-	1,533	-	-	1,533
Due to subsidiaries	-	-	2,449	-	-	2,449
Due to special purpose entities	-	-	112	-	-	112
Subordinated term debts	-	-	5,304	-	-	5,304
Total financial liabilities	27,076	505	224,492	-	318	252,391
Other liability items outside the scope of FRS 39 [(b)]						978
Total liabilities						253,369

(a) Includes investments in subsidiaries, joint ventures and associates, properties and other fixed assets, investment properties and deferred tax assets.
(b) Includes current tax liabilities, deferred tax liabilities and provision for loss in respect of off-balance sheet credit exposures.

	Bank					
	2010					
In $ millions	Held for trading	Designated at fair value through profit or loss	Loans and receivables /amortised cost	Available-for-sale	Hedging derivatives	Total
ASSETS						
Cash and balances with central banks	-	-	29,217	-	-	29,217
Singapore Government securities and treasury bills	1,815	-	-	9,731	-	11,546
Due from banks	-	-	13,968	232	-	14,200
Financial assets at fair value through profit or loss	8,762	542	-	-	-	9,304
Positive fair values for financial derivatives	16,457	-	-	-	175	16,632
Loans and advances to customers	-	-	117,747	-	-	117,747
Financial investments		-	6,655	14,978	-	21,633
Securities pledged	28	-	-	684	-	712
Due from subsidiaries	-	-	1,913	-	-	1,913
Due from special purpose entities	-	-	-	-	-	-
Other assets	-	-	4,057	-	-	4,057
Total financial assets	27,062	542	173,557	25,625	175	226,961
Other asset items outside the scope of FRS 39 [(a)]						11,511
Total assets						238,472
LIABILITIES						
Due to banks	-	-	17,548	-	-	17,548
Due to non-bank customers	-	-	147,763	-	-	147,763
Financial liabilities at fair value through profit or loss	6,226	386	-	-	-	6,612
Negative fair values for financial derivatives	16,669	-	-	-	234	16,903
Bills payable	-	-	560	-	-	560
Other liabilities	-	-	3,346	-	-	3,346
Other debt securities in issue	-	-	1,194	-	-	1,194
Due to holding company	-	-	2,362	-	-	2,362
Due to subsidiaries	-	-	7,549	-	-	7,549
Due to special purpose entities	-	-	130	-	-	130
Subordinated term debts	-	-	6,398	-	-	6,398
Total financial liabilities	22,895	386	186,850	-	234	210,365
Other liability items outside the scope of FRS 39 [(b)]						990
Total liabilities						211,355

(a) Includes investments in subsidiaries, joint ventures and associates, properties and other fixed assets, investment properties and deferred tax assets.
(b) Includes current tax liabilities, deferred tax liabilities and provision for loss in respect of-balance sheet credit exposures.

In 2008, the Bank Group and Bank reclassified certain financial assets which were no longer held for selling in the near term, out of the held for trading category into the available-for-sale category. If the Bank Group and Bank had not reclassified the financial assets, fair value gains recognised for the year in respect of the reclassified assets outstanding at year end would have amounted to $1 million (2010: gains of $37 million) in the income statement.

In the previous financial years, the Bank Group and Bank also reclassified certain financial assets out of the held for trading and available-for-sale categories into the loans and receivables category. The Bank Group and Bank has the intention and ability to hold these reclassified assets for the foreseeable future or until maturity. If the Bank Group and Bank had not reclassified the available-for-sale assets, fair value losses recognised for the year in respect of the reclassified assets outstanding at year end would have amounted to $16 million (2010: losses of $4 million) and $7 million (2010: losses of $1 million) in the revaluation reserves of the Bank Group and Bank respectively. If the Bank Group and Bank had not reclassified the held for trading assets, fair value gains or losses recognised for the year in respect of the reclassified assets outstanding at year end would have been insignificant.

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

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

In $ millions		Bank			
		2011		2010	
Reclassified from	**Reclassified to**	**Fair values**	**Carrying amounts**	**Fair values**	**Carrying amounts**
Reclassified in 2009 Held for trading	Loans and receivables	**17**	**17**	51	51
Reclassified in 2008 Held for trading	Available-for-sale	**635**	**635**	895	895
Available-for-sale	Loans and receivables	**349**	**348**	350	341
Total		**1,001**	**1,000**	1,296	1,287

16 Cash and Balances with Central Banks

In $ millions	Bank Group 2011	Bank Group 2010	Bank 2011	Bank 2010
Cash on hand	**1,625**	1,366	**1,506**	1,261
Balances with central banks				
- Restricted balances [(a)]	**6,413**	6,091	**4,154**	4,795
- Non-restricted balances	**17,262**	23,743	**16,068**	23,161
Total	**25,300**	31,200	**21,728**	29,217

(a) Mandatory balances with central banks.

17 Singapore Government Securities and Treasury Bills

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

18 Financial Assets at Fair Value through Profit or Loss

In $ millions	Bank Group 2011	Bank Group 2010	Bank 2011	Bank 2010
Trading				
Other government securities and treasury bills	**5,662**	2,845	**4,476**	2,187
Corporate debt securities	**3,892**	3,435	**3,565**	3,237
Equity securities	**229**	346	**229**	346
Other financial assets (due from banks)	**1,611**	2,992	**1,077**	2,992
Sub-total	**11,394**	9,618	**9,347**	8,762
Fair value designated				
Corporate debt securities	**88**	166	**75**	147
Loans and advances to customers	**445**	395	**445**	395
Sub-total	**533**	561	**520**	542
Total	**11,927**	10,179	**9,867**	9,304

Corporate debt, equity and government securities

In $ millions	Bank Group 2011	Bank Group 2010	Bank 2011	Bank 2010
Analysed by industry				
Manufacturing	**313**	437	**286**	437
Building and construction	**227**	156	**227**	156
General commerce	**148**	99	**134**	66
Transportation, storage and communications	**340**	361	**284**	311
Financial institutions, investment and holding companies	**2,448**	2,130	**2,288**	2,063
Government	**5,662**	2,845	**4,476**	2,187
Others	**733**	764	**650**	697
Total	**9,871**	6,792	**8,345**	5,917
Analysed by geography [(a)]				
Singapore	**1,173**	551	**1,173**	551
Hong Kong	**494**	542	**372**	447
Rest of Greater China	**2,029**	559	**1,066**	324
South and Southeast Asia	**2,910**	2,837	**2,617**	2,379
Rest of the world	**3,265**	2,303	**3,117**	2,216
Total	**9,871**	6,792	**8,345**	5,917

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

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

Changes in fair value arising from changes in credit risk are determined as the amount of change in their fair value that is not attributable to changes in market conditions that give rise to market risk. Changes in market conditions that give rise to market risk include changes in a benchmark interest rate, foreign exchange rate or index of prices or rates.

Bank Group:
During the year, the amount of change in the fair value of the loans and advances attributable to credit risk was $63 million (2010: $2 million). During the year, the amount of change in the fair value of the related credit derivatives/enhancements was $63 million (2010: $2 million).

Bank:
During the year, the amount of change in the fair value of the loans and advances attributable to credit risk was $63 million (2010: $1 million). During the year, the amount of change in the fair value of the related credit derivatives/ enhancements was $63 million (2010: Nil).

19 Loans and Advances to Customers

	Bank Group		Bank	
In $ millions	**2011**	**2010**	**2011**	**2010**
Gross	**197,827**	154,722	**152,487**	120,152
Less: Specific allowances	**1,188**	1,152	**869**	786
General allowances	**1,919**	1,476	**1,573**	1,223
	194,720	152,094	**150,045**	118,143
Of which: loans and advances held at fair value through profit or loss (Note 18)	**445**	395	**445**	395
	194,275	151,698	**149,600**	117,747
Comprising:				
Bills receivable	**24,980**	8,287	**18,352**	7,999
Loans	**169,295**	143,411	**131,248**	109,748
Net total	**194,275**	151,698	**149,600**	117,747
Analysed by industry [(a)]				
Manufacturing	**24,872**	19,217	**18,641**	14,359
Building and construction	**28,527**	21,385	**22,142**	15,618
Housing loans	**41,322**	38,676	**33,080**	30,201
General commerce	**34,159**	16,732	**19,215**	10,170
Transportation, storage and communications	**16,929**	14,378	**14,764**	12,171
Financial institutions, investment and holding companies	**19,743**	18,517	**18,636**	17,417
Professionals and private individuals (except housing loans)	**12,800**	11,142	**9,478**	7,992
Others	**19,475**	14,675	**16,531**	12,224
Gross total	**197,827**	154,722	**152,487**	120,152
Analysed by product				
Long-term loans	**87,860**	72,316	**70,297**	56,790
Short-term facilities	**40,204**	32,096	**28,475**	22,862
Overdrafts	**3,317**	3,261	**2,124**	2,194
Housing loans	**41,322**	38,675	**33,081**	30,201
Bills receivable	**25,124**	8,374	**18,510**	8,105
Gross total	**197,827**	154,722	**152,487**	120,152
Analysed by currency				
Singapore dollar	**78,756**	67,439	**78,724**	67,367
Hong Kong dollar	**31,511**	30,478	**9,102**	8,683
US dollar	**61,007**	38,094	**49,607**	32,088
Others	**26,553**	18,711	**15,054**	12,014
Gross total	**197,827**	154,722	**152,487**	120,152
Analysed by geography [(b)]				
Singapore	**89,427**	74,595	**90,462**	74,466
Hong Kong	**40,369**	36,688	**14,315**	12,526
Rest of Greater China	**30,147**	13,495	**14,291**	6,865
South and Southeast Asia	**19,290**	13,976	**15,588**	11,153
Rest of the world	**18,594**	15,968	**17,831**	15,142
Gross total	**197,827**	154,722	**152,487**	120,152

(a) The industry classifications have been prepared at the level of the borrowing entity. A loan to an entity is classified by the industry in which it operates, even though its parent or group's main business may be in a different industry.
(b) Based on the country in which the borrower is incorporated.

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

	Bank Group 2011				
In $ millions	**Balance at 1 January**	**Charge/(Write back) to income statement**	**Net write-off during the year**	**Exchange and other movements**	**Balance at 31 December**
Specific allowances					
Manufacturing	**305**	**(29)**	**(55)**	**2**	**223**
Building and construction	**24**	**14**	**(2)**	**1**	**37**
Housing loans	**15**	**(6)**	**2**	**-**	**11**
General commerce	**101**	**55**	**(32)**	**1**	**125**
Transportation, storage and communications	**180**	**99**	**(1)**	**4**	**282**
Financial institutions, investment and holding companies	**380**	**29**	**(23)**	**6**	**392**
Professionals and private individuals (except housing loans)	**69**	**54**	**(61)**	**1**	**63**
Others	**78**	**(22)**	**(5)**	**4**	**55**
Total specific allowances	**1,152**	**194**	**(177)**	**19**	**1,188**
General allowances					
Manufacturing	**230**	**68**	**-**	**-**	**298**
Building and construction	**261**	**84**	**-**	**(1)**	**344**
Housing loans	**48**	**5**	**-**	**-**	**53**
General commerce	**203**	**209**	**-**	**-**	**412**
Transportation, storage and communications	**173**	**28**	**-**	**-**	**201**
Financial institutions, investment and holding companies	**221**	**13**	**-**	**-**	**234**
Professionals and private individuals (except housing loans)	**135**	**19**	**-**	**-**	**154**
Others	**205**	**18**	**-**	**-**	**223**
Total general allowances	**1,476**	**444**	**-**	**(1)**	**1,919**
Total allowances	**2,628**	**638**	**(177)**	**18**	**3,107**

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

	Bank 2011				
In $ millions	Balance at 1 January	Charge/(Write-back) to income statement	Net write-off during the year	Exchange and other movements	Balance at 31 December
Specific allowances					
Manufacturing	136	(1)	(20)	2	117
Building and construction	11	17	(1)	-	27
Housing loans	15	(6)	1	-	10
General commerce	50	14	1	1	66
Transportation, storage and communications	164	98	-	4	266
Financial institutions, investment and holding companies	339	25	(30)	5	339
Professionals and private individuals (except housing loans)	32	32	(40)	-	24
Others	39	(22)	1	2	20
Total specific allowances	786	157	(88)	14	869
General allowances					
Manufacturing	181	56	-	(1)	236
Building and construction	199	84	-	(2)	281
Housing loans	40	7	-	(1)	46
General commerce	129	117	-	(2)	244
Transportation, storage and communications	153	32	-	(1)	184
Financial institutions, investment and holding companies	217	17	-	(1)	233
Professionals and private individuals (except housing loans)	101	20	-	(1)	120
Others	203	27	-	(1)	229
Total general allowances	1,223	360	-	(10)	1,573
Total allowances	2,009	517	(88)	4	2,442

In $ millions	Balance at 1 January	Charge/(Write-back) to income statement	Net write-off during the year	Exchange and other movements	Balance at 31 December
			Bank 2010		
Specific allowances					
Manufacturing	148	8	(15)	(5)	136
Building and construction	13	(2)	-	-	11
Housing loans	27	(9)	(2)	(1)	15
General commerce	133	81	(162)	(2)	50
Transportation, storage and communications	91	88	(9)	(6)	164
Financial institutions, investment and holding companies	472	283	(403)	(13)	339
Professionals and private individuals (except housing loans)	44	27	(38)	(1)	32
Others	32	13	(5)	(1)	39
Total specific allowances	960	489	(634)	(29)	786
General allowances					
Manufacturing	144	38	-	(1)	181
Building and construction	176	25	-	(2)	199
Housing loans	40	-	-	-	40
General commerce	109	21	-	(1)	129
Transportation, storage and communications	130	24	-	(1)	153
Financial institutions, investment and holding companies	207	12	-	(2)	217
Professionals and private individuals (except housing loans)	98	4	-	(1)	101
Others	171	34	-	(2)	203
Total general allowances	1,075	158	-	(10)	1,223
Total allowances	2,035	647	(634)	(39)	2,009

20 Financial Investments

In $ millions	Bank Group 2011	Bank Group 2010	Bank 2011	Bank 2010
Available-for-sale				
Quoted other government securities and treasury bills	**9,616**	8,345	**7,004**	6,384
Quoted corporate debt securities	**10,474**	9,922	**8,260**	7,501
Quoted equity securities	**654**	818	**591**	785
Unquoted equity securities	**503**	325	**483**	308
Available-for-sale financial investments	**21,247**	19,410	**16,338**	14,978
Loans and receivables				
Other government securities and treasury bills	**107**	128	**-**	-
Corporate debt securities	**9,258**	7,140	**9,108**	6,781
Less: Impairment allowances for corporate debt securities	**121**	128	**121**	126
Loans and receivables financial investments	**9,244**	7,140	**8,987**	6,655
Total	**30,491**	26,550	**25,325**	21,633
Market value of debt securities and quoted equity securities	**30,095**	26,286	**24,950**	21,380
Analysed by industry				
Manufacturing	**586**	726	**567**	701
Building and construction	**1,623**	1,257	**1,523**	1,141
General commerce	**563**	612	**316**	313
Transportation, storage and communications	**1,963**	1,769	**1,916**	1,722
Financial institutions, investment and holding companies	**10,738**	9,698	**8,966**	7,609
Government	**9,723**	8,473	**7,004**	6,384
Others	**5,295**	4,015	**5,033**	3,763
Total carrying value	**30,491**	26,550	**25,325**	21,633

In $ millions	Bank Group 2011	Bank Group 2010	Bank 2011	Bank 2010
Analysed by geography[(a)]				
Singapore	**6,632**	4,584	**6,582**	4,553
Hong Kong	**2,823**	2,028	**1,134**	960
Rest of Greater China	**1,586**	1,306	**909**	696
South and Southeast Asia	**2,378**	2,080	**1,914**	1,643
Rest of the World	**17,072**	16,552	**14,786**	13,781
Total carrying value	**30,491**	26,550	**25,325**	21,633

(a) Based on the country of incorporation of issuer

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

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

In $ millions	Bank Balance at 1 January	Charge to income statement	Net write-off during the year	Exchange and other movements	Balance at 31 December
2011					
Loans and receivables					
Corporate debt securities	**126**	**18**	**(25)**	**2**	**121**
2010					
Loans and receivables					
Corporate debt securities	168	38	(76)	(4)	126

21 Securities Pledged

In $ millions	Bank Group 2011	Bank Group 2010	Bank 2011	Bank 2010
Securities pledged				
Singapore Government securities and treasury bills	**756**	414	**756**	414
Other government securities and treasury bills	**1,856**	1,556	**458**	286
Corporate debt securities	**22**	12	**22**	12
Total securities pledged[(a)]	**2,634**	1,982	**1,236**	712
Related liabilities	**2,627**	1,981	**1,233**	705

(a) Includes financial assets at fair value through profit or loss of $1,361 million (2010: $992 million) for the Bank Group; and $245 million (2010: $28 million) for the Bank.

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

22 Subsidiaries

In $ millions	Bank 2011	Bank 2010
Unquoted equity shares [(a)]	**11,185**	10,786
Less: Impairment allowances	**813**	819
Sub-total	**10,372**	9,967
Due from subsidiaries	**4,063**	1,913
Total	**14,435**	11,880

(a) The carrying amounts of certain investments which are designated as hedged items in a fair value hedge are adjusted for fair value changes attributable to the hedged risks.

Movements in impairment allowances during the year are as follows:

In $ millions	Bank 2011	Bank 2010
Balance at 1 January	**819**	806
(Write-back)/charge to income statement	**(6)**	13
Balance at 31 December	**813**	819

Refer to Note 51 for details of main operating subsidiaries.

23 Investments in Joint Ventures

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

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

Refer to Note 51 for details of main joint ventures.

24 Investments in Associates

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

In $ millions	Bank 2011	Bank 2010
Quoted investments in associates [(a)]	**1,199**	1,202
Unquoted investments in associates at cost	**190**	66
Less: Impairment allowances	**280**	280
Net book value	**1,109**	988
Market value of quoted associates	**1,190**	1,249

(a) The carrying amounts of certain investments which are designated as hedged items in a fair value hedge are adjusted for fair value changes attributable to the hedged risks.

The Bank Group's share of income and expenses, assets and liabilities and off-balance sheet items of associates at 31 December are as follows:

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

Refer to Note 51 for details of main associates.

25 Goodwill on Consolidation

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

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

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

In $ millions	**2011**	**2010**
DBS Bank (Hong Kong) Limited	**4,631**	4,631
DBS Vickers Securities Holdings Pte Ltd	**154**	154
Primefield Company Pte Ltd	**17**	17
Total	**4,802**	4,802

Key assumptions used for value-in-use calculations:

	DBS Bank (Hong Kong) Limited	**DBS Vickers Securities Holdings Pte Ltd**
Growth rate[(a)]	**4.5%**	**4.0%**
Discount rate[(a)]	**9.5%**	**9.0%**

(a) No change from 2010

The recoverable amounts are determined based on a value-in-use calculation. These calculations use cash flow projections based on financial budgets and forecasts approved by senior management, taking into account projected regulatory capital requirements. The recoverable value is determined by discounting the cash flow projections to their present values. The terminal value reflecting all periods beyond the fifth year is calculated based on the forecast fifth year profit, the cost of equity and the long term growth rate stated above. The growth rates do not exceed the long-term average growth rate for the market in which the businesses operate.

The process of evaluating goodwill impairment requires significant management judgement, the results of which are highly sensitive to the assumptions used. The review of goodwill impairment represents management's best estimate of the various factors, including the future cash flows and the discount and growth rates used.

If the estimated long term growth rates for DBS Bank (Hong Kong) Limited and DBS Vickers Securities Holdings Pte Ltd are reduced by 25 basis points or the estimated discount rates increased by 25 basis points, the potential impact on the carrying value for these entities are not material. On this basis, the Bank Group concluded that goodwill remains recoverable at 31 December 2011. However, if conditions in Hong Kong and the banking industry deteriorate and turn out to be significantly worse than anticipated in the Bank Group's performance forecast, the goodwill may be further impaired in future periods.

26 Properties and Other Fixed Assets

The Bank Group leases out investment properties under operating leases. The leases typically run for an initial period of one to five years, and may contain an option to renew the lease after that date at which time all terms will be renegotiated. None of the leases include contingent rentals.

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

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

In $ millions	Investment property	Bank Group Non-investment property Owner-occupied property	Other fixed assets[a]	Subtotal of non-investment property	Total
	(1)	(2)	(3)	(4)=(2+3)	(5)=(1+4)
2011					
Cost					
Balance at 1 January	**465**	**825**	**911**	**1,736**	**2,201**
Additions	**-**	**3**	**174**	**177**	**177**
Disposals	**(3)**	**(45)**	**(63)**	**(108)**	**(111)**
Transfer	**27**	**(27)**	**-**	**(27)**	**-**
Exchange differences	**2**	**4**	**5**	**9**	**11**
Balance at 31 December	**491**	**760**	**1,027**	**1,787**	**2,278**
Less: Accumulated depreciation					
Balance at 1 January	**107**	**126**	**517**	**643**	**750**
Depreciation charge	**5**	**18**	**162**	**180**	**185**
Disposals	**(1)**	**(15)**	**(55)**	**(70)**	**(71)**
Transfer	**8**	**(8)**	**-**	**(8)**	**-**
Exchange differences	**-**	**3**	**1**	**4**	**4**
Balance at 31 December	**119**	**124**	**625**	**749**	**868**
Less: Allowances for impairment	**-**	**62**	**-**	**62**	**62**
Net book value at 31 December	**372**	**574**	**402**	**976**	**1,348**
Market value at 31 December	**532**	**994**	**-**	**-**	**-**
2010					
Cost					
Balance at 1 January	502	944	919	1,863	2,365
Additions	-	21	155	176	176
Disposals	(71)	(45)	(126)	(171)	(242)
Transfer	31	(31)	-	(31)	-
Exchange differences	3	(64)	(37)	(101)	(98)
Balance at 31 December	465	825	911	1,736	2,201
Less: Accumulated depreciation					
Balance at 1 January	104	164	491	655	759
Depreciation charge	6	23	164	187	193
Disposals	(16)	(24)	(113)	(137)	(153)
Transfer	3	(3)	-	(3)	-
Exchange differences	10	(34)	(25)	(59)	(49)
Balance at 31 December	107	126	517	643	750
Less: Allowances for impairment	-	68	-	68	68
Net book value at 31 December	358	631	394	1,025	1,383
Market value at 31 December	497	999	-	-	-

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

In $ millions	Investment property	Bank Non-investment property Owner-occupied property	Other fixed assets[a]	Subtotal of non-investment property	Total
	(1)	(2)	(3)	(4)=(2+3)	(5)=(1+4)
2011					
Cost					
Balance at 1 January	72	304	582	886	958
Additions	-	1	135	136	136
Disposals	(2)	(24)	(42)	(66)	(68)
Transfer	(10)	10	-	10	-
Exchange differences	-	-	-	-	-
Balance at 31 December	60	291	675	966	1,026
Less: Accumulated depreciation					
Balance at 1 January	18	71	315	386	404
Depreciation charge	1	8	105	113	114
Disposals	(3)	(6)	(36)	(42)	(45)
Transfer	1	(1)	-	(1)	-
Exchange differences	-	-	-	-	-
Balance at 31 December	17	72	384	456	473
Less: Allowances for impairment	-	43	-	43	43
Net book value at 31 December	43	176	291	467	510
Market value at 31 December	43	293			
2010					
Cost					
Balance at 1 January	46	354	553	907	953
Additions	-	3	130	133	133
Disposals	(5)	(22)	(101)	(123)	(128)
Transfer	31	(31)	-	(31)	-
Exchange differences	-	-	-	-	-
Balance at 31 December	72	304	582	886	958
Less: Accumulated depreciation					
Balance at 1 January	15	73	306	379	394
Depreciation charge	1	9	103	112	113
Disposals	(1)	(8)	(94)	(102)	(103)
Transfer	3	(3)	-	(3)	-
Exchange differences	-	-	-	-	-
Balance at 31 December	18	71	315	386	404
Less: Allowances for impairment	-	49	-	49	49
Net book value at 31 December	54	184	267	451	505
Market value at 31 December	89	245			

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

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

In $ millions	Bank Group 2011	Bank Group 2010	Bank 2011	Bank 2010
Balance at 1 January	**68**	74	**49**	55
Charge/(writeback) to income statement	**1**	(2)	**1**	(2)
Net write-off	**(6)**	-	**(6)**	-
Exchange and other movement	**(1)**	(4)	**(1)**	(4)
Balance at 31 December	**62**	68	**43**	49

26.1 The net book value of PWC Building, being property held both for the purpose of generating rental income and for owner occupancy, was $410 million as at 31 December 2011 (2010: $416 million). Its fair value was independently appraised at $578 million (2010: $560 million).

27 Deferred Tax Assets/Liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. The deferred tax assets and liabilities are to be recovered and settled after one year and the following amounts, determined after appropriate offsetting, are shown in the balance sheet.

	Bank Group		Bank	
In $ millions	**2011**	**2010**	**2011**	**2010**
Deferred tax assets	**149**	102	**60**	50
Deferred tax liabilities	**(30)**	(40)	**-**	-
Total	**119**	62	**60**	50

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

		Bank Group 2011		
In $ millions				
Deferred income tax assets		**Allowances for losses**	**Other temporary differences**	**Total**
Balance at 1 January		**150**	**39**	**189**
Credit/(Charge) to income statement		**(8)**	**45**	**37**
Balance at 31 December		**142**	**84**	**226**
Deferred income tax liabilities	**Accelerated tax depreciation**	**Available-for-sale investments and others**	**Other temporary differences**	**Total**
Balance at 1 January	**(86)**	**(34)**	**(7)**	**(127)**
Credit/(Charge) to income statement	**4**	**-**	**(15)**	**(11)**
Credit to equity	**-**	**31**	**-**	**31**
Balance at 31 December	**(82)**	**(3)**	**(22)**	**(107)**

		Bank Group 2010		
In $ millions				
Deferred income tax assets		**Allowances for losses**	**Other temporary differences**	**Total**
Balance at 1 January		173	44	217
Disposal of joint venture		(13)	-	(13)
Charge to income statement		(10)	(5)	(15)
Balance at 31 December		150	39	189
Deferred income tax liabilities	**Accelerated tax depreciation**	**Available-for-sale investments and others**	**Other temporary differences**	**Total**
Balance at 1 January	(107)	(9)	(11)	(127)
Credit to income statement	9	3	4	16
Credit/(Charge) to equity	12	(28)	-	(16)
Balance at 31 December	(86)	(34)	(7)	(127)

In $ millions			Bank 2011	
Deferred income tax assets		**Allowances for losses**	**Other temporary differences**	**Total**
Balance at 1 January		**96**	**18**	**114**
Credit/(Charge) to income statement		**(22)**	**21**	**(1)**
Balance at 31 December		**74**	**39**	**113**
Deferred income tax liabilities	**Accelerated tax depreciation**	**Available-for-sale investments and others**	**Other temporary differences**	**Total**
Balance at 1 January	**(28)**	**(32)**	**(4)**	**(64)**
(Charge) to income statement	**(4)**	**-**	**(14)**	**(18)**
Charge to equity	**-**	**29**	**-**	**29**
Balance at 31 December	**(32)**	**(3)**	**(18)**	**(53)**

In $ millions			Bank 2010	
Deferred income tax assets		**Allowances for losses**	**Other temporary differences**	**Total**
Balance at 1 January		105	16	121
Credit/(Charge) to income statement		(9)	2	(7)
Balance at 31 December		96	18	114
Deferred income tax liabilities	**Accelerated tax depreciation**	**Available-for-sale investments and others**	**Other temporary differences**	**Total**
Balance at 1 January	(29)	(2)	(13)	(44)
Credit to income statement	1	-	9	10
Charge to equity	-	(30)	-	(30)
Balance at 31 December	(28)	(32)	(4)	(64)

28 Other Assets

	Bank Group		Bank	
In $ millions	**2011**	**2010**	**2011**	**2010**
Accrued interest receivable	**847**	713	**572**	509
Deposits and prepayments	**263**	277	**210**	218
Clients' monies receivable from securities business	**435**	798	**-**	-
Sundry debtors and others	**8,206**	4,612	**4,151**	3,330
Total	**9,751**	6,400	**4,933**	4,057

29 Due to Non-Bank Customers

	Bank Group		Bank	
In $ millions	**2011**	**2010**	**2011**	**2010**
Due to Non-bank customers	**218,992**	187,695	**176,684**	147,763
Due to Non-bank customers which are at fair value through profit or loss (Note 30)	**6,354**	5,997	**1,827**	3,538
Total Due to Non-bank customers	**225,346**	193,692	**178,511**	151,301
Analysed by currency				
Singapore dollar	**122,992**	112,228	**122,234**	111,756
US dollar	**40,336**	30,022	**31,987**	21,020
Hong Kong dollar	**21,733**	23,220	**2,395**	3,065
Others	**40,285**	28,222	**21,895**	15,460
Total	**225,346**	193,692	**178,511**	151,301
Analysed by product				
Savings accounts	**97,314**	88,789	**87,345**	77,303
Current accounts	**38,145**	30,115	**33,413**	25,491
Fixed deposits	**82,922**	71,380	**51,727**	45,576
Other deposits	**6,965**	3,408	**6,026**	2,931
Total	**225,346**	193,692	**178,511**	151,301

30 Financial Liabilities at Fair Value through Profit or Loss

In $ millions	Bank Group 2011	Bank Group 2010	Bank 2011	Bank 2010
Trading				
Other debt securities in issue (Note 30.1)	**2,443**	1,909	**2,430**	1,897
Due to non-bank customers				
– structured investments	**1,531**	3,387	**1,531**	3,387
– others	**235**	151	**235**	151
Payable in respect of short sale of securities	**2,068**	1,706	**969**	748
Other financial liabilities	**487**	43	**220**	43
Sub-total	**6,764**	7,196	**5,385**	6,226
Fair value designated[(a)]				
Due to non-bank customers – structured investments	**4,588**	2,459	**61**	-
Other debt securities in issue (Note 30.2)	**560**	573	**444**	386
Sub-total	**5,148**	3,032	**505**	386
Total	**11,912**	10,228	**5,890**	6,612

(a) Changes in fair value arising from changes in credit risk are determined as the amount of change in their fair value that is not attributable to changes in market conditions that give rise to market risk. Changes in market conditions that give rise to market risk include changes in benchmark interest rate, foreign exchange rate or index of prices or rates. Change in fair value arising from change in credit risk is not significant. Net unrealised gain or loss for the fair value designated liabilities at 31 December 2011 amount to $73 million loss (2010: $13 million loss) for the Bank Group and $36 million gain (2010: $2 million gain) for the Bank.

30.1 Other debt securities in issue (Trading)

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

In $ millions Type	Issue Date	Maturity Date	Bank Group 2011	Bank Group 2010	Bank 2011	Bank 2010
Issued by the Bank and other subsidiaries						
Equity linked notes	11 Jan 2007 to 30 Dec 2011	3 Jan 2012 to 20 Jan 2015	**363**	694	**363**	694
Credit linked notes	27 Mar 2006 to 23 Dec 2011	8 Jun 2012 to 20 Mar 2017	**412**	596	**399**	584
Interest linked notes	19 Sep 2008 to 14 Dec 2011	30 Jan 2012 to 4 Mar 2041	**1,592**	569	**1,592**	569
Foreign exchange linked notes	18 Mar 2011 to 22 Dec 2011	6 Jan 2012 to 17 Sep 2012	**76**	50	**76**	50
Total			**2,443**	1,909	**2,430**	1,897
Due within 1 year			**1,185**	998	**1,185**	998
Due after 1 year			**1,258**	911	**1,245**	899
Total			**2,443**	1,909	**2,430**	1,897

30.2 Other debt securities in issue (Fair value designated)

In $ millions	Bank Group 2011	Bank Group 2010	Bank 2011	Bank 2010
Negotiable certificates of deposit	**27**	54	**-**	-
Other debt securities	**533**	519	**444**	386
Total	**560**	573	**444**	386
Due within 1 year	**140**	423	**65**	335
Due after 1 year	**420**	150	**379**	51
Total	**560**	573	**444**	386

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

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

* HIBOR: Hong Kong Interbank Offer Rate

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

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

31 Other Liabilities

	Bank Group		**Bank**	
In $ millions	**2011**	**2010**	**2011**	**2010**
Sundry creditors	**7,035**	3,985	**2,550**	2,019
Cash collateral received in respect of derivative portfolios	**821**	483	**821**	483
Interest payable	**382**	229	**197**	143
Provision for loss in respect of off-balance sheet credit exposures	**250**	218	**236**	208
Clients' monies payable in respect of securities business	**372**	708	**-**	-
Other payable	**1,422**	947	**1,183**	701
Total	**10,282**	6,570	**4,987**	3,554

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

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

Bank **In $ millions**	**Balance at 1 January**	**Charge to income statement**	**Exchange and other movements**	**Balance at 31 December**
2011				
Contingent liabilities and commitments	**208**	**22**	**6**	**236**
2010				
Contingent liabilities and commitments	192	34	(18)	208

32 Other Debt Securities in Issue

	Bank Group		**Bank**	
In $ millions	**2011**	**2010**	**2011**	**2010**
Negotiable certificates of deposit	**2,740**	964	**-**	-
Other debt securities	**7,614**	1,196	**7,609**	1,194
Total	**10,354**	2,160	**7,609**	1,194
Due within 1 year	**7,945**	505	**6,228**	-
Due after 1 year	**2,409**	1,655	**1,381**	1,194
Total	**10,354**	2,160	**7,609**	1,194

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

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

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

In $ millions Face Value/ Type	Interest Rate and Repayment Terms	Issue Date	Maturity Date	Bank Group 2011	Bank Group 2010	Bank 2011	Bank 2010
Issued by the Bank							
US$996m Medium term notes	2.375%, payable half yearly	14 Sep 2010	14 Sep 2015	**1,318**	1,194	**1,318**	1,194
IDR449,000m Medium term notes	6.89% to 7.25%, payable yearly	4 Mar 2011 to 23 Dec 2011	23 Dec 2013 to 4 Mar 2014	**63**	-	**63**	-
AUD364m Commercial Paper	Zero Coupon, payable on maturity	12 Oct 2011 to 8 Dec 2011	12 Jan 2012 to 9 Mar 2012	**480**	-	**480**	-
CAD13m Commercial Paper	Zero Coupon, payable on maturity	16 Dec 2011	16 Mar 2012	**17**	-	**17**	-
GBP1,693m Commercial Paper	Zero Coupon, payable on maturity	7 Sep 2011 to 22 Dec 2011	9 Jan 2012 to 7 Jun 2012	**3,396**	-	**3,396**	-
NZD45m Commercial Paper	Zero Coupon, payable on maturity	1 Dec 2011	1 Mar 2012	**45**	-	**45**	-
US$1,762m Commercial Paper	Zero Coupon, payable on maturity	19 Aug 2011 to 28 Dec 2011	6 Jan 2012 to 29 Nov 2012	**2,290**	-	**2,290**	-
Issued by other subsidiaries							
Notes issued		25 Nov 2011 to 30 Dec 2011	4 Jan 2012 to 2 Feb 2012	**5**	2	**-**	-
Total				**7,614**	1,196	**7,609**	1,194

33 Due to Subsidiaries

In $ millions	Bank 2011	2010
Subordinated term debts issued to DBS Capital Funding Corporation (Note 33.1)	**-**	1,033
Subordinated term debts issued to DBS Capital Funding Corporation II (Note 33.2)	**1,500**	1,500
Due to subsidiaries	**949**	5,016
Total	**2,449**	7,549

33.1 The subordinated term debts were issued by the Bank to DBS Capital Funding Corporation, both wholly-owned subsidiaries of DBSH, on 21 March 2001 and mature on 15 March 2051. The notes comprised Series A Subordinated Note of US$725 million and Series B Subordinated Note of S$100 million. Interest is payable in arrears on 15 March and 15 September each year at a fixed rate of 7.66% per annum (Series A) and 5.35% per annum (Series B), up to 15 March 2011. Thereafter, interest is payable quarterly in arrears on 15 March, 15 June,15 September and 15 December each year at a floating rate of three-month London Interbank Offer Rate (LIBOR) + 3.20% per annum (Series A) and three-month Singapore Swap Offer Rate + 2.52% per annum (Series B). The issue was redeemed on 15 March 2011.

33.2 The $1,500 million 5.75% subordinated note was issued on 27 May 2008 by the Bank to DBS Capital Funding II Corporation, both wholly-owned subsidiaries of DBSH. Interest is payable in arrears on 15 June and 15 December each year at a fixed rate of 5.75% per annum up to 15 June 2018. Thereafter, interest is payable quarterly in arrears on 15 March, 15 June, 15 September and 15 December each year at a floating rate of three-month Singapore Swap Offer Rate + 3.415% per annum.

34 Subordinated Term Debts

Subordinated term debts issued by subsidiaries of the Bank Group are classified as liabilities in accordance with FRS 32. These are long-term debt instruments that have a junior or lower priority claim on the issuing entity's assets in the event of a default or liquidation, and qualify as Tier 2 capital for capital adequacy purposes.

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

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

34.2 Interest is payable semi-annually on 15 May and 15 November commencing 15 May 2005. Part of the fixed rate funding has been converted to floating rate at three-month LIBOR + 0.61% via interest rate swaps. If the notes are not called at the tenth year, the interest rate steps up and will be reset at six-month LIBOR + 1.61% on the call date. In computing the Bank Group's capital adequacy ratio, these notes qualify as Tier 2 capital.

34.3 Interest is payable quarterly on 15 January, 15 April, 15 July and 15 October commencing 15 October 2006. Interest on the notes will be paid initially at three-month LIBOR + 0.61%. If the notes are not called at the tenth year, the interest rate steps up and will be set at three-month LIBOR + 1.61% on the call date. In computing the Bank Group's capital adequacy ratio, these notes qualify as Tier 2 capital.

34.4 Interest is payable semi-annually on 15 January and 15 July commencing 15 January 2007. If the notes are not called at the tenth year, the interest rate steps up and will be reset at a floating rate per annum equal to six-month Singapore Swap Offer Rate + 1.58% on the call date. In computing the Bank Group's capital adequacy ratio, these notes qualify as Tier 2 capital.

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

34.6 Interest is payable quarterly on 16 February, 16 May, 16 August and 16 November commencing 16 August 2007. Interest on the notes will be paid initially at three-month LIBOR + 0.22%. If the notes are not called at the fifth year, the interest rate steps up and will be set at three-month LIBOR + 1.22% on the call date. In computing the Bank Group's capital adequacy ratio, these notes qualify as Tier 2 capital.

35 Share Capital

Share Capital **Number of shares (millions)**	**Bank** **2011**	 **2010**
Balance at 1 January	**2,076**	1,973
Issue of shares	**116**	103
Redemption of shares	**(11)**	-
Balance at 31 December	**2,181**	2,076
The balance includes the following:		
2,172,821,322 (2010 : 2,056,642,320) ordinary shares (Note 35.1)	**2,173**	2,057
11,000,000 6% non-cumulative non-convertible perpetual preference shares (Note 35.2)	**-**	11
6,800 4.7% non-cumulative non-convertible perpetual preference shares (Note 35.3)	**#**	#
8,000,000 4.7% non-cumulative non-convertible perpetual preference shares (Note 35.4)	**8**	8
Total number of shares (millions)	**2,181**	2,076
Total Share Capital (in $ millions)	**16,196**	15,945

Amount under 500,000

35.1 The ordinary shares are fully paid-up and do not have par value. In 2011, the Bank issued 116 million ordinary shares (2010: 95 million) for a total cash consideration of $1,350 million (2010: $1,350 million). The newly issued shares rank pari passu in all respect with the previously issued shares.

35.2 $1,100 million 6% non-cumulative non-convertible perpetual preference shares and a liquidation preference of $100 each, was issued on 28 May 2001 by the Bank to third parties. They qualify as Tier 1 capital for the calculation of the Bank Group's capital adequacy ratios. Dividends, if declared by the Board of Directors, are payable semi-annually on 15 May and 15 November at a fixed rate of 6% of the liquidation preference per annum, ending on or prior to 15 May 2011, and thereafter on 15 February, 15 May, 15 August and 15 November in each year at a floating rate per annum equal to the three-month Singapore Swap Offer Rate + 2.28%. The issue was redeemed on 16 May 2011.

35.3 $1,700 million 4.7% non-cumulative non-convertible perpetual preference shares and a liquidation preference of $250,000 each, was issued on 22 October 2010 by the Bank to third parties. They qualify as Tier 1 capital for the calculation of the Bank Group's capital adequacy ratios. Dividends, if declared by the Board of Directors of the Bank, are payable semi-annually on 22 April and 22 October at a fixed rate of 4.7% of the liquidation preference per annum.

35.4 $800 million 4.7% non-cumulative non-convertible perpetual preference shares and a liquidation preference of $100 each, was issued on 22 November 2010 by the Bank to third parties. They qualify as Tier 1 capital for the calculation of the Bank Group's capital adequacy ratios. Dividends, if declared by the Board of Directors of the Bank, are payable semi-annually on 22 May and 22 November at a fixed rate of 4.7% of the liquidation preference per annum.

36 Other Reserves and Revenue Reserves

36.1 Other reserves

In $ millions	**Bank Group** **2011**	 **2010**	**Bank** **2011**	 **2010**
Available-for-sale revaluation reserves	**411**	387	**416**	380
Cash flow hedge reserves	**(16)**	-	**(16)**	-
General reserves	**2,453**	2,453	**2,360**	2,360
Capital reserves	**(130)**	(106)	**(12)**	-
Total	**2,718**	2,734	**2,748**	2,740

Movements in other reserves for the Bank Group during the year are as follows:

In $ millions	**Available-for-sale revaluation reserves**	**Cash flow hedge reserves**	**General reserves[(a)]**	**Capital reserves[(b)]**	**Total**
Balance at 1 January 2011	**387**	**-**	**2,453**	**(106)**	**2,734**
Net exchange translation adjustments	**-**	**-**	**-**	**(19)**	**(19)**
Share of associates' reserves	**4**	**-**	**-**	**(5)**	**(1)**
Available-for-sale financial assets and others:					
- net valuation taken to equity	**416**	**(18)**	**-**	**-**	**398**
- transferred to income statement on sale	**(425)**	**-**	**-**	**-**	**(425)**
- tax on items taken directly to or transferred from equity	**29**	**2**	**-**	**-**	**31**
Balance at 31 December 2011	**411**	**(16)**	**2,453**	**(130)**	**2,718**

In $ millions	Available-for-sale revaluation reserves	Cash flow hedge reserves	General reserves[(a)]	Capital reserves[(b)]	Total
Balance at 1 January 2010	132	-	2,453	(48)	2,537
Net exchange translation adjustments	-	-	-	(70)	(70)
Share of associates' capital reserves	-	-	-	12	12
Available-for-sale financial assets:					
- net valuation taken to equity	598	-	-	-	598
- transferred to income statement on sale	(315)	-	-	-	(315)
- tax on items taken directly to or transferred from equity	(28)	-	-	-	(28)
Balance at 31 December 2010	387	-	2,453	(106)	2,734

(a) General reserves are maintained in accordance with the provisions of applicable laws and regulations. These reserves are non distributable unless otherwise approved by the relevant authorities. Under the Banking (Reserve Fund) (Transitional Provision) regulations 2007, which came into effect on 11 June 2007, the Bank may distribute or utilise its statutory reserves provided that the amount distributed or utilised for each financial year does not exceed 20% of the reserves as at 30 March 2007.
(b) Capital reserves include net exchange translation adjustments arising from translation differences on net investments in foreign subsidiaries, joint ventures, associates and branches, and the related foreign currency financial instruments designated as a hedge.

Movements in other reserves for the Bank during the year are as follows:

In $ millions	Available-for-sale revaluation reserves	Cash flow hedge reserves	General reserves [(a)]	Capital reserves[(b)]	Total
Balance at 1 January 2011	**380**	**-**	**2,360**	**-**	**2,740**
Net exchange translation adjustments	**-**	**-**	**-**	**(12)**	**(12)**
Available-for-sale financial assets and others:					
- net valuation taken to equity	**429**	**(18)**	**-**	**-**	**411**
- transferred to income statement on sale	**(420)**	**-**	**-**	**-**	**(420)**
- tax on items taken directly to or transferred from equity	**27**	**2**	**-**	**-**	**29**
Balance at 31 December 2011	**416**	**(16)**	**2,360**	**(12)**	**2,748**
Balance at 1 January 2010	125	-	2,360	-	2,485
Available-for-sale financial assets:					
- net valuation taken to equity	577	-	-	-	577
- transferred to income statement on sale	(292)	-	-	-	(292)
- tax on items taken directly to or transferred from equity	(30)	-	-	-	(30)
Balance at 31 December 2010	380	-	2,360	-	2,740

(a) General reserves are maintained in accordance with the provisions of applicable laws and regulations. These reserves are non distributable unless otherwise approved by the relevant authorities. Under the Banking (Reserve Fund) (Transitional Provision) regulations 2007, which came into effect on 11 June 2007, the Bank may distribute or utilise its statutory reserves provided that the amount distributed or utilised for each financial year does not exceed 20% of the reserves as at 30 March 2007.
(b) Capital reserves include net exchange translation adjustments arising from translation differences on net investments in foreign branches and the related foreign currency instruments designated as a hedge.

36.2 Revenue reserves

In $ millions	Bank Group 2011	Bank Group 2010	Bank 2011	Bank 2010
Balance at 1 January	**9,204**	8,900	**8,432**	7,302
Net profit attributable to shareholders	**3,184**	1,720	**2,648**	2,546
Amount available for distribution	**12,388**	10,620	**11,080**	9,848
Less: Special dividend	**1,350**	1,350	**1,350**	1,350
4.7% tax exempt preference dividends (2010: nil)	**117**	-	**117**	-
6% tax exempt preference dividends (2010: 6% tax exempt)	**33**	66	**33**	66
Balance at 31 December	**10,888**	9,204	**9,580**	8,432

37 Non-controlling Interests

In $ millions	Bank Group 2011	Bank Group 2010
Preference shares issued by DBS Capital Funding Corporation (Note 37.1)	**-**	1,033
Preference shares issued by DBS Capital Funding II Corporation (Note 37.2)	**1,500**	1,500
Other subsidiaries	**257**	346
Total	**1,757**	2,879

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

37.2 $1,500 million 5.75% non-cumulative non-convertible non-voting guaranteed preference shares, with a liquidation preference of $250,000 was issued on 27 May 2008 by DBS Capital Funding II Corporation, a subsidiary of the Bank. Dividends, when declared by the Board of Directors of DBS Capital Funding II Corporation, are payable in arrears on 15 June and 15 December each year at a fixed rate of 5.75% per annum up to 15 June 2018. Thereafter, dividends are payable quarterly in arrears on 15 March, 15 June, 15 September and 15 December each year at a floating rate of three-month Singapore Swap Offer Rate + 3.415% per annum. In computing the Bank Group's capital adequacy ratio, these guaranteed preference shares qualify as Tier 1 capital.

38 Contingent Liabilities and Commitments

The Bank Group issues guarantees, performance bonds and indemnities in the ordinary course of business. The majority of these facilities are offset by corresponding obligations of third parties.

Guarantees and performance bonds are generally written by the Bank Group to support the performance of a customer to third parties. As the Bank Group will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amount.

Endorsements are residual liabilities of the Bank Group in respect of bills of exchange, which have been paid and subsequently rediscounted.

In $ millions	Bank Group 2011	Bank Group 2010	Bank 2011	Bank 2010
Guarantees on account of customers	**11,246**	9,876	**10,871**	9,504
Endorsements and other obligations on account of customers				
- Letters of credit	**7,324**	5,343	**4,835**	4,084
- Others	**2,198**	777	**124**	151
Other contingent items (Note 38.2)	**21**	35	**21**	35
Undrawn loan commitments(a)	**116,278**	94,752	**88,874**	73,035
Undisbursed commitments in securities	**133**	204	**133**	204
Sub-total	**137,200**	110,987	**104,858**	87,013
Operating lease commitments (Note 38.3)	**881**	921	**656**	721
Capital commitments	**33**	41	**20**	28
Total	**138,114**	111,949	**105,534**	87,762

	Bank Group		Bank	
In $ millions	**2011**	**2010**	**2011**	**2010**
Analysed by industry (excluding operating lease commitments and capital commitments)				
Manufacturing	**24,428**	19,605	**18,667**	15,450
Building and construction	**9,291**	7,163	**8,172**	5,923
Housing loans	**8,779**	5,207	**8,753**	5,157
General commerce	**22,083**	14,743	**14,488**	9,714
Transportation, storage and communications	**6,232**	6,396	**5,255**	5,372
Government	**340**	372	**340**	372
Financial institutions, investment and holding companies	**19,902**	15,271	**15,253**	14,079
Professionals and private individuals (except housing loans)	**29,534**	24,515	**18,827**	15,048
Others	**16,611**	17,715	**15,103**	15,898
Total	**137,200**	110,987	**104,858**	87,013
Analysed by geography (excluding operating lease commitments and capital commitments) (b)				
Singapore	**57,301**	53,041	**56,708**	53,124
Hong Kong	**27,542**	22,666	**7,643**	5,182
Rest of Greater China	**14,855**	9,560	**7,215**	5,723
South and Southeast Asia	**17,833**	12,002	**14,649**	10,198
Rest of the World	**19,669**	13,718	**18,643**	12,786
Total	**137,200**	110,987	**104,858**	87,013

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

38.1 The Bank has existing outsourcing agreements for the provision of information technology and related support to the Bank Group's operations. There are various termination clauses in the agreements that could require the Bank Group to pay termination fees on early termination of the contract or part thereof. The termination fees are stipulated in the agreements and are determined based on the year when the agreements or part thereof are terminated.

38.2 Included in "Other contingent items" at 31 December 2011, is an amount of $21 million (2010: $35 million), representing the termination fee payable by the Bank should a distribution agreement be terminated prematurely prior to December 2011. Under the terms of the agreement, the termination fee payable reduces upon achieving the sales volume target. The liability is expected to be extinguished during the course of 2012.

38.3 The Bank Group has existing significant operating lease commitments including the leasing of office premises in DBS Towers One and Two, Changi Business Park and Marina Bay Financial Centre in Singapore; and One Island East in Hong Kong. These include lease commitments for which the payments will be determined in the future based on the prevailing market rates in accordance with the lease agreements, of which the related amounts have not been included. The leases have varying terms, escalation clauses and renewal rights.

39 Financial Derivatives

Financial derivatives are financial instruments whose characteristics are derived from the underlying assets, or from interest and exchange rates or indices. These include forwards, swaps, futures and options. The following sections outline the nature and terms of the most common types of derivatives used by the Bank Group.

Interest rate contracts

Forward rate agreements give the buyer the ability to determine the underlying rate of interest for a specified period commencing on a specified future date (the settlement date). There is no exchange of principal and settlement is effected on the settlement date. The settlement amount is the difference between the contracted rate and the market rate prevailing on the settlement date.

Interest rate swaps involve the exchange of interest obligations with a counterparty for a specified period without exchanging the underlying (or notional) principal.

Interest rate futures are exchange-traded agreements to buy or sell a standard amount of a specified fixed income security or time deposit at an agreed interest rate on a standard future date.

Interest rate options give the buyer on payment of a premium the right, but not the obligation, to fix the rate of interest on a future deposit or loan, for a specified period and commencing on a specified future date.

Interest rate caps and floors give the buyer the ability to fix the maximum or minimum rate of interest. There is no facility to deposit or draw down funds; instead the writer pays to the buyer the amount by which the market rate exceeds or is less than the cap rate or the floor rate respectively. This category includes combinations of interest rate caps and floors, which are known as interest rate collars.

Exchange rate contracts

Forward foreign exchange contracts are agreements to buy or sell fixed amounts of currency at agreed rates of exchange on a specified future date.

Cross currency swaps are agreements to exchange, and on termination of the swap, re-exchange principal amounts denominated in different currencies. Cross currency swaps may involve the exchange of interest payments in one specified currency for interest payments in another specified currency for a specified period.

Currency options give the buyer, on payment of a premium, the right but not the obligation, to buy or sell specified amounts of currency at agreed rates of exchange on or before a specified future date.

Equity-related contracts

Equity options provide the buyer, on payment of a premium, the right but not the obligation, either to purchase or sell a specified stock or stock index at a specified price or level on or before a specified date.

Equity swaps involve the exchange of a set of payments whereby one of these payments is based on an equity-linked return while the other is typically based on an interest reference rate.

Credit-related contracts

Credit default swaps involve the transfer of credit risk of a reference asset from the protection buyer to the protection seller. The protection buyer makes one or more payments to the seller in exchange for an undertaking by the seller to make a payment to the buyer upon the occurrence of a predefined credit event.

Commodity-related contracts

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

Commodity options give the buyer the right, but not the obligation, to buy or sell a specific amount of commodity at an agreed contract price on or before a specified date.

39.1 Trading derivatives

Most of the Bank Group's derivatives relate to sales and trading activities. Sales activities include the structuring and marketing of derivatives to customers to enable them to take, transfer, modify or reduce current or expected risks. Trading activities are entered into principally for dealer's margin or for the purpose of generating a profit from short-term fluctuations in price. Trading includes mainly market making and warehousing to facilitate customer orders. Market making involves quoting bid and offer prices to other market participants with the intention of generating revenues based on spread and volume. Warehousing involves holding on to positions in order to liquidate in an orderly fashion with timing of unwinding determined by market conditions and traders' views of markets as they evolve.

39.2 Hedging derivatives

The accounting treatment of the hedge derivative transactions varies according to the nature of the hedge and whether the hedge meets the specified criteria to qualify for hedge accounting. Derivatives transacted as economic hedges but do not qualify for hedge accounting are treated in the same way as derivative instruments used for trading purposes.

Fair value hedges

The Bank Group's fair value hedges consist principally of interest rate swaps used for managing interest rate gaps.

At the Bank Group, for the year ended 31 December 2011, the gain on hedging instruments was $44 million (2010: loss of $96 million). The total loss on hedged items attributable to the hedged risk amounted to $43 million (2010: gain of $102 million).

At the Bank, for the year ended 31 December 2011, the loss on hedging instruments was $32 million (2010: gain of $40 million). The total gain on hedged items attributable to the hedged risk amounted to $32 million (2010: loss of $47 million).

Cash flow hedges

The Bank Group's cash flow hedges consist principally of currency forwards transacted to hedge highly probable forecast transactions expected to occur at various future dates against variability in exchange rates. The currency forwards have maturity dates that coincide within the expected occurrence of these transactions. The hedged cash flows are expected to occur over 12 months following the balance sheet date, and are expected to affect profit or loss in the same period these cash flows occur. The ineffectiveness arising from these hedges is insignificant.

Net investment hedges

The Bank Group hedges part of the currency translation risk of net investments in foreign operations through financial derivatives and borrowings. The ineffectiveness arising from hedges of net investments in foreign operations is insignificant.

The tables below analyses the currency exposure of Bank Group and Bank by functional currency at 31 December:

		Bank Group	
In $ millions	**Net investments in foreign operations[(a)]**	**Financial instruments which hedge the net investments[(b)]**	**Remaining unhedged currency exposures**
2011			
Hong Kong dollar	**5,176**	**5,139**	**37**
US dollar	**862**	**859**	**3**
Others	**4,578**	**3,076**	**1,502**
Total	**10,616**	**9,074**	**1,542**
2010			
Hong Kong dollar	4,442	4,351	91
US dollar	770	597	173
Others	3,545	2,040	1,505
Total	8,757	6,988	1,769

		Bank	
In $ millions	**Net investments in foreign operations[(a)]**	**Financial instruments which hedge the net investments[(b)]**	**Remaining unhedged currency exposures**
2011			
Hong Kong dollar	**5,112**	**5,076**	**36**
US dollar	**851**	**848**	**3**
Others	**4,520**	**3,072**	**1,448**
Total	**10,483**	**8,996**	**1,487**
2010			
Hong Kong dollar	4,379	4,293	86
US dollar	760	587	173
Others	3,478	1,999	1,479
Total	8,617	6,879	1,738

(a) Refer to net tangible assets of subsidiaries, joint ventures and associates and capital funds/retained earnings of overseas branches operations.
(b) Include forwards, non-deliverable forwards and borrowings used to hedge the investments.

The following tables summarises the contractual or underlying principal amounts of derivative financial instruments held or issued for trading and hedging purposes. The notional or contractual amounts of these instruments reflect the volume of transactions outstanding at balance sheet date, and do not represent amounts at risk.

In the financial statements, trading derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected as assets (Positive fair values for financial derivatives) or liabilities (Negative fair values for financial derivatives). Derivative assets and liabilities arising from different transactions are only offset if the transactions are done with the same counterparty, a legal right of offset exists, and the parties intend to settle the cash flows on a net basis. There was no offset of derivative assets and liabilities in 2011 and 2010.

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

Amount less than $500,000.

Bank In $ millions	2011 Underlying notional	 Year-end positive fair values	 Year-end negative fair values	2010 Underlying notional	 Year-end positive fair values	 Year-end negative fair values
Derivatives held for trading						
Interest rate derivatives						
Forward rate agreements bought	**428**	**-**	**1**	6,453	-	13
Forward rate agreements sold	**1,681**	**1**	**-**	3,108	7	-
Interest rate swaps	**691,858**	**9,109**	**9,133**	666,481	7,069	7,416
Financial futures bought	**13,517**	**1**	**3**	7,575	1	2
Financial futures sold	**9,472**	**1**	**1**	3,307	6	1
Interest rate options bought	**3,831**	**74**	**-**	3,935	40	-
Interest rate options sold	**3,879**	**-**	**83**	4,546	-	50
Interest rate futures options bought	**-**	**-**	**-**	2,484	1	-
Interest rate futures options sold	**780**	**-**	**#**	1,737	-	2
Interest rate caps/floors bought	**9,259**	**334**	**-**	7,325	155	-
Interest rate caps/floors sold	**12,924**	**-**	**603**	10,161	-	255
Sub-total	**747,629**	**9,520**	**9,824**	717,112	7,279	7,739
Foreign exchange (FX) derivatives						
FX contracts	**469,692**	**5,841**	**5,582**	296,035	3,069	2,878
Currency swaps	**100,132**	**2,513**	**3,514**	80,713	3,907	3,639
Currency options bought	**73,310**	**1,277**	**-**	66,128	1,449	-
Currency options sold	**76,868**	**-**	**929**	73,601	-	1,384
Sub-total	**720,002**	**9,631**	**10,025**	516,477	8,425	7,901
Equity derivatives						
Equity options bought	**1,463**	**171**	**-**	1,705	145	-
Equity options sold	**1,384**	**-**	**174**	1,557	-	181
Equity swaps	**1,055**	**11**	**15**	2,294	18	21
Sub-total	**3,902**	**182**	**189**	5,556	163	202
Credit derivatives						
Credit default swaps and others	**95,134**	**1,557**	**1,635**	75,585	585	823
Sub-total	**95,134**	**1,557**	**1,635**	75,585	585	823
Commodity derivatives						
Commodity contracts	**782**	**11**	**7**	208	3	3
Commodity options bought	**290**	**14**	**-**	67	2	-
Commodity options sold	**227**	**-**	**11**	16	-	1
Sub-total	**1,299**	**25**	**18**	291	5	4
Total derivatives held for trading	**1,567,966**	**20,915**	**21,691**	1,315,021	16,457	16,669
Derivatives held for hedging						
Interest rate swaps held for fair value hedge	**4,529**	**102**	**214**	5,641	130	220
FX contracts held for fair value hedge	**1,505**	**4**	**31**	707	7	2
FX contracts held for cash flow hedge	**605**	**-**	**18**	-	-	-
FX contracts held for hedge of net investment	**1,123**	**12**	**54**	1,052	38	12
Currency swaps held for fair value hedge	**97**	**1**	**1**	-	-	-
Total derivatives held for hedging	**7,859**	**119**	**318**	7,400	175	234
Total derivatives	**1,575,825**	**21,034**	**22,009**	1,322,421	16,632	16,903
Impact of netting arrangements recognised for computation of Capital Adequacy Ratio (CAR)		**(12,426)**	**(12,426)**		(9,218)	(9,218)
		8,608	**9,583**		7,414	7,685

Amount less than $500,000.

Year-end positive fair values Analysed by geography[(a)]	**Bank Group 2011**	**2010**	**Bank 2011**	**2010**
Singapore	**2,496**	3,200	**2,496**	3,217
Hong Kong	**1,788**	2,302	**1,924**	2,157
Rest of Greater China	**720**	778	**492**	523
South and Southeast Asia	**1,082**	649	**1,070**	742
Rest of the World	**15,078**	9,838	**15,052**	9,993
Total	**21,164**	16,767	**21,034**	16,632

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

The contractual or underlying principal amounts of derivative financial instruments of bank and non-bank counterparties amounted to $1,277 billion (2010: $1,142 billion) and $335 billion (2010: $206 billion) respectively for the Bank Group and $1,301 billion (2010: $1,164 billion) and $275 billion (2010: $158 billion) respectively for the Bank. These positions are mainly booked in Singapore. For purpose of managing its credit exposures, the Bank Group maintains collateral agreements and enters into master netting agreements with most of these counterparties. For those arrangements that comply with the regulatory requirements as set out in MAS Notice 637, the Bank Group recognises the netting arrangements in the computation of its Capital Adequacy Ratios.

40 Cash and Cash Equivalents

In $ millions	Bank Group 2011	Bank Group 2010	Bank 2011	Bank 2010
Cash on hand (Note 16)	**1,625**	1,366	**1,506**	1,261
Non-restricted balances with central banks (Note 16)	**17,262**	23,743	**16,068**	23,161
Total	**18,887**	25,109	**17,574**	24,422

41 Share-based Compensation Plans

41.1 DBSH Share Ownership Scheme

The DBSH Share Ownership Scheme (The Scheme) is a fund set up to hold units of DBSH's ordinary shares. All employees based in Singapore with at least one year of service and who are not participating in the DBSH Share Option Plan or DBSH Share Plan are eligible.

Under the Scheme, participants and the Bank Group contribute up to 10% and 5% of monthly base salary respectively to buy units of DBSH's ordinary shares. Amounts contributed by the Bank Group under the Scheme are recognised as employee benefits when paid.

Bank Group	Ordinary shares Number 2011	Ordinary shares Number 2010	Market value ($ millions) 2011	Market value ($ millions) 2010
Balance at 1 January	**5,473,697**	5,355,157	**78**	82
Balance at 31 December	**5,933,584**	5,473,697	**68**	78

41.2 DBSH Share Option Plan

Under the DBSH Share Option Plan (the Option Plan), options to subscribe for DBSH's ordinary shares may be granted to Bank Group executives who hold the rank of Vice President (or equivalent) and above and selected employees below the rank of Vice President (or equivalent).

The exercise price of the granted options is equal to the average of the last dealt prices for DBSH's shares, as determined by reference to the daily official list published by the Singapore Exchange Securities Trading Ltd, for the three consecutive trading days immediately preceding the date of the grant.

These share options vest over a period in accordance with a vesting schedule determined by the Compensation and Management Development Committee (Committee), and are exercisable after the first anniversary of the date of the grant up to the date of expiration of the options. The fair value of options granted is determined using the Binomial model.

The Option Plan expired on 19 June 2009 and it was not extended or replaced. The termination of the Option Plan will not affect the rights of holders of any outstanding existing options.

The following table sets out the movement of the unissued ordinary shares of DBSH under outstanding options, the weighted average exercise prices and expiration dates.

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

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

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

Bank	2011 Unissued number of ordinary shares under outstanding options	 Weighted average exercise price ($)	2010 Unissued number of ordinary shares under outstanding options	 Weighted average exercise price ($)
Balance at 1 January	**9,419,150**	**12.66**	12,630,439	13.43
Movements during the year:				
- Exercised	**(1,305,541)**	**11.55**	(1,135,529)	11.65
- Forfeited/ Expired	**(3,326,486)**	**14.54**	(2,075,760)	17.64
Balance at 31 December	**4,787,123**	**11.57**	9,419,150	12.66
Additional information:				
Outstanding options exercisable at 31 December	**4,787,123**	**11.57**	9,419,150	12.66
Weighted average remaining contractual life of options outstanding at 31 December	**1.44years**		1.72 years	
Range of exercise price of options outstanding at 31 December	**$8.84 to $12.81**		$8.84 to $15.05	

In 2011, 1,305,541 options (2010: 1,135,529) were exercised at their contractual exercise prices for the Bank. During the year, the corresponding weighted average market price of DBSH's shares was $13.94 (2010: $14.35).

41.3 DBSH Share Plan

Under the DBSH Share Plan (the Share Plan), DBSH's ordinary shares may be granted to Bank Group executives who hold such rank as may be determined by the Committee appointed to administer the Share Plan from time to time. The awards could be performance-based and/ or time-based.

Where time-based awards are granted, they will only vest after the satisfactory completion of time-based service conditions. Participants are awarded shares of DBSH, their equivalent cash value or a combination of both as part of their deferred bonus (at the discretion of the Committee).

A time-based award comprises two elements, namely, the main award and the "kicker" award. The shares comprised in the "kicker" award constitute twenty percent of the shares comprised in the main award. Effective 2010, the deferral period for unvested shares was extended from a 3-year period to a 4-year period showing a more prudent risk management arrangement. Under the new vesting schedule, thirty-three percent of the shares comprised in the main award will vest two years after the date of grant. A further thirty-three percent of the shares comprised in the main award will vest three years after the date of grant. The remainder thirty-four percent of the shares comprised in the main award, together with the shares comprised in the "kicker" award, will vest four years after the date of grant. For time-based awards, the fair value of the shares awarded are computed based on the market price of the ordinary shares at the time of the award and is amortised through the income statement over the vesting period. At each balance sheet date, the Bank Group revises its estimates of the number of shares expected to vest based on non-market vesting conditions and the corresponding adjustments are made to the income statement.

The following table sets out the movement of time-based awards granted in the current and previous financial years pursuant to the Share Plan and their fair values at grant dates.

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

Bank		
Number of shares	**2011 grant**	**2010 grant**
Balance at 1 January 2011	**Not applicable**	**3,510,911**
Granted in 2011	**4,529,238**	**Not applicable**
Vested in 2011	**-**	**(31,469)**
Forfeited in 2011/ Others	**(48,954)**	**(44,162)**
Balance at 31 December 2011	**4,480,284**	**3,435,280**
Weighted average fair value per share at grant date	**$14.38**	**$14.28**

As the share based expense is recognised in the employee benefits, the corresponding amount is recharged by the ultimate holding company. Therefore, the share based compensation reserve has a nil balance.

41.4 DBSH Employee Share Plan

The DBSH Employee Share Plan (the ESP) caters to all employees of the Bank Group who are not eligible to participate in the DBSH Share Option Plan, the DBSH Share Plan or other equivalent plans.

Under the ESP, eligible employees are awarded ordinary shares of DBSH, their equivalent cash value or a combination of both (at the discretion of the Committee), when time-based conditions are met. The ESP awards are granted at the absolute discretion of the Compensation and Management Development Committee.

Time-based awards were granted in the current and previous financial years. The time-based awards will only vest after the satisfactory completion of time-based service conditions. Similar to the DBSH Share Plan, effective from the 2010 grant, shares will vest at thirty three percent two years after the date of grant. A further thirty three percent will vest three years after the date of grant and the remainder thirty-four percent four years after the date of grant. The fair value of the shares awarded are computed based on the market price of the ordinary shares at the time of the award and is amortised through the income statement over the vesting period. At each balance sheet date, the Bank Group revises its estimates of the number of shares expected to vest based on non-market vesting conditions and the corresponding adjustments are made to the income statement.

The following table sets out the movement of time-based awards granted in the current and previous financial years pursuant to the ESP and their fair values at grant date.

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

Bank		
Number of shares	**2011 grant**	**2010 grant**
Balance at 1 January 2011	**Not applicable**	**182,100**
Granted in 2011	**300,600**	**Not applicable**
Forfeited in 2011	**(31,900)**	**(19,400)**
Balance at 31 December 2011	**268,700**	**162,700**
Weighted average fair value per share at grant date	**$14.48**	**$14.26**

As the share based expense is recognised in the employee benefits, the corresponding amount is recharged by the ultimate holding company. Therefore, the share based compensation reserve has a nil balance.

42 Related Party Transactions

42.1 Transactions between the Bank and its subsidiaries, including consolidated special purpose entities, which are related parties of the Bank, have been eliminated on consolidation and are disclosed in Notes 42.4 to 42.6.

42.2 During the financial year, the Bank Group had banking transactions with related parties, consisting of associates, joint ventures and key management personnel of the Bank Group. These included the taking of deposits and extension of credit card and other loan facilities. These transactions were made in the ordinary course of business and carried out at arms-length commercial terms, and are not material.

In addition, key management personnel received remuneration for services rendered during the financial year. Non-cash benefits including performance shares were also granted.

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

	Bank Group		Bank	
In $ millions	**2011**	**2010**	**2011**	**2010**
Short-term benefits [(b)]	**37**	34	**31**	29
Share-based payments [(c)]	**14**	11	**14**	9
Total	**51**	45	**45**	38
Of which: Bank Directors' remuneration and fees	**6**	6	**6**	6

(a) Includes Bank Directors and members of the Management Committee who have authority and responsibility in planning the activities and direction of the Bank Group. The composition and number of Management Committee members may differ from year to year.
(b) Includes cash bonus based on amount accrued during the year, to be paid in the following year.
(c) Share-based payments are expensed over the vesting period in accordance with FRS102.

42.4 Income received and expenses paid to related parties

	Bank	
In $ millions	**2011**	**2010**
Income received from:		
-Subsidiaries	**168**	101
-Associates/joint ventures	**37**	38
Total	**205**	139
Expenses paid to:		
-Subsidiaries	**134**	207
-Special purpose entities	**2**	4
-Associates/joint ventures	**4**	4
Total	**140**	215

42.5 Amounts due to and from related parties

	Bank	
In $ millions	**2011**	**2010**
Amounts due from:		
-Subsidiaries	**4,063**	1,913
-Special purpose entities	**15**	-
-Associates/joint ventures	**3**	#
Total	**4,081**	1,913
Amounts due to:		
-DBSH	**1,533**	2,362
-Subsidiaries	**2,449**	7,549
-Subsidiaries of DBSH	-	#
-Special purpose entities	**112**	130
-Associates/joint ventures	-	#
Total	**4,094**	10,041

Amount under $500,000

42.6 Loans and guarantees to related parties

Loans granted to subsidiaries amounted to $942 million (2010: $1,024 million) and will be settled in cash. There were no loans granted by subsidiaries to the Bank.

Guarantees granted to and from subsidiaries amounted to $542 million (2010: $515 million) and $52 million (2010: $6 million) respectively.

43 Fair Value of Financial Instruments

43.1 Fair Value Measurements

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

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

Bank Group In $ millions	Level 1	Level 2	Level 3	Total
2011				
Assets				
Singapore Government securities and treasury bills	**12,503**	**-**	**-**	**12,503**
Financial assets at fair value through profit or loss[(a)]				
- Debt securities	**9,103**	**329**	**210**	**9,642**
- Equity securities	**229**	**-**	**-**	**229**
- Other financial assets	**-**	**2,056**	**-**	**2,056**
Available-for-sale financial investments				
- Debt securities	**17,608**	**2,196**	**286**	**20,090**
- Equity securities[(b)]	**553**	**192**	**278**	**1,023**
- Other financial assets	**1,903**	**1,378**	**-**	**3,281**
Securities pledged	**2,634**	**-**	**-**	**2,634**
Positive fair values for financial derivatives	**2**	**21,144**	**18**	**21,164**
Liabilities				
Financial liabilities at fair value through profit or loss[(c)]				
- Other debt securities in issue	**-**	**2,975**	**28**	**3,003**
- Other financial liabilities	**2,069**	**6,840**	**-**	**8,909**
Negative fair values for financial derivatives	**5**	**22,184**	**18**	**22,207**

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

(a) Includes other government securities, corporate debt securities, equity securities and other financial assets at fair value through profit or loss.
(b) Excludes unquoted equities stated at cost of $134 million (2010: $125 million).
(c) Includes debt securities in issue, due to non-bank customers (structured investments) and other financial liabilities at fair value through profit or loss.

Bank **In $ millions**	**Level 1**	**Level 2**	**Level 3**	**Total**
2011				
Assets				
Singapore Government securities and treasury bills	**12,503**	**-**	**-**	**12,503**
Financial assets at fair value through profit or loss[(a)]				
- Debt securities	**7,590**	**316**	**210**	**8,116**
- Equity securities	**229**	**-**	**-**	**229**
- Other financial assets	**-**	**1,522**	**-**	**1,522**
Available-for-sale financial investments				
- Debt securities	**13,194**	**1,993**	**77**	**15,264**
- Equity securities[(b)]	**491**	**190**	**278**	**959**
- Other financial assets	**1,903**	**1,277**	**-**	**3,180**
Securities pledged	**1,236**	**-**	**-**	**1,236**
Positive fair values for financial derivatives	**2**	**21,014**	**18**	**21,034**
Liabilities				
Financial liabilities at fair value through profit or loss[(c)]				
- Other debt securities in issue	**-**	**2,873**	**1**	**2,874**
- Other financial liabilities	**969**	**2,047**	**-**	**3,016**
Negative fair values for financial derivatives	**5**	**21,986**	**18**	**22,009**

Bank **In $ millions**	**Level 1**	**Level 2**	**Level 3**	**Total**
2010				
Assets				
Singapore Government securities and treasury bills	11,546	-	-	11,546
Financial assets at fair value through profit or loss[(a)]				
- Debt securities	4,716	366	489	5,571
- Equity securities	346	-	-	346
- Other financial assets	-	3,387	-	3,387
Available-for-sale financial investments				
- Debt securities	12,031	1,741	113	13,885
- Equity securities[(b)]	680	168	134	982
- Other financial assets	-	232	-	232
Securities pledged	712	-	-	712
Positive fair values for financial derivatives	12	16,585	35	16,632
Liabilities				
Financial liabilities at fair value through profit or loss[(c)]				
- Other debt securities in issue	-	2,273	10	2,283
- Other financial liabilities	748	3,499	82	4,329
Negative fair values for financial derivatives	7	16,861	35	16,903

(a) Includes other government securities, corporate debt securities, equity securities and other financial assets at fair value through profit or loss.
(b) Excludes unquoted equities stated at cost of $115 million (2010: $ 111 million).
(c) Includes debt securities in issue, due to non-bank customers (structured investments) and other financial liabilities at fair value through profit or loss.

Financial instruments that are valued using quoted prices in active markets are classified as Level 1 of the valuation hierarchy. These would include government and sovereign securities, listed equities and corporate debt securities which are actively traded. Derivatives contracts which are traded in an active exchange market are also classified as Level 1 of the valuation hierarchy.

Where fair value is determined using quoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Bank Group then determines fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include corporate debt securities, repurchase, reverse repurchase agreements and most of the Bank Group's OTC derivatives.

The Bank Group classifies financial instruments as Level 3 when there is reliance on unobservable inputs to the valuation model attributing to a significant contribution to the instrument value. Valuation reserves or pricing adjustments where applicable will be used to converge to fair value.

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

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

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

The following table presents the changes in Level 3 instruments for the financial year ended 31 December for Bank Group.

In $ millions	Opening balance	Fair value gains or losses		Purc-hases	Issues	Settle-ment	Transfer in	Transfer out	Closing balance
2011		**Profit or loss**	**Other compre-hensive income**						
Assets									
Financial assets at fair value through profit or loss									
- Debt securities	**489**	**19**	**-**	**4**	**-**	**(190)**	**-**	**(112)[c]**	**210**
Available-for-sale financial investments									
- Debt securities	**230**	**-**	**(23)**	**107**	**-**	**(26)**	**104[b]**	**(106)[c]**	**286**
- Equity securities	**137**	**21**	**(26)**	**162**	**-**	**(13)**	**-**	**(3)**	**278**
Positive fair values for financial derivatives	**25**	**8**	**-**	**-**	**-**	**(2)**	**6**	**(19)**	**18**
Liabilities									
Financial liabilities at fair value through profit or loss									
- Other debt securities in issue	**176**	**1**	**-**	**-**	**25**	**(63)**	**1**	**(112)[d]**	**28**
- Other financial liabilities	**82[a]**	**-**	**-**	**-**	**-**	**-**	**-**	**(82) [e]**	**-**
Negative fair values for financial derivatives	**35**	**(2)**	**-**	**-**	**-**	**(2)**	**14**	**(27)**	**18**

(a) Principal amounts totalling $82 million are included within the fair value figures for structured investments
(b) Principally reflects transfers from Level 1 & 2 within the fair value hierarchy due to reduced transparency for selected bonds
(c) Principally reflects transfers to Level 1 & 2 within the fair value hierarchy due to availability of price quotes on the back of improved liquidity conditions
(d) Principally reflects transfers to Level 2 within the fair value hierarchy for credit derivatives due to availability of in-house pricing model within significant observable inputs
(e) Principally reflects transfers to Level 2 within the fair value hierarchy for interest rate derivatives due to correlation inputs having reduced impact on overall fair value of the instrument

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

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

Economic hedges entered into for Level 2 exposures may be classified within a different category (i.e. Level 1) and similarly, hedges entered for Level 3 exposures may also be classified within a different category (i.e. Level 1 and/ or Level 2). The effects are presented gross in the table.

The following table presents the changes in Level 3 instruments for the financial year ended 31 December 2011 for the Bank.

In $ millions 2011	Opening balance	Fair value gains or losses: Profit or loss	Fair value gains or losses: Other comprehensive income	Purchases	Issues	Settlement	Transfer in	Transfer out	Closing balance
Assets									
Financial assets at fair value through profit or loss									
- Debt securities	489	19	-	4	-	(190)	-	(112)[b]	210
Available-for-sale financial investments									
- Debt securities	113	-	(25)	23	-	(26)	-	(8)[c]	77
- Equity securities	134	21	(26)	162	-	(13)	-	-	278
Positive fair values for financial derivatives	35	8	-	-	-	(2)	6	(29)	18
Liabilities									
Financial liabilities at fair value through profit or loss									
- Other debt securities	10	-	-	-	-	(10)	1	-	1
- Other financial liabilities	82[a]	-	-	-	-	-	-	(82)[c]	-
Negative fair values for financial derivatives	35	(2)	-	-	-	(2)	14	(27)	18

(a) Principal amounts totalling $82 million are included within the fair value figures for structured investments
(b) Principally reflects transfers to Level 1 & 2 within the fair value hierarchy due to availability of price quotes on the back of improved liquidity conditions
(c) Principally reflects transfers to Level 2 within the fair value hierarchy for interest rate derivatives due to correlation inputs having reduced impact on overall fair value of the instrument

In $ millions 2010	Opening balance	Fair value gains or losses: Profit or loss	Fair value gains or losses: Other comprehensive income	Purchases	Issues	Settlement	Transfer in	Transfer out	Closing balance
Assets									
Financial assets at fair value through profit or loss									
- Debt securities	763	(44)	-	96	-	(326)	50	(50)	489
Available-for-sale financial investments									
- Debt securities	262	-	(7)	3	-	(145)	-	-	113
- Equity securities	140	(12)	-	19	-	(13)	-	-	134
Positive fair values for financial derivatives	107	(22)	-	-	-	(2)	18	(66)	35
Liabilities									
Financial liabilities at fair value through profit or loss									
- Other debt securities	14	(1)	-	-	5	(13)	5	-	10
- Other financial liabilities	2,340	(7)	-	-	11	(135)	19	(2,146)	82
Negative fair values for financial derivatives	85	-	-	-	-	(1)	28	(77)	35

Total fair value gains for the year included in profit or loss for Level 3 assets/(liabilities) held at the end of 2011	30
Total fair value losses for the year included in profit or loss for Level 3 assets/(liabilities) held at the end of 2010	(55)

Effect of changes in significant unobservable assumptions to reasonably possible alternatives

As at 31 December 2011, financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) mainly include some of the following: private equity investments, corporate debt securities, equity, interest rate and credit derivatives and financial liabilities from structured product issuances.

In estimating its significance, the Bank Group performed a sensitivity analysis based on methodologies currently used for fair value adjustments. These adjustments reflect the values that the Bank Group estimates are appropriate to adjust from the valuations produced to reflect for uncertainties in the inputs used. The methodologies used can be a statistical or other relevant approved techniques.

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

43.2 Financial assets & liabilities not carried at fair value

For financial assets and liabilities not carried at fair value on the financial statements, the Bank Group has ascertained that their fair values were not materially different from their carrying amounts at year-end.

For cash and balances with central banks, placements with banks, loans and advances to non-bank customers, as well as deposits of bank and non-bank customers, the basis of arriving at fair values is by discounting cash flows using the relevant market interest rates for the respective currency.

For investment debt securities and subordinated debt issued, fair values are determined based on independent market quotes, where available. Where market prices are not available, fair values are estimated using discounted cash flow method.

For unquoted equities not carried at fair value, fair values have been estimated by reference to the net tangible asset backing of the investee. Unquoted equities of $134 million (2010: $125 million) for the Bank Group, and $115 million (2010: $111 million) for the Bank, were stated at cost less accumulated impairment losses because the fair values cannot be reliably estimated using valuation techniques supported by observable market data. The Bank Group intends to dispose of such instruments through trade sale.

The fair value of variable-interest bearing as well as short term financial instruments accounted for at amortised cost is assumed to be approximated by their carrying amounts.

44 Risk Governance

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

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

- Management of the risk management systems including processes to identify, measure, monitor, control and report risks;
- Engagement of senior management on material matters relating to the various types of risks and development of risk controls and mitigation processes.

Management is accountable to the Board for ensuring the effectiveness of risk management and adherence to the risk appetite established by the Board. To provide risk oversight, senior management committees are mandated to focus on specific risk areas. These oversight committees are the Risk Executive Committee, the Group Credit Risk Committee, the Group Market Risk Committee, and the Group Operational Risk Committee.

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

45 Credit Risk

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

Risk Governance and Organisation

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

Credit Policies

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

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

Consumer Credit

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

Wholesale Credit

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

Traded Products and Securities

Credit risk from traded products and securities are managed within the overall credit risk appetite for corporates and financial institutions. Counterparty risk that may arise from traded products and securities is viewed similarly to loan exposures and included under the Bank Group's overall lending limits to counterparties.

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

The Bank Group further manages its credit exposure by entering into master netting arrangements with counterparties where it is appropriate and feasible to do so. The credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are settled on a net basis.

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

Credit Monitoring and Control

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

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

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

Credit Risk Mitigants

<u>Collateral</u>

Where possible, the Bank Group takes collateral as a secondary recourse to the borrower. Collateral includes cash, marketable securities, properties, trade receivables, inventory and equipment and other physical and financial collateral. The Bank Group may also take fixed and floating charges on assets of borrowers. It has put in place policies to determine the eligibility of collateral for credit risk mitigation which include requiring specific collateral to meet minimum operational requirements in order to be considered as effective risk mitigants. Collateral taken for financial market operations is marked-to-market on a mutually agreed period with the respective counterparties. Collateral taken for commercial banking, the collateral is revalued periodically ranging from daily to annually, depending on the type of collateral. While real estate properties constitute the largest percentage of collateral assets, the Bank Group generally considers the collateral assets to be diversified.

<u>Other Risk Mitigating Factors</u>

The Bank Group also uses guarantees, credit derivatives, master netting agreements, credit support annexes and credit insurance as credit risk mitigants. While the Bank Group may accept guarantees from any counterparty, it sets internal thresholds for considering guarantors to be eligible for credit risk mitigation. Credit derivatives are used as credit risk mitigating factors mainly in structured transactions and for financial market operations. Master netting agreements and credit support annexes are used to mitigate counterparty credit risks. Credit insurance is used for risk sharing in various products such as factoring.

Credit Concentration

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

Non-Performing Loans and Impairments

The Bank Group classifies its credit facilities in accordance with MAS Notice to Banks 612 Credit Files, Grading and Provisioning issued by the Monetary Authority of Singapore (MAS). These guidelines require the Bank Group to categorise its credit portfolios according to its assessment of a borrower's ability to repay a credit facility from his normal sources of income. There are five categories of assets as follows:

Performing Assets

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

Classified or Non-Performing Assets

- Substandard grade indicates that the credit facilities exhibit definable weaknesses either in respect of business, cash flow or financial position of the borrower that may jeopardise repayment on existing terms.
- Doubtful grade indicates that the credit facilities exhibit severe weaknesses such that the prospect of full recovery of the outstanding credit facilities is questionable and the prospect of a loss is high, but the exact amount remains undeterminable.
- Loss grade indicates the amount of recovery is assessed to be insignificant.

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

Restructured Non-Performing Assets

Credit facilities are classified as restructured assets when the Bank Group grants concessions to a borrower because of deterioration in the financial position of the borrower or the inability of the borrower to meet the original repayment schedule. A restructured credit facility is classified into the appropriate non-performing grade depending on the assessment of the financial condition of the borrower and the ability of the borrower to repay based on the restructured terms. Such credit facilities are not returned to the performing status until there are reasonable grounds to conclude that the borrower will be able to service all future principal and interest payments on the credit facility in accordance with the restructured terms.

Repossessed Collateral

When required, the Bank Group will take possession of collateral it holds as securities and will dispose of them as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. Repossessed collateral is classified in the balance sheet as other assets. The amount of such other assets for 2011 and 2010 were not material.

45.1 Maximum exposure to credit risk

The following table shows the exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, before taking into account any collateral held, other credit enhancements and netting arrangements. For on-balance sheet financial assets, the maximum credit exposure is the carrying amounts. For contingent liabilities, the maximum exposure to credit risk is the amount the Bank Group would have to pay if the instrument is called upon. For undrawn facilities, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

	Bank Group		Bank	
In $ millions	**2011**	**2010**	**2011**	**2010**
Cash and balances with central banks (excludes cash on hand)	**23,675**	29,834	**20,222**	27,956
Singapore Government securities and treasury bills	**12,503**	11,546	**12,503**	11,546
Due from banks	**25,571**	20,306	**19,537**	14,200
Financial assets at fair value through profit or loss (excludes equity securities)				
Other government securities and treasury bills	**5,662**	2,845	**4,476**	2,187
Corporate debt securities	**3,980**	3,601	**3,640**	3,384
Loans and advances to customers	**445**	395	**445**	395
Other financial assets	**1,611**	2,992	**1,077**	2,992
Positive fair values for financial derivatives	**21,164**	16,767	**21,034**	16,632
Loans and advances to customers	**194,275**	151,698	**149,600**	117,747
Financial investments (excludes equity securities)				
Other government securities and treasury bills	**9,723**	8,473	**7,004**	6,384
Corporate debt securities	**19,611**	16,934	**17,247**	14,156
Securities pledged				
Singapore Government securities and treasury bills	**756**	414	**756**	414
Other government securities and treasury bills	**1,856**	1,556	**458**	286
Corporate debt securities	**22**	12	**22**	12
Other assets	**9,751**	6,400	**4,933**	4,057
Credit exposure	**330,605**	273,773	**262,954**	222,348
Contingent liabilities and commitments (excludes operating lease and capital commitments)	**137,200**	110,987	**104,858**	87,013
Total credit exposure	**467,805**	384,760	**367,812**	309,361

The Bank Group's exposures to credit risk, measured using the expected gross credit exposures that will arise upon a default of the end obligor are as shown in the Group's annual Basel II Pillar 3 Disclosures. These exposures, which include both on-balance sheet and off-balance sheet financial instruments, are shown without taking into account any collateral held or netting arrangements. Refer to the Basel II Pillar 3 Disclosures in DBSH's annual report for more details.

<u>Analysis of Collateral</u>

Whilst the Bank Group's maximum exposure to credit risk is the carrying value of the assets or, in the case of off-balance sheet instruments, the amount guaranteed, committed, accepted or endorsed, the likely exposure may be lower due to offsetting collateral, credit guarantees and other actions taken to mitigate the Bank Group's exposure.

The description of collateral for each class of financial asset is set out below:

Balances with central banks, Singapore Government securities and treasury bills, due from banks, financial assets at fair value through profit or loss and financial investments
Collateral is generally not sought for these assets.

Positive fair values for financial derivatives
The Bank Group maintains collateral agreements and enters into master netting agreements with most of the counterparties for derivative transactions. Please refer to Note 39 for the impact of netting arrangements recognised for the computation of Capital Adequacy Ratio (CAR).

Advances to customers, contingent liabilities and commitments
Certain loans and advances to customers, contingent liabilities and commitments are typically collateralised to a substantial extent. In particular, residential mortgage exposures are generally fully secured by residential properties. Income-producing real estate, which is a sub-set of the Specialised Lending exposure, are fully secured by the underlying assets financed.

The extent to which credit exposures are covered by Basel II-eligible collateral, besides real estate, after the application of the requisite regulatory hair-cuts, is shown in the Group's Basel II Pillar 3 Disclosures. The amounts are a sub-set of the actual collateral arrangements entered into by the Bank Group as Basel II imposes strict legal and operational standards before collateral can be admitted as credit risk mitigants. As a result, certain collateral arrangements which do not meet its criteria will not be included. Certain collateral types which are not permitted as credit risk mitigants for credit exposures under the Standardised Approach are also excluded.

45.2 Loans and advances to customers

Loans and advances to customers are summarised as follows:

In $ millions	Bank Group 2011	Bank Group 2010	Bank 2011	Bank 2010
Loans and advances to customers				
Performing Loans				
- Neither past due nor impaired (i)	**194,594**	151,376	**150,329**	117,882
- Past due but not impaired (ii)	**633**	528	**158**	61
Non-Performing Loans				
- Impaired (iii)	**2,600**	2,818	**2,000**	2,208
Total gross loans (Note 19)	**197,827**	154,722	**152,487**	120,151

(i) Loans and advances neither past due nor impaired, analysed by loan grading and industry

The credit quality of the portfolio of loans and advances that are neither past due nor impaired can be assessed by reference to the loan gradings in MAS Notice to Banks No. 612, "Credit Files, Grading and Provisioning" are as follows:

In $ millions 2011	Bank Group Pass	 Special mention	 Total
Manufacturing	**23,614**	**835**	**24,449**
Building and construction	**27,902**	**395**	**28,297**
Housing loans	**40,779**	**297**	**41,076**
General commerce	**32,664**	**1,141**	**33,805**
Transportation, storage and communications	**15,671**	**631**	**16,302**
Financial institutions, investment and holding companies	**18,586**	**225**	**18,811**
Professionals and private individuals (except housing loans)	**12,485**	**52**	**12,537**
Others	**19,033**	**284**	**19,317**
Total	**190,734**	**3,860**	**194,594**

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

In $ millions 2011	Bank Pass	 Special mention	 Total
Manufacturing	**18,038**	**404**	**18,442**
Building and construction	**21,819**	**255**	**22,074**
Housing loans	**32,689**	**296**	**32,985**
General commerce	**18,750**	**273**	**19,023**
Transportation, storage and communications	**13,718**	**501**	**14,219**
Financial institutions, investment and holding companies	**17,570**	**205**	**17,775**
Professionals and private individuals (except housing loans)	**9,331**	**36**	**9,367**
Others	**16,334**	**110**	**16,444**
Total	**148,249**	**2,080**	**150,329**

In $ millions 2010	Bank Pass	 Special mention	 Total
Manufacturing	13,165	916	14,081
Building and construction	15,145	433	15,578
Housing loans	29,759	333	30,092
General commerce	9,650	362	10,012
Transportation, storage and communications	11,167	376	11,543
Financial institutions, investment and holding companies	16,292	253	16,545
Professionals and private individuals (except housing loans)	7,848	38	7,886
Others	12,005	140	12,145
Total	115,031	2,851	117,882

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

	Bank Group			
In $ millions 2011	**Up to 30 days past due**	**30 - 59 days past due**	**60 - 90 days past due**	**Total**
Manufacturing	**50**	**7**	**1**	**58**
Building and construction	**134**	**5**	**-**	**139**
Housing loans	**132**	**4**	**2**	**138**
General commerce	**73**	**17**	**1**	**91**
Transportation, storage and communications	**62**	**1**	**4**	**67**
Financial institutions, investment and holding companies	**12**	**-**	**-**	**12**
Professionals and private individuals (except housing loans)	**80**	**5**	**4**	**89**
Others	**34**	**5**	**-**	**39**
Total	**577**	**44**	**12**	**633**

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

	Bank			
In $ millions 2011	**Up to 30 days past due**	**30 - 59 days past due**	**60 - 90 days past due**	**Total**
Manufacturing	**18**	**4**	**-**	**22**
Building and construction	**25**	**-**	**-**	**25**
Housing loans	**-**	**1**	**-**	**1**
General commerce	**33**	**8**	**-**	**41**
Transportation, storage and communications	**3**	**-**	**1**	**4**
Financial institutions, investment and holding companies	**12**	**-**	**-**	**12**
Professionals and private individuals (except housing loans)	**17**	**2**	**4**	**23**
Others	**27**	**3**	**-**	**30**
Total	**135**	**18**	**5**	**158**

	Bank			
In $ millions 2010	**Up to 30 days past due**	**30 - 59 days past due**	**60 - 90 days past due**	**Total**
Manufacturing	17	1	1	19
Building and construction	3	-	4	7
Housing loans	-	1	1	2
General commerce	7	1	-	8
Transportation, storage and communications	5	-	-	5
Financial institutions, investment and holding companies	3	-	-	3
Professionals and private individuals (except housing loans)	13	1	-	14
Others	3	-	-	3
Total	51	4	6	61

(iii) Non-performing assets

Non-performing assets by loan grading and industry

	Bank Group							
	NPAs [(a)]				Specific allowances[(a)]			
In $ millions 2011	**Sub-standard**	**Doubtful**	**Loss**	**Total**	**Sub-standard**	**Doubtful**	**Loss**	**Total**
Customer loans								
Manufacturing	**140**	**122**	**121**	**383**	**8**	**112**	**121**	**241**
Building and construction	**53**	**34**	**5**	**92**	**7**	**26**	**5**	**38**
Housing loans	**97**	**-**	**11**	**108**	**2**	**-**	**11**	**13**
General commerce	**133**	**79**	**57**	**269**	**-**	**73**	**58**	**131**
Transportation, storage and communications	**138**	**360**	**65**	**563**	**8**	**212**	**65**	**285**
Financial institutions, investment and holding companies	**632**	**264**	**34**	**930**	**184**	**182**	**34**	**400**
Professional and private individuals (except housing loans)	**134**	**13**	**28**	**175**	**24**	**12**	**27**	**63**
Others	**69**	**15**	**35**	**119**	**6**	**15**	**35**	**56**
Total customer loans	**1,396**	**887**	**356**	**2,639**	**239**	**632**	**356**	**1,227**
Debt securities	**5**	**2**	**3**	**10**	**-**	**-**	**3**	**3**
Contingent items and others	**125**	**96**	**34**	**255**	**2**	**55**	**34**	**91**
Total	**1,526**	**985**	**393**	**2,904**	**241**	**687**	**393**	**1,321**

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

(a) The Bank Group's NPAs and specific allowances for customer loans each includes $39 million (2010: $60 million) in interest receivable.

	Bank							
	NPAs [(a)]				Specific allowances[(a)]			
In $ millions 2011	**Sub-standard**	**Doubtful**	**Loss**	**Total**	**Sub-standard**	**Doubtful**	**Loss**	**Total**
Customer loans								
Manufacturing	**62**	**48**	**81**	**191**	**2**	**47**	**81**	**130**
Building and construction	**9**	**33**	**2**	**44**	**1**	**26**	**2**	**29**
Housing loans	**84**	**-**	**11**	**95**	**1**	**-**	**11**	**12**
General commerce	**81**	**28**	**47**	**156**	**-**	**24**	**47**	**71**
Transportation, storage and communications	**134**	**359**	**52**	**545**	**7**	**211**	**52**	**270**
Financial institutions, investment and holding companies	**632**	**211**	**18**	**861**	**185**	**146**	**18**	**349**
Professional and private individuals (except housing loans)	**76**	**8**	**6**	**90**	**13**	**6**	**6**	**25**
Others	**41**	**1**	**15**	**57**	**6**	**1**	**15**	**22**
Total customer loans	**1,119**	**688**	**232**	**2,039**	**215**	**461**	**232**	**908**
Debt securities	**5**	**2**	**3**	**10**	**-**	**1**	**3**	**4**
Contingent items and others	**115**	**95**	**7**	**217**	**2**	**54**	**7**	**63**
Total	**1,239**	**785**	**242**	**2,266**	**217**	**516**	**242**	**975**

	Bank							
	NPAs [a]				Specific allowances[a]			
In $ millions 2010	**Sub-standard**	**Doubtful**	**Loss**	**Total**	**Sub-standard**	**Doubtful**	**Loss**	**Total**
Customer loans								
Manufacturing	126	60	85	271	9	55	85	149
Building and construction	27	1	6	34	5	1	6	12
Housing loans	94	-	14	108	2	-	14	16
General commerce	97	38	22	157	3	30	23	56
Transportation, storage and communications	551	74	1	626	109	57	1	167
Financial institutions, investment and holding companies	635	244	11	890	176	172	11	359
Professional and private individuals (except housing loans)	68	7	19	94	9	5	19	33
Others	30	26	18	74	2	20	18	40
Total customer loans	1,628	450	176	2,254	315	340	177	832
Debt securities	18	5	5	28	-	1	6	7
Contingent items and others	184	81	2	267	29	68	2	99
Total	1,830	536	183	2,549	344	409	185	938

(a) The Bank's NPAs and specific allowances for customer loans each includes $39 million (2010: $46 million) in interest receivable.

Non-performing assets by region

	Bank Group		Bank	
In $ millions	**NPAs**	**Specific allowances**	**NPAs**	**Specific allowances**
2011				
Singapore	**602**	**227**	**601**	**226**
Hong Kong	**337**	**178**	**2**	**1**
Rest of Greater China	**239**	**134**	**145**	**84**
South and Southeast Asia	**301**	**140**	**194**	**79**
Rest of the World	**1,425**	**642**	**1,324**	**585**
Total	**2,904**	**1,321**	**2,266**	**975**
2010				
Singapore	675	223	673	222
Hong Kong	362	214	2	1
Rest of Greater China	252	166	149	88
South and Southeast Asia	336	164	237	91
Rest of the World	1,588	578	1,488	536
Total	3,213	1,345	2,549	938

Non-performing assets by past due period

	Bank Group		Bank	
In $ millions	**2011**	**2010**	**2011**	**2010**
Not overdue	**1,161**	1,294	**1,080**	1,191
< 90 days past due	**169**	225	**140**	166
91-180 days past due	**607**	124	**524**	93
> 180 days past due	**967**	1,570	**522**	1,099
Total past due assets	**1,743**	1,919	**1,186**	1,358
Total	**2,904**	3,213	**2,266**	2,549

Collateral value for non-performing assets

	Bank Group		Bank	
In $ millions	**2011**	**2010**	**2011**	**2010**
Properties	**355**	250	**247**	187
Shares and debentures	**78**	85	**75**	73
Fixed deposits	**41**	38	**14**	7
Others	**213**	317	**165**	281
Total	**687**	690	**501**	548

Restructured non-performing assets

In $ millions	Bank Group NPAs	Bank Group Specific allowances	Bank NPAs	Bank Specific allowances
2011				
Substandard	**835**	**199**	**775**	**191**
Doubtful	**120**	**97**	**81**	**68**
Loss	**35**	**35**	**17**	**17**
Total	**990**	**331**	**873**	**276**
2010				
Substandard	443	47	374	26
Doubtful	145	128	131	115
Loss	28	28	17	17
Total	616	203	522	158

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

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

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

In $ millions External rating	Bank Financial assets at fair value through profit or loss Singapore Government securities and treasury bills	Other government securities and treasury bills	Corporate debt securities	Loans and advances to customers	Other financial assets (due from banks) [b]	Total	Financial investments Other government securities and treasury bills	Corporate debt securities	Total	Securities pledged
	(1)	(2)	(3)	(4)	(5)	(6)=(2+3+4+5)	(7)	(8)	(9)=(7+8)	(10)
2011										
AAA	**12,503**	**9**	**598**	**-**	**-**	**607**	**362**	**1,558**	**1,920**	**756**
AA- to AA+	**-**	**953**	**98**	**-**	**-**	**1,051**	**4,514**	**1,943**	**6,457**	**-**
A- to A+	**-**	**1,514**	**1,189**	**-**	**-**	**2,703**	**1,268**	**5,001**	**6,269**	**9**
Lower than A-	**-**	**2,000**	**908**	**-**	**-**	**2,908**	**860**	**1,759**	**2,619**	**471**
Unrated	**-**	**-**	**847**	**445**	**1,077**	**2,369**	**-**	**6,986**	**6,986**	**-**
Total	**12,503**	**4,476**	**3,640**	**445**	**1,077**	**9,638**	**7,004**	**17,247**	**24,251**	**1,236**
2010										
AAA	11,546	162	285	-	-	447	3,106	1,619	4,725	414
AA- to AA+	-	16	140	-	-	156	813	1,664	2,477	-
A- to A+	-	372	1,272	-	-	1,644	1,846	5,141	6,987	12
Lower than A-	-	1,637	1,154	-	-	2,791	619	1,616	2,235	286
Unrated	-	-	533	395	2,992	3,920	-	4,116	4,116	-
Total	11,546	2,187	3,384	395	2,992	8,958	6,384	14,156	20,540	712

(a) The amount of securities that are past due but not impaired is not material.
(b) For amounts due from banks, majority of the bank counterparties are accorded "Pass" grade in accordance with the loan grading per MAS Notice to Banks No. 612 "Credit Files, Grading and Provisioning".

Credit Exposures by Country of Incorporation

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

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

In $ millions	Loans and debt securities				Total exposure	
Assets in	Banks	Central banks and Government securities	Non-banks[a]	Investments	Amount	As a % of Total assets
	(1)	(2)	(3)	(4)	(5)=(1+2+3+4)	(6)
2011						
Top 10 countries						
(Net exposure >1% of Total assets)						
Hong Kong SAR	**1,955**	**3,584**	**41,689**	**75**	**47,303**	**13.9**
China	**6,067**	**2,157**	**23,226**	**192**	**31,642[b]**	**9.3**
India	**3,130**	**2,222**	**11,197**	**39**	**16,588**	**4.9**
South Korea	**3,597**	**2,680**	**5,377**	**-**	**11,654**	**3.4**
Taiwan	**114**	**3,954**	**6,616**	**3**	**10,687**	**3.1**
United Kingdom	**3,715**	**321**	**3,692**	**6**	**7,734**	**2.3**
Indonesia	**70**	**1,433**	**5,820**	**9**	**7,332**	**2.1**
United States	**1,042**	**3,893**	**2,230**	**119**	**7,284**	**2.1**
Australia	**2,582**	**319**	**1,800**	**97**	**4,798**	**1.4**
Malaysia	**240**	**157**	**2,731**	**101**	**3,229**	**1.0**
Total	**22,512**	**20,720**	**104,378**	**641**	**148,251**	**43.5**

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

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

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

In $ millions	Loans and debt securities				Total exposure	
Assets in	Banks	Central banks and Government securities	Non-banks[a]	Investments	Amount	As a % of Total assets
	(1)	(2)	(3)	(4)	(5)=(1+2+3+4)	(6)
2011						
Top 10 countries						
(Net exposure >1% of Total assets)						
Hong Kong SAR	**2,124**	**514**	**15,098**	**66**	**17,802**	**6.3**
India	**2,732**	**2,222**	**11,190**	**39**	**16,183**	**5.7**
South Korea	**3,581**	**2,680**	**5,340**	**-**	**11,601**	**4.1**
China	**3,393**	**149**	**7,854**	**183**	**11,579**	**4.1**
Taiwan	**114**	**3,955**	**6,503**	**3**	**10,575**	**3.8**
United Kingdom	**3,598**	**295**	**3,531**	**6**	**7,430**	**2.6**
United States	**385**	**3,512**	**2,143**	**112**	**6,152**	**2.2**
Australia	**1,729**	**-**	**1,760**	**97**	**3,586**	**1.3**
Indonesia	**24**	**892**	**2,202**	**3**	**3,121**	**1.1**
Malaysia	**239**	**101**	**2,680**	**10**	**3,030**	**1.1**
Total	**17,919**	**14,320**	**58,301**	**519**	**91,059**	**32.3**

In $ millions	Loans and debt securities				Total exposure	
Assets in	Banks	Central banks and Government securities	Non-banks[a]	Investments	Amount	As a % of Total assets
	(1)	(2)	(3)	(4)	(5)=(1+2+3+4)	(6)
2010						
Top 10 countries						
(Net exposure >1% of Total assets)						
Hong Kong SAR	1,782	500	12,890	66	15,238	6.4
India	3,943	1,047	6,909	46	11,945	5.0
South Korea	2,057	1,965	4,448	-	8,470	3.5
Taiwan	216	1,982	4,990	21	7,209	3.0
China	2,166	131	1,910	218	4,425	1.9
United States	149	2,346	1,666	106	4,267	1.8
United Kingdom	1,380	336	2,482	9	4,207	1.8
Malaysia	1,147	114	2,775	10	4,046	1.7
Japan	1,140	1	2,369	1	3,511	1.5
Indonesia	121	1,124	1,655	8	2,908	1.2
Total	14,101	9,546	42,094	485	66,226	27.8

(a) Non-bank loans include loans to government and quasi-government entities

46 Market Risk

46.1 Market risk

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

The Bank Group manages market risk in the course of market-making, structuring and packaging products for investors and other clients, as well as to benefit from market opportunities. The Bank Group also manages banking book interest rate risk arising from mismatches in the interest rate profile of assets, liabilities and capital instruments (and associated hedges), including basis risk arising from different interest rate benchmarks, interest rate re-pricing risk, yield curve risks and embedded optionality. Behavioural assumptions are applied in managing the interest rate risk of banking book deposits with indeterminate maturities. To optimise its income and balance sheet management, the Bank Group deploys funds in debt securities, equities and funds or in the interbank market. All types of foreign exchange risk (including structural foreign exchange risk arising from the Bank Group's investment in strategic investments) are risk managed as part of the trading book.

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

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

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

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

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

The following table shows the period-end, average, high and low VaR (at a 99% confidence level over a one-day holding period) for trading market risk:

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

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

		Bank		
		1 Jan 2011 to 31 Dec 2011		
In $ millions	**As at 31 Dec 2011**	**Average**	**High**	**Low**
Total	**32**	**24**	**34**	**13**

		Bank		
		1 Jan 2010 to 31 Dec 2010		
In $ millions	**As at 31 Dec 2010**	**Average**	**High**	**Low**
Total	25	23	34	15

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

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

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

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

		Bank		
		1 Jan 2011 to 31 Dec 2011		
In $ millions	**As at 31 Dec 2011**	**Average**	**High**	**Low**
Total	**57**	**53**	**61**	**43**

		Bank		
		1 Jan 2010 to 31 Dec 2010		
In $ millions	**As at 31 Dec 2010**	**Average**	**High**	**Low**
Total	59	51	71	27

The economic value impact of changes in interest rates is simulated under various assumptions for the banking book. Based on a 200 basis point upward parallel shock to all yield curves, the simulated economic value change is negative $433 million (2010: negative $465 million) for the Bank Group and negative $383 million (2010: negative $367 million) for the Bank. The corresponding simulated economic value change for a 200 basis point downward shock is positive $573 million (2010: positive $499 million) for the Bank Group and positive $566 million (2010: positive $431 million) for the Bank.

46.2 Interest rate repricing gaps

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

	Bank Group							
In $ millions	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Non-interest bearing	Total
2011								
Cash and balances with central banks	**4,697**	**5,901**	**7,242**	**1,459**	**-**	**-**	**6,001**	**25,300**
Due from banks	**7,631**	**3,180**	**4,836**	**6,225**	**1,189**	**-**	**2,510**	**25,571**
Financial assets at fair value through profit or loss	**421**	**1,359**	**1,821**	**3,614**	**2,734**	**1,749**	**229**	**11,927**
Other securities[(a)]	**302**	**3,860**	**8,296**	**8,999**	**7,226**	**15,787**	**1,158**	**45,628**
Loans and advances to customers	**30,960**	**62,793**	**44,034**	**31,343**	**18,317**	**5,531**	**1,297**	**194,275**
Other assets[(b)]	**-**	**-**	**-**	**-**	**-**	**-**	**38,163**	**38,163**
Total assets	**44,011**	**77,093**	**66,229**	**51,640**	**29,466**	**23,067**	**49,358**	**340,864**
Due to banks	**11,606**	**7,686**	**6,920**	**793**	**-**	**65**	**531**	**27,601**
Due to non-bank customers	**146,836**	**25,730**	**25,336**	**19,173**	**1,680**	**237**	**-**	**218,992**
Financial liabilities at fair value through profit or loss	**1,562**	**1,753**	**2,005**	**3,573**	**1,368**	**1,591**	**60**	**11,912**
Other liabilities[(c)]	**3,803**	**3,633**	**4,046**	**1,142**	**369**	**1,940**	**30,563**	**45,496**
Subordinated term debts	**-**	**1,170**	**1,949**	**660**	**1,025**	**500**	**-**	**5,304**
Total liabilities	**163,807**	**39,972**	**40,256**	**25,341**	**4,442**	**4,333**	**31,154**	**309,305**
Non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**1,757**	**1,757**
Shareholders' funds	**-**	**-**	**-**	**-**	**-**	**-**	**29,802**	**29,802**
Total equity	**-**	**-**	**-**	**-**	**-**	**-**	**31,559**	**31,559**
On-balance sheet interest rate gap	**(119,796)**	**37,121**	**25,973**	**26,299**	**25,024**	**18,734**	**(13,355)**	**-**
Off-balance sheet interest rate gap								
- Financial derivatives[(d)]	**2,206**	**7,617**	**4,957**	**(8,083)**	**(4,278)**	**(2,419)**	**-**	**-**
2010								
Cash and balances with central banks	3,624	7,064	12,818	1,168	-	-	6,526	31,200
Due from banks	3,460	5,583	4,509	3,572	-	-	3,182	20,306
Financial assets at fair value through profit or loss	500	1,920	1,627	2,894	1,171	1,721	346	10,179
Other securities[(a)]	372	1,776	7,895	5,146	9,170	14,577	1,142	40,078
Loans and advances to customers	25,538	47,572	35,957	19,575	14,440	6,995	1,621	151,698
Other assets[(b)]	-	-	-	-	-	-	30,267	30,267
Total assets	33,494	63,915	62,806	32,355	24,781	23,293	43,084	283,728
Due to banks	5,208	9,377	2,981	753	-	-	492	18,811
Due to non-bank customers	129,670	21,085	19,201	14,486	1,497	1,756	-	187,695
Financial liabilities at fair value through profit or loss	788	1,119	1,510	2,969	2,177	1,648	17	10,228
Other liabilities[(c)]	1,509	251	244	531	388	1,541	25,370	29,834
Subordinated term debts	-	1,158	1,930	1,116	680	1,514	-	6,398
Total liabilities	137,175	32,990	25,866	19,855	4,742	6,459	25,879	252,966
Non-controlling interests	-	-	-	-	-	-	2,879	2,879
Shareholders' funds	-	-	-	-	-	-	27,883	27,883
Total equity	-	-	-	-	-	-	30,762	30,762
On-balance sheet interest rate gap	(103,681)	30,925	36,940	12,500	20,039	16,834	(13,557)	-
Off-balance sheet interest rate gap								
- Financial derivatives[(d)]	8,326	9,522	(5,684)	(4,670)	(4,205)	(3,289)	-	-

(a) Other securities include Singapore Government securities and treasury bills, financial investments and securities pledged.
(b) Other assets include positive fair values for financial derivatives, investments in associates, goodwill on consolidation, properties and other fixed assets, investment properties, deferred tax assets and other assets.
(c) Other liabilities include negative fair values for financial derivatives, bills payable, current and deferred tax liabilities, other debt securities in issue, other liabilities and due to holding company.
(d) Off-balance sheet items are represented at notional values.

	Bank							
In $ millions	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Non-interest bearing	Total
2011								
Cash and balances with central banks	**2,034**	**5,901**	**7,242**	**1,459**	**-**	**-**	**5,092**	**21,728**
Due from banks	**6,880**	**2,588**	**3,572**	**4,237**	**1,122**	**-**	**1,138**	**19,537**
Financial assets at fair value through profit or loss	**421**	**1,244**	**1,425**	**3,023**	**2,188**	**1,337**	**229**	**9,867**
Other securities[(a)]	**253**	**3,000**	**5,925**	**8,158**	**5,563**	**15,090**	**1,075**	**39,064**
Loans and advances to customers	**17,018**	**42,849**	**38,992**	**28,351**	**17,204**	**5,096**	**90**	**149,600**
Other assets[(b)]	**-**	**-**	**-**	**-**	**-**	**-**	**42,097**	**42,097**
Total assets	**26,606**	**55,582**	**57,156**	**45,228**	**26,077**	**21,523**	**49,721**	**281,893**
Due to banks	**10,816**	**7,558**	**6,417**	**793**	**-**	**65**	**197**	**25,846**
Due to non-bank customers	**126,720**	**18,356**	**16,613**	**13,867**	**1,073**	**55**	**-**	**176,684**
Financial liabilities at fair value through profit or loss	**368**	**1,171**	**1,133**	**1,082**	**595**	**1,481**	**60**	**5,890**
Other liabilities[(c)]	**3,437**	**2,810**	**3,390**	**382**	**221**	**1,318**	**28,087**	**39,645**
Subordinated term debts	**-**	**1,170**	**1,950**	**660**	**1,024**	**500**	**-**	**5,304**
Total liabilities	**141,341**	**31,065**	**29,503**	**16,784**	**2,913**	**3,419**	**28,344**	**253,369**
Non-controlling interests	-	-	-	-	-	-	-	-
Shareholders' funds	-	-	-	-	-	-	**28,524**	**28,524**
Total equity	-	-	-	-	-	-	**28,524**	**28,524**
On-balance sheet interest rate gap	**(114,735)**	**24,517**	**27,653**	**28,444**	**23,164**	**18,104**	**(7,147)**	**-**
Off-balance sheet interest rate gap								
- Financial derivatives[(d)]	**1,430**	**7,995**	**5,004**	**(7,754)**	**(3,886)**	**(2,789)**	**-**	**-**
2010								
Cash and balances with central banks	1,989	7,064	12,818	1,168	-	-	6,178	29,217
Due from banks	1,688	5,044	3,258	3,002	-	-	1,208	14,200
Financial assets at fair value through profit or loss	501	1,849	1,626	2,587	985	1,410	346	9,304
Other securities[(a)]	359	1,606	5,987	4,543	6,830	13,473	1,093	33,891
Loans and advances to customers	16,272	31,284	31,788	17,618	13,634	6,715	436	117,747
Other assets[(b)]	-	-	-	-	-	-	34,113	34,113
Total assets	20,809	46,847	55,477	28,918	21,449	21,598	43,374	238,472
Due to banks	4,997	9,047	2,864	638	-	-	2	17,548
Due to non-bank customers	108,270	13,799	12,584	10,711	1,113	1,286	-	147,763
Financial liabilities at fair value through profit or loss	189	748	1,032	2,059	999	1,568	17	6,612
Other liabilities[(c)]	1,017	-	-	243	305	1,195	30,274	33,034
Subordinated term debts	-	1,158	1,930	1,116	680	1,514	-	6,398
Total liabilities	114,473	24,752	18,410	14,767	3,097	5,563	30,293	211,355
Non-controlling interests	-	-	-	-	-	-	-	-
Shareholders' funds	-	-	-	-	-	-	27,117	27,117
Total equity	-	-	-	-	-	-	27,117	27,117
On-balance sheet interest rate gap	(93,664)	22,095	37,067	14,151	18,352	16,035	(14,036)	-
Off-balance sheet interest rate gap								
- Financial derivatives[(d)]	5,471	9,301	(5,803)	(4,451)	(1,224)	(3,294)	-	-

(a) Other securities include Singapore Government securities and treasury bills, financial investments and securities pledged.
(b) Other assets include positive fair values for financial derivatives, subsidiaries, due from special purpose entities, investments in associates and joint ventures, properties and other fixed assets, investment properties, deferred tax assets and other assets.
(c) Other liabilities include negative fair values for financial derivatives, bills payable, current and deferred tax liabilities, other debt securities in issue, other liabilities, due to holding company, subsidiaries and special purpose entities.
(d) Off-balance sheet items are represented at notional values.

47 Liquidity Risk

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

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

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

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

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

The Bank Group has participated in the Bank for International Settlements (BIS) Quantitative Impact studies (QIS) since 2010 on the new Basel III liquidity reporting requirements.

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

	Bank Group					
	2011			2010		
In $ millions	Up to 1 year	More than 1 year	Total	Up to 1 year	More than 1 year	Total
Cash and balances with central banks	**25,300**	**-**	**25,300**	31,200	-	31,200
Singapore Government securities and treasury bills	**6,209**	**6,294**	**12,503**	3,329	8,217	11,546
Due from banks	**24,383**	**1,188**	**25,571**	18,362	1,944	20,306
Financial assets at fair value through profit or loss	**6,633**	**5,294**	**11,927**	6,615	3,564	10,179
Positive fair value for financial derivatives	**21,164**	**-**	**21,164**	16,767	-	16,767
Loans and advances to customers	**86,134**	**108,141**	**194,275**	55,955	95,743	151,698
Financial investments	**9,509**	**20,982**	**30,491**	7,655	18,895	26,550
Securities pledged	**1,423**	**1,211**	**2,634**	940	1,042	1,982
Investments in associates	**-**	**949**	**949**	-	813	813
Goodwill on consolidation	**-**	**4,802**	**4,802**	-	4,802	4,802
Properties and other fixed assets	**-**	**976**	**976**	-	1,025	1,025
Investment properties	**-**	**372**	**372**	-	358	358
Deferred tax assets	**-**	**149**	**149**	-	102	102
Other assets	**7,616**	**2,135**	**9,751**	5,486	914	6,400
Total assets	**188,371**	**152,493**	**340,864**	146,309	137,419	283,728
Due to banks	**26,124**	**1,477**	**27,601**	18,425	386	18,811
Due to non-bank customers	**217,075**	**1,917**	**218,992**	184,442	3,253	187,695
Financial liabilities at fair value through profit or loss	**7,624**	**4,288**	**11,912**	5,677	4,551	10,228
Negative fair value for financial derivatives	**22,207**	**-**	**22,207**	17,222	-	17,222
Bills payable	**254**	**-**	**254**	601	-	601
Current tax liabilities	**836**	**-**	**836**	879	-	879
Deferred tax liabilities	**-**	**30**	**30**	-	40	40
Other liabilities	**8,325**	**1,957**	**10,282**	5,388	1,182	6,570
Other debt securities in issue	**7,945**	**2,409**	**10,354**	505	1,655	2,160
Due to holding company	**1,533**	**-**	**1,533**	2,362	-	2,362
Subordinated term debts	**-**	**5,304**	**5,304**	1,116	5,282	6,398
Total liabilities	**291,923**	**17,382**	**309,305**	236,617	16,349	252,966
Non-controlling interests	**-**	**1,757**	**1,757**	-	2,879	2,879
Shareholders' funds	**-**	**29,802**	**29,802**	-	27,883	27,883
Total equity	**-**	**31,559**	**31,559**	-	30,762	30,762

	Bank					
	2011			2010		
In $ millions	Up to 1 year	More than 1 year	Total	Up to 1 year	More than 1 year	Total
Cash and balances with central banks	**21,728**	**-**	**21,728**	29,217	-	29,217
Singapore Government securities and treasury bills	**6,209**	**6,294**	**12,503**	3,329	8,217	11,546
Due from banks	**18,416**	**1,121**	**19,537**	12,256	1,944	14,200
Financial assets at fair value through profit or loss	**5,684**	**4,183**	**9,867**	6,326	2,978	9,304
Positive fair value for financial derivatives	**21,034**	**-**	**21,034**	16,632	-	16,632
Loans and advances to customers	**61,350**	**88,250**	**149,600**	41,922	75,825	117,747
Financial investments	**6,472**	**18,853**	**25,325**	6,498	15,135	21,633
Securities pledged	**455**	**781**	**1,236**	170	542	712
Subsidiaries	**4,063**	**10,372**	**14,435**	1,913	9,967	11,880
Due from special purpose entities	**15**	**-**	**15**	-	-	-
Investments in joint ventures	-	**1**	**1**	-	1	1
Investments in associates		**1,109**	**1,109**	-	988	988
Properties and other fixed assets	-	**467**	**467**	-	451	451
Investment properties	-	**43**	**43**	-	54	54
Deferred tax assets		**60**	**60**	-	50	50
Other assets	**4,615**	**318**	**4,933**	3,670	387	4,057
Total assets	**150,041**	**131,852**	**281,893**	121,933	116,539	238,472
Due to banks	**24,369**	**1,477**	**25,846**	17,162	386	17,548
Due to non-bank customers	**175,556**	**1,128**	**176,684**	145,364	2,399	147,763
Financial liabilities at fair value through profit or loss	**2,499**	**3,391**	**5,890**	3,418	3,194	6,612
Negative fair value for financial derivatives	**22,009**	**-**	**22,009**	16,903	-	16,903
Bills payable	**204**	**-**	**204**	560	-	560
Current tax liabilities	**742**	**-**	**742**	782	-	782
Other liabilities	**4,794**	**193**	**4,987**	2,817	737	3,554
Other debt securities in issue	**6,228**	**1,381**	**7,609**	-	1,194	1,194
Due to holding company	**1,533**	-	**1,533**	2,362	-	2,362
Due to subsidiaries	**949**	**1,500**	**2,449**	5,016	2,533	7,549
Due to special purpose entities	**112**	-	**112**	130	-	130
Subordinated term debts	**-**	**5,304**	**5,304**	1,116	5,282	6,398
Total liabilities	**238,995**	**14,374**	**253,369**	195,630	15,725	211,355
Non-controlling interests	-	**-**	**-**	-	-	-
Shareholders' funds	-	**28,524**	**28,524**	-	27,117	27,117
Total equity	-	**28,524**	**28,524**	-	27,117	27,117

The table below shows the assets and liabilities of the Bank Group at 31 December based on contractual undiscounted repayment obligations.

	Bank Group						
In $ millions	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	More than 1 year	No specific maturity	Total
2011							
Cash and balances with central banks	**10,703**	**5,900**	**7,248**	**1,462**	**-**	**-**	**25,313**
Due from banks	**10,144**	**3,211**	**4,792**	**6,361**	**1,213**	**-**	**25,721**
Financial assets at fair value through profit or loss	**422**	**1,210**	**1,557**	**3,532**	**5,863**	**229**	**12,813**
Other securities[(a)]	**197**	**2,276**	**4,876**	**9,428**	**31,294**	**1,157**	**49,228**
Loans and advances to customers	**11,193**	**24,729**	**18,282**	**33,698**	**118,986**	**-**	**206,888**
Other assets[(b)]	**3,975**	**216**	**622**	**37**	**2,134**	**9,401**	**16,385**
Total assets	**36,634**	**37,542**	**37,377**	**54,518**	**159,490**	**10,787**	**336,348**
Due to banks	**12,843**	**7,770**	**4,314**	**1,211**	**1,478**	**-**	**27,616**
Due to non-bank customers	**146,846**	**25,772**	**25,417**	**19,282**	**1,928**	**-**	**219,245**
Financial liabilities at fair value through profit or loss	**1,526**	**1,242**	**1,408**	**3,421**	**4,480**	**60**	**12,137**
Other liabilities[(c)]	**4,285**	**4,166**	**4,642**	**1,441**	**4,529**	**4,275**	**23,338**
Subordinated term debts	**-**	**14**	**3**	**96**	**5,868**	**-**	**5,981**
Total liabilities	**165,500**	**38,964**	**35,784**	**25,451**	**18,283**	**4,335**	**288,317**
Non-controlling interests	**-**	**-**	**-**	**-**	**-**	**1,757**	**1,757**
Shareholders' funds	**-**	**-**	**-**	**-**	**-**	**29,802**	**29,802**
Total equity	**-**	**-**	**-**	**-**	**-**	**31,559**	**31,559**
Derivatives settled on a net basis[(d)]	**(440)**	**(22)**	**26**	**(73)**	**(119)**	**-**	**(628)**
Net liquidity gap	**(129,306)**	**(1,444)**	**1,619**	**28,994**	**141,088**	**(25,107)**	**15,844**
2010							
Cash and balances with central banks	10,151	7,069	12,832	1,168	-	-	31,220
Due from banks	6,018	5,552	4,110	2,694	1,982	-	20,356
Financial assets at fair value through profit or loss	381	1,850	1,147	3,118	4,106	346	10,948
Other securities[(a)]	179	529	4,193	6,700	31,931	1,143	44,675
Loans and advances to customers	10,850	12,226	13,758	21,146	104,635	-	162,615
Other assets[(b)]	1,435	115	319	89	914	10,162	13,034
Total assets	29,014	27,341	36,359	34,915	143,568	11,651	282,848
Due to banks	5,701	9,380	2,599	755	386	-	18,821
Due to non-bank customers	129,678	21,112	19,239	14,569	3,332	-	187,930
Financial liabilities at fair value through profit or loss	754	797	1,059	3,091	4,538	17	10,256
Other liabilities[(c)]	3,277	876	363	1,021	3,042	4,168	12,747
Subordinated term debts	-	14	2	1,238	5,651	-	6,905
Total liabilities	139,410	32,179	23,262	20,674	16,949	4,185	236,659
Non-controlling interests	-	-	-	-	-	2,879	2,879
Shareholders' funds	-	-	-	-	-	27,883	27,883
Total equity	-	-	-	-	-	30,762	30,762
Derivatives settled on a net basis[(d)]	(284)	1	(66)	26	(485)	-	(808)
Net liquidity gap	(110,680)	(4,837)	13,031	14,267	126,134	(23,296)	14,619

(a) Other securities include Singapore Government securities and treasury bills, financial investments and securities pledged.
(b) Other assets include investments in associates, goodwill on consolidation, properties and other fixed assets, investment properties, deferred tax assets and other assets.
(c) Other liabilities include bills payable, other debt securities in issue, current and deferred tax liabilities, other liabilities and due to holding company.
(d) Positive indicates inflow and negative indicates outflow of funds

In $ millions	Less than 7 days	1 week to 1 month	1 to 3 months	Bank 3 to 12 months	More than 1 year	No specific maturity	Total
2011							
Cash and balances with central banks	**7,131**	**5,904**	**7,248**	**1,459**	**-**	**-**	**21,742**
Due from banks	**8,017**	**2,593**	**3,577**	**4,262**	**1,139**	**4**	**19,592**
Financial assets at fair value through profit or loss	**410**	**1,106**	**1,159**	**3,082**	**4,735**	**229**	**10,721**
Other securities[(a)]	**149**	**1,491**	**2,859**	**8,256**	**28,677**	**1,074**	**42,506**
Loans and advances to customers	**7,853**	**19,072**	**12,284**	**23,366**	**96,572**	**-**	**159,147**
Other assets[(b)]	**2,549**	**28**	**163**	**18**	**319**	**17,374**	**20,451**
Total assets	**26,109**	**30,194**	**27,290**	**40,443**	**131,442**	**18,681**	**274,159**
Due to banks	**11,721**	**7,642**	**4,232**	**791**	**1,478**	**-**	**25,864**
Due to non-bank customers	**126,724**	**18,379**	**16,658**	**13,944**	**1,136**	**-**	**176,841**
Financial liabilities at fair value through profit or loss	**332**	**661**	**563**	**910**	**3,576**	**60**	**6,102**
Other liabilities[(c)]	**2,847**	**2,902**	**3,623**	**560**	**1,652**	**5,982**	**17,566**
Subordinated term debts	**-**	**14**	**3**	**96**	**5,868**	**-**	**5,981**
Total liabilities	**141,624**	**29,598**	**25,079**	**16,301**	**13,710**	**6,042**	**232,354**
Non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Shareholders' funds	**-**	**-**	**-**	**-**	**-**	**28,524**	**28,524**
Total equity	-	-	-	-	-	**28,524**	**28,524**
Derivatives settled on a net basis[(d)]	**(285)**	**(24)**	**(44)**	**49**	**(106)**	**-**	**(410)**
Net liquidity gap	**(115,800)**	**572**	**2,167**	**24,191**	**117,626**	**(15,885)**	**12,871**
2010							
Cash and balances with central banks	8,168	7,069	12,832	1,168	-	-	29,237
Due from banks	2,896	4,915	2,444	2,009	1,982	-	14,246
Financial assets at fair value through profit or loss	381	1,779	1,146	2,878	3,513	346	10,043
Other securities[(a)]	151	442	3,231	5,805	27,650	1,093	38,372
Loans and advances to customers	7,884	9,246	9,547	16,210	82,382	-	125,269
Other assets[(b)]	70	46	53	1,994	389	14,464	17,016
Total assets	19,550	23,497	29,253	30,064	115,916	15,903	234,183
Due to banks	5,001	9,050	2,482	638	386	-	17,557
Due to non-bank customers	108,273	13,816	12,608	10,779	2,479	-	147,955
Financial liabilities at fair value through profit or loss	145	454	721	2,105	3,189	17	6,631
Other liabilities[(c)]	1,655	91	223	413	4,580	9,197	16,159
Subordinated term debts	-	14	2	1,238	5,651	-	6,905
Total liabilities	115,074	23,425	16,036	15,173	16,285	9,214	195,207
Non-controlling interests	-	-	-	-	-	-	-
Shareholders' funds	-	-	-	-	-	27,117	27,117
Total equity						27,117	27,117
Derivatives settled on a net basis[(d)]	(165)	1	(59)	49	(468)	-	(642)
Net liquidity gap	(95,689)	73	13,158	14,940	99,163	(20,428)	11,217

(a) Other securities include Singapore Government securities and treasury bills, financial investments and securities pledged.
(b) Other assets include subsidiaries, due from special purpose entities, investments in associates and joint ventures, properties and other fixed assets, investment properties, deferred tax assets and other assets.
(c) Other liabilities include bills payable, other debt securities in issue, current and deferred tax liabilities, other liabilities and due to holding company, subsidiaries and special purpose entities.
(d) Positive indicates inflow and negative indicates outflow of funds

The balances in the above table will not agree with the balances in the balance sheet as the table incorporates all cash flows, on an undiscounted basis, related to both principal as well as future interest payments.

Customer assets and liabilities (including non-maturing savings/current deposits) are represented on a contractual basis or in a period when it can legally be withdrawn. On a behavioral basis, for liquidity risk analysis the assets and liabilities cash flows may differ from contractual basis.

47.1 Derivatives settled on a gross basis

The table below shows the Bank Group and Bank's derivative financial instruments in the period where they mature based on the remaining period to contractual maturity date as at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows on a gross settlement basis.

In $ millions	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	More than 1 year	Total
			Bank Group			
2011						
Foreign exchange derivatives						
- outflow	**62,640**	**61,447**	**112,085**	**147,500**	**65,387**	**449,059**
- inflow	**62,494**	**61,360**	**112,600**	**147,560**	**64,508**	**448,522**
2010						
Foreign exchange derivatives						
- outflow	37,345	47,079	64,501	98,369	50,635	297,929
- inflow	37,356	47,244	64,632	98,767	50,249	298,248

In $ millions	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	More than 1 year	Total
			Bank			
2011						
Foreign exchange derivatives						
- outflow	**61,292**	**58,384**	**106,887**	**140,276**	**65,213**	**432,052**
- inflow	**61,148**	**58,326**	**107,447**	**140,382**	**64,313**	**431,616**
2010						
Foreign exchange derivatives						
- outflow	35,027	44,350	57,700	96,502	44,835	278,414
- inflow	35,059	44,540	57,893	96,922	44,479	278,893

47.2 Contingent liabilities and commitments

The tables below show the Bank Group and Bank's contingent liabilities and commitments in the period where they expire based on the remaining period to contractual maturity date as at the balance sheet date:

In $ millions	Less than 1 year	1 to 3 years	3 to 5 Years	Over 5 years	Total
			Bank Group		
2011					
Guarantees, endorsements and other contingent items	**20,789**	**-**	**-**	**-**	**20,789**
Undrawn loan commitments[(a)] and other facilities	**109,321**	**3,255**	**3,333**	**502**	**116,411**
Operating lease commitments	**149**	**300**	**241**	**191**	**881**
Capital commitments	**30**	**3**	**-**	**-**	**33**
Total	**130,289**	**3,558**	**3,574**	**693**	**138,114**
2010					
Guarantees, endorsements and other contingent items	16,031	-	-	-	16,031
Undrawn loan commitments[(a)] and other facilities	90,044	2,410	1,949	553	94,956
Operating lease commitments	132	312	185	292	921
Capital commitments	40	1	-	-	41
Total	106,247	2,723	2,134	845	111,949

In $ millions	Less than 1 year	1 to 3 years	3 to 5 Years	Over 5 years	Total
			Bank		
2011					
Guarantees, endorsements and other contingent items	**15,851**	**-**	**-**	**-**	**15,851**
Undrawn loan commitments[(a)] and other facilities	**82,451**	**3,018**	**3,152**	**386**	**89,007**
Operating lease commitments	**78**	**204**	**207**	**167**	**656**
Capital commitments	**17**	**3**	**-**	**-**	**20**
Total	**98,397**	**3,225**	**3,359**	**553**	**105,534**
2010					
Guarantees, endorsements and other contingent items	13,774	-	-	-	13,774
Undrawn loan commitments[(a)] and other facilities	68,811	2,245	1,812	371	73,239
Operating lease commitments	74	235	154	258	721
Capital commitments	27	1	-	-	28
Total	82,686	2,481	1,966	629	87,762

(a) Undrawn loan commitments are recognised at activation stage and include commitments which are unconditionally cancellable by the Bank Group.

The Bank Group expects that not all of the contingent liabilities and undrawn loan commitments will be drawn before expiry.

47.3 Behavioural profiling

For the purpose of liquidity risk management, the Bank Group actively monitors and manages its liquidity profile within a 1-year period. A conservative view is adopted in the behavioural profiling of assets, liabilities and off-balance sheet commitments that have exhibited cash flow patterns that differ significantly from the actual contractual maturity profile.

The table below shows the Bank Group's behavioural net and cumulative maturity mismatch between assets and liabilities over a 1-year period under normal scenario without incorporating growth projections:

Bank Group **In $ millions[(a)]**	**Less than 7 days**	**1 week to 1 month**	**1 to 3 months**	**3 to 6 months**	**6 months to 1 year**
2011					
Net liquidity mismatch	**15,272**	**(1,120)**	**9,694**	**4,586**	**2,670**
Cumulative mismatch	**15,272**	**14,152**	**23,846**	**28,432**	**31,102**
2010					
Net liquidity mismatch	15,969	6,844	16,810	(2,297)	3,328
Cumulative mismatch	15,969	22,813	39,623	37,326	40,654

(a) Positive indicates a position of liquidity surplus. Negative indicates a position of liquidity shortfall that has to be funded.

As the behavioural assumptions used to determine the maturity mismatch between assets and liabilities are updated from time to time, the information presented above is not directly comparable across past balance sheet dates. Notwithstanding this, the change from the previous year reflects the strong loan growth relative to deposits increase over 2011.

48 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events, including legal risk, but does not include strategic or reputational risk, which are managed separately under other governance processes. An Operational Risk Management Framework (the framework), approved by the Board Risk Management Committee, has been developed with the objective to ensure that operational risks within the Bank Group are identified, monitored, managed and reported in a structured, systematic and consistent manner.

To manage and control operational risk, the framework encompasses various tools including, control self-assessment, risk event management, and key risk indicator monitoring. Risk events, including any significant incidents that may impact the Bank Group's reputation, are required to be reported based on certain thresholds established. Key risk indicators with pre-defined escalation triggers are employed to facilitate risk monitoring in a forward looking manner.

A key component of the framework is a set of Core Operational Risk Standards which provides guidance on the baseline controls to ensure a controlled and sound operating environment. Each new product or service introduced or outsourcing initiative is subject to a risk review and sign-off process where relevant risks are identified and assessed by departments independent of the risk-taking unit proposing the product or service. Variations of existing products or services and outsourcing initiatives are also subject to a similar process. Major operational risk mitigation programmes include Business Continuity Management and Global Insurance programme. On an annual basis, the CEO provides an attestation to the Board on the state of business continuity management of the Bank Group, including any residual risks.

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

49 Capital Management

The Bank Group's capital management policies are to diversify its sources of capital, to allocate capital efficiently, guided by the need to maintain a prudent relationship between available capital and the risks of its underlying businesses and to meet the expectations of key constituencies, including investors, regulators and rating agencies.

The capital management process, which is under the oversight of the Capital and Balance Sheet Committee, includes periodic reviews of both the demand for and supply of capital across the Bank Group. Overseas subsidiaries and non-banking subsidiaries of the Bank Group may be required to comply with country-specific and industry-specific capital requirements depending on the applicable jurisdiction and industry they operate in. Available capital is allocated across competing demands, guided by the policies outlined above, and to ensure regulatory compliance. Quarterly updates are provided to the Board of Directors.

Capital adequacy ratios as prescribed by the regulators have been complied with. Details of the DBSH Group's capital resources and capital adequacy ratios are set out in Note 49 of the Notes to the 2011 DBSH Group's financial statements.

50 Segment Reporting

50.1 Business segment reporting

The business segment results are prepared based on the Bank Group's internal management which reflects the organisation's management reporting structure. As the activities of the Bank Group are highly integrated, internal allocation has to be made in preparing the segment information. Amounts for each business segment are shown after the allocation of certain centralised costs, funding income and the application of transfer pricing, where appropriate. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

The various business segments are described below:

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

Institutional Banking
Institutional Banking provides financial services and products to institutional clients including bank and non-bank financial institutions, government linked companies, large corporates and small and medium-sized businesses. The business focuses on broadening and deepening its customer relationships. The products and services available to customers include a full range of credit facilities ranging from short term working capital financing to specialised lending. It also provides global transactional services such as cash management, trade finance and securities and fiduciary services; treasury and markets products; corporate finance and advisory banking as well as capital markets solutions. Institutional Banking also provides brokerage services for equities and derivatives products through DBS Vickers Securities (DBSV). DBSV itself offers a wide range of services to retail and corporate customers including research, sales and trading, share placement, nominees and

securities custodian services and the distribution of primary and secondary share issues.

Treasury
Treasury provides treasury services to corporations, institutional and private investors, financial institutions and other market participants. It is primarily involved in sales, structuring, market making, and trading across a broad range of financial products including foreign exchange, interest rate, debt, credit, equity and other structured derivatives. Income from these financial products and services offered to the customer of other business segments, such as Consumer/Private Banking and Institutional Banking, is reflected in the respective segments. Treasury is also responsible for facilitating the execution of the Bank Group's asset and liability interest rate positions and management of the investment of the Bank Group's excess liquidity and shareholders' funds.

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

During the year, no one group of related customers accounted for more than 10% of the Bank Group's revenue.

The following table analyses the results, total assets and total liabilities of the Bank Group by business segments**:**

In $ millions	Consumer/ Private Banking	Institutional Banking	Treasury	Others	Total
2011					
Net interest income	**1,446**	**2,317**	**951**	**111**	**4,825**
Non-interest income	**758**	**1,693**	**201**	**154**	**2,806**
Total income	**2,204**	**4,010**	**1,152**	**265**	**7,631**
Expenses	**1,561**	**1,319**	**420**	**(3)**	**3,297**
Allowances for credit and other losses	**71**	**453**	**2**	**196**	**722**
Share of profits of associates	**-**	**21**	**-**	**106**	**127**
Profit before tax	**572**	**2,259**	**730**	**178**	**3,739**
Total assets before goodwill	**56,167**	**165,930**	**103,939**	**10,026**	**336,062**
Goodwill on consolidation					**4,802**
Total assets					**340,864**
Total liabilities	**127,475**	**103,977**	**71,166**	**6,687**	**309,305**
Capital expenditure	**31**	**29**	**21**	**96**	**177**
Depreciation expense [(a)]	**43**	**26**	**13**	**103**	**185**
2010					
Net interest income	1,398	1,995	840	85	4,318
Non-interest income	667	1,518	393	170	2,748
Total income	2,065	3,513	1,233	255	7,066
Expenses	1,471	1,119	368	(36)	2,922
Goodwill charge	-	-	-	1,018	1,018
Allowances for credit and other losses	55	812	(2)	46	911
Share of profits of associates	-	25	-	77	102
Profit before tax	539	1,607	867	(696)	2,317
Total assets before goodwill	51,328	118,572	98,735	10,291	278,926
Goodwill on consolidation					4,802
Total assets					283,728
Total liabilities	117,529	80,559	42,584	12,294	252,966
Capital expenditure	45	28	10	93	176
Depreciation expense [(a)]	46	20	10	117	193

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

The following table analyses the results, total assets and total liabilities of the Bank by business segments:

In $ millions	Consumer /Private Banking	Institutional Banking	Treasury	Others	Total
2011					
Net interest income	**1,154**	**1,630**	**704**	**15**	**3,503**
Non-interest income	**570**	**1,080**	**265**	**337**	**2,252**
Total income	**1,724**	**2,710**	**969**	**352**	**5,755**
Expenses	**1,019**	**746**	**352**	**78**	**2,195**
Allowances for credit and other losses	**36**	**488**	**2**	**61**	**587**
Profit before tax	**669**	**1,476**	**615**	**213**	**2,973**
Total assets	**44,379**	**126,861**	**87,038**	**23,615**	**281,893**
Total liabilities	**105,570**	**75,494**	**63,650**	**8,655**	**253,369**
Capital expenditure	**20**	**17**	**21**	**78**	**136**
Depreciation expense [(a)]	**24**	**11**	**11**	**68**	**114**
2010					
Net interest income	1,037	1,412	736	(55)	3,130
Non-interest income	503	900	375	562	2,340
Total income	1,540	2,312	1,111	507	5,470
Expenses	862	604	316	28	1,810
Allowances for credit and other losses	17	670	(3)	73	757
Profit before tax	661	1,038	798	406	2,903
Total assets	39,724	91,673	85,626	21,449	238,472
Total liabilities	96,920	56,721	38,276	19,438	211,355
Capital expenditure	34	16	9	74	133
Depreciation expense [(a)]	25	10	8	70	113

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

50.2 Geographical segment reporting

Income and net profit attributable to shareholders (Net profit) are based on the country in which the transactions are booked. Total assets are shown by geographical area in which the assets are booked. It would not be materially different if total assets shown are based on the country in which the counterparty or assets are located. The total assets, income and net profit are stated after elimination of inter-group assets and revenues.

			Bank Group			
In $ millions	Singapore	Hong Kong	Rest of Greater China[(b)]	South and Southeast Asia[(c)]	Rest of the World[(d)]	Total
2011						
Total income	**4,719**	**1,453**	**612**	**557**	**290**	**7,631**
Net profit	**2,026**	**571**	**178**	**285**	**124**	**3,184**
Total assets before goodwill	**207,387**	**68,501**	**31,281**	**16,224**	**12,669**	**336,062**
Goodwill on consolidation	**4,802**	**-**	**-**	**-**	**-**	**4,802**
Total assets	**212,189**	**68,501**	**31,281**	**16,224**	**12,669**	**340,864**
Non-current assets[(e)]	**1,759**	**376**	**133**	**27**	**2**	**2,297**
2010						
Total income	4,426	1,465	426	457	292	7,066
Net profit	758[(a)]	579	47	203	133	1,720
Total assets before goodwill	179,831	52,489	21,033	13,710	11,863	278,926
Goodwill on consolidation	4,802	-	-	-	-	4,802
Total assets	184,633	52,489	21,033	13,710	11,863	283,728
Non-current assets[(e)]	1,623	406	129	36	2	2,196

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

In $ millions	Singapore	Hong Kong	Bank Rest of Greater China[(a)]	South and Southeast Asia[(b)]	Rest of the World[(c)]	Total
2011						
Total income	**4,611**	**332**	**208**	**323**	**281**	**5,755**
Net profit	**2,123**	**219**	**36**	**146**	**124**	**2,648**
Total assets	**226,025**	**20,273**	**12,012**	**11,185**	**12,398**	**281,893**
Non-current assets[(d)]	**1,497**	**1**	**110**	**11**	**1**	**1,620**
2010						
Total income	4,521	229	171	266	283	5,470
Net profit	2,181	124	-	107	134	2,546
Total assets	192,598	15,919	8,291	9,843	11,821	238,472
Non-current assets[(d)]	1,370	1	112	10	1	1,494

(a) Rest of Greater China includes branch operations in Mainland China and Taiwan.
(b) South and Southeast Asia includes branch operations in India, Malaysia, Vietnam and the Philippines.
(c) Rest of the World includes branch operations in South Korea, Japan, Dubai, United States of America and United Kingdom.
(d) Includes investment in joint ventures and associates, properties and other fixed assets, and investment properties.

51 List of Subsidiaries, Joint Ventures, Associates and Special Purpose Entities

The main operating subsidiaries in the Bank Group are listed below:

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

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

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

The main joint ventures in the Bank Group are listed below:

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

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

The main associates in the Bank Group are listed below:

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

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

Disposal of interests in subsidiaries/associates

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

A $47 million gain was recognised at the Bank Group level and $120 million at the Bank level from the transaction to combine DBSAM and Nikko AM (Note 10).

Appointment of auditors

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

The main special purpose entities controlled and consolidated by the Bank Group are listed below:

	Name of entity	Purpose of special purpose entity	Country of incorporation
1.	Zenesis SPC	Issuance of structured products	Cayman Islands
2.	Constellation Investment Ltd	Issuance of structured notes	Cayman Islands

DBS Bank Ltd and its subsidiaries

Directors' Report

The Directors are pleased to submit their report to the Member together with the audited consolidated financial statements of DBS Bank Ltd ("the Bank") and its subsidiaries ("the Bank Group") and the financial statements of the Bank for the financial year ended 31 December 2011, which have been prepared in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards, as modified by the requirements of Notice to Banks No. 612 "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore.

Board of Directors

The Directors in office at the date of this report are:

Peter Seah Lim Huat	-	Chairman
Piyush Gupta	-	Chief Executive Officer
Bart Joseph Broadman		
Christopher Cheng Wai Chee		
Euleen Goh Yiu Kiang		
Ho Tian Yee	-	(Appointed 29 April 2011)
Nihal Vijaya Devadas Kaviratne CBE	-	(Appointed 29 April 2011)
Kwa Chong Seng		
Danny Teoh Leong Kay		

Messrs Piyush Gupta, Kwa Chong Seng and Peter Seah will retire in accordance with article 95 of the Bank's Articles of Association at the forthcoming annual general meeting (AGM). Messrs Piyush Gupta and Peter Seah will offer themselves for re-election. Mr Kwa Choon Seng will not be standing for re-election.

Mr Ho Tian Yee and Mr Nihal Vijaya Devadas Kaviratne CBE will retire in accordance with article 74(b) of the Bank's Articles of Association at the forthcoming AGM. Mr Ho and Mr Kaviratne will offer themselves for re-election.

Arrangements to enable Directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year, was the Bank a party to any arrangement, the object of which, is to enable the Directors to acquire benefits through the acquisition of shares in or debentures of the Bank or any other body corporate save as disclosed in this report.

Directors' interest in shares or debentures

The following Directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Companies Act, an interest in shares of the Bank and related corporations as stated below:

	Holdings in which Directors have a direct interest		**Holdings in which Directors are deemed to have an interest**	
	As at 31 Dec 2011	**As at 31 Dec 2010** (or date of appointment if later)	**As at 31 Dec 2011**	**As at 31 Dec 2010** (or date of appointment if later)
DBS Group Holdings Ltd (DBSH) ordinary shares				
Peter Seah	15,965	15,322	-	-
Piyush Gupta	39,556	-	118,000	-
Bart Broadman	10,000	10,000	-	-
Christopher Cheng	-	-	-	-
Euleen Goh	4,185	4,185	-	-
Ho Tian Yee	-	-	-	-
Nihal Kaviratne CBE	12,000	-	-	-
Kwa Chong Seng	69,916	67,102	161,354	154,856
Danny Teoh	6,000	6,000	17,705	-
DBSH share awards granted under the DBSH Share Plan				
Peter Seah[(1)]	15,271	-	-	-
Piyush Gupta[(2)]	401,609	157,161	-	-
Bart Broadman[(1)]	5,085	-	-	-
Christopher Cheng[(1)]	5,078	-	-	-
Euleen Goh[(1)]	7,021	-	-	-
Kwa Chong Seng[(1)]	4,585	-	-	-
Danny Teoh [(1)]	1,343	-	-	-
DBS Bank 4.7% non-cumulative non-convertible perpetual preference shares				
Euleen Goh	3,000	3,000	-	-
Piyush Gupta	-	-	10,000	-
Danny Teoh	2,000	2,000	-	-
DBS Capital Funding II Corporation 5.75% non-cumulative non-convertible non-voting guaranteed preference shares				
Kwa Chong Seng	2	2	-	-

(1) Non-executive directors receive 30% of their directors' fees in the form of time-based restricted share awards. The release of the shares is staggered over a period of 4 years.

(2) Mr Piyush Gupta's share awards form part of his remuneration. Details of the DBSH Share Plan are set out in Note 41 of Notes to the 2011 DBS Bank Group's financial statements.

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2012.

Directors' contractual benefits

Since the end of the previous financial year, no Director has received or has become entitled to receive a benefit under a contract which is required to be disclosed by Section 201(8) of the Singapore Companies Act save as disclosed in this report or in the financial statements of the Bank and the Bank Group.

DBSH Share Option Plan

Particulars of the share options granted under the Option Plan in 2001, 2002, 2003, 2004 and 2005 have been set out in the Directors' Reports for the years ended 31 December 2001, 2002, 2003, 2004 and 2005 respectively. No grants were made under the Option Plan since 2006.

The movements of the unissued ordinary shares of DBSH in outstanding DBSH options granted under the Option Plan were as follows:

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

The DBSH Share Option Plan has expired on 19 June 2009 and it was not extended or replaced. The termination of DBSH Share Option Plan will not affect the rights of holders of any outstanding existing options. Therefore, no further options were granted by DBSH during the financial year.

The persons to whom the DBSH Options have been granted do not have any right to participate by virtue of the DBSH Options in any share issue of any other company.

DBSH Share Plan

During the financial year, time-based awards in respect of an aggregate of 5,319,354 ordinary shares were granted pursuant to the DBSH Share Plan, to selected employees of the Bank Group. This included 284,004 ordinary shares comprised in awards granted to director Mr Piyush Gupta.

Information on the DBSH Share Plan is as follows:

(i) Awards over DBSH's ordinary shares may be granted to Bank Group executives who hold such rank as may be determined by the Compensation and Management Development Committee of DBSH from time to time. Awards may also be granted to (*inter alia*) executives of associated companies of the Bank who hold such rank as may be determined by the Compensation and Management Development Committee from time to time, and non-executive directors of DBSH.

The participants of the DBSH Share Plan may be eligible to participate in the DBSH Share Option Plan or other equivalent plans, but shall not be eligible to participate in the DBSH Employee Share Plan or other equivalent plans.

(ii) Where time-based awards are granted, participants are awarded ordinary shares of DBSH, their equivalent cash value or a combination of both as part of their deferred bonus, at the end of the prescribed vesting periods. Awards are granted under the DBSH Share Plan at the absolute discretion of the Compensation and Management Development Committee.

(iii) The DBSH Share Plan shall continue to be in force at the discretion of the Compensation and Management Development Committee, subject to a maximum period of ten years. At an Extraordinary Annual General Meeting ("the EGM") of DBSH held on 8 April 2009, DBSH Share Plan was extended for another ten years, from 18 September 2009 to 17 September 2019, provided always that the DBSH Share Plan may continue beyond the above stipulated period with the approval of the shareholders of DBSH by ordinary resolution in general meeting and of any relevant authorities which may then be required.

(iv) Awards under the DBSH Share Plan may be granted at any time in the course of a financial year, and may lapse by reason of cessation of service of the participant, or the retirement, redundancy, ill health, injury, disability, death, bankruptcy or misconduct of the participant, or by reason of the participant, being a non-executive director, ceasing to be a director, or in the event of a take-over, winding up or reconstruction of DBSH.

(v) At the EGM held on 8 April 2009, the shareholders of DBSH have also approved the reduction of total number of new ordinary shares of DBSH which may be issued pursuant to awards granted under the DBSH Share Plan, when added to the total number of new ordinary shares issued and issuable in respect of all awards granted under the DBSH Share Plan, and all options granted under the DBSH Share Option Plan, from 15% to 7.5% of the total number of issued shares in the capital of DBSH (excluding treasury shares).

(vi) Subject to the prevailing legislation and SGX-ST guidelines, DBSH will have the flexibility to deliver ordinary shares of DBSH to participants upon vesting of their awards by way of an issue of new ordinary shares and/or the transfer of existing ordinary shares (which may include ordinary shares held by DBSH in treasury).

(vii) The class and/or number of ordinary shares of DBSH comprised in an award to the extent not yet vested, and/or which may be granted to participants, are subject to adjustment by reason of any variation in the ordinary share capital of DBSH (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation, or distribution) or if DBSH makes a capital distribution or a declaration of a special dividend (whether in cash or in specie), upon the written confirmation of the auditor of DBSH that such adjustment (other than in the case of a capitalisation issue) is fair and reasonable.

Independent Auditor

PricewaterhouseCoopers LLP has expressed its willingness to accept re-appointment as independent external auditor.

On behalf of the Directors

Peter Seah Lim Huat

Piyush Gupta

9 February 2012
Singapore

Statement by the Directors

We, Peter Seah Lim Huat and Piyush Gupta, being two of the Directors of DBS Bank Ltd ("the Bank"), state that, in the opinion of the Directors, the consolidated financial statements of the Bank Group, consisting of the Bank and its subsidiaries, and the financial statements of the Bank, together with the notes thereon as set out on pages 1 to 89, are drawn up so as to give a true and fair view of the state of affairs of the Bank and Bank Group as at 31 December 2011, and the results, changes in equity and cash flows of the Bank and Bank Group for the financial year ended on that date and there are reasonable grounds to believe that the Bank and the Bank Group will be able to pay their debts as and when they fall due.

On behalf of the Directors

Peter Seah Lim Huat

Piyush Gupta

9 February 2012
Singapore

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DBS BANK LTD (INCORPORATED IN SINGAPORE)

Report on the Financial Statements

We have audited the accompanying financial statements of DBS Bank Ltd (the "Bank") and its subsidiaries (the "Bank Group") set out on pages 1 to 89, which comprise the balance sheets of the Bank Group and the Bank as at 31 December 2011, the income statement, the statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement of the Bank Group and the income statement, the statement of comprehensive income and statement of changes in equity of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements of the Bank Group and the balance sheet, the income statement, the statement of comprehensive income and statement of changes in equity of the Bank are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards, including the modification of the requirements of FRS 39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning by Notice to Banks No. 612 "Credit Files, Grading and Provisioning" issued by Monetary Authority of Singapore, so as to give a true and fair view of the state of affairs of the Bank Group and of the Bank as at 31 December 2011, and the results, changes in equity and cash flows of the Bank Group and the results and changes in equity of the Bank for the financial year ended on that date.

Report on other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Bank and by those subsidiaries incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers LLP
Public Accountants and Certified Public Accountants

Singapore, 9 February 2012