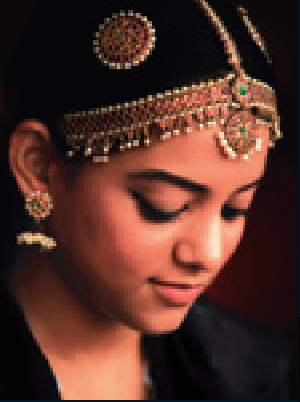
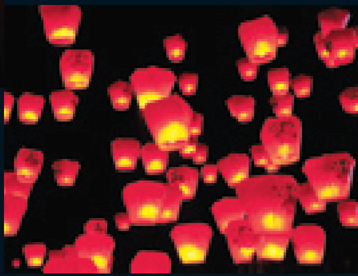


Celebrating New Asia

DBS Group Holdings Limited
Annual Report 2010




DBS. Living, Breathing Asia

Our Corporate Values

- Passionate & Committed
- Value Relationships
- Integrity & Respect
- Dedicated to Teamwork
- Confidence to Excel

DBS acknowledges the passion, commitment and can-do spirit in all of our 15,000 plus staff, representing over 30 nationalities.

CONTENTS

Asia continues to scale new heights. Strong economic growth, domestic-driven consumption and massive wealth creation are fuelling Asia's newfound strength.

DBS is uniquely placed to deliver banking the Asian way. As a bank that specialises in Asia, we leverage our deep understanding of the region, local culture and insights to serve and build lasting relationships with our clients. DBS provides the full range of services in corporate, SME, consumer and wholesale banking activities across Asia and the Middle East. We are committed to expanding our pan-Asia franchise by leveraging our growing presence in mainland China, Hong Kong and Taiwan to intermediate the increasing trade and investment flows between these markets. Likewise, we are focused on extending our end-to-end services to facilitate capital flows within fast-growing countries such as Indonesia and India.

Headquartered in Singapore, DBS is one of the largest financial services groups in the region, with an expanding network of over 200 branches across 15 markets. We are a well-capitalised bank with "AA-" and "Aa1" credit ratings that are among the highest in the Asia-Pacific region. We were named by Global Finance as the "Safest bank in Asia" for both 2009 and 2010.

Together, we celebrate the rise of New Asia and seize the opportunities before us. This is Asia's time, this is Our time.

Asian Relationships

At DBS, we take a holistic and long term view to building strong bonds with our customers, staff and the communities we operate in. We nurture and value relationships as only a bank that is born and bred in Asia can, and pride ourselves on standing by our customers, in good times and bad.

Spending time together across generations,
building priceless family ties

Asian Connectivity

DBS has the distinct advantage of having a growing presence in Asia's three key axes of growth – Greater China, South Asia and Southeast Asia. As a bank that is firmly rooted in Asia, our connections in the region enable us to serve our customers seamlessly across multiple markets and make banking easier for them.

Delivering banking the Asian way at DBS' network of 200-plus branches in Asia

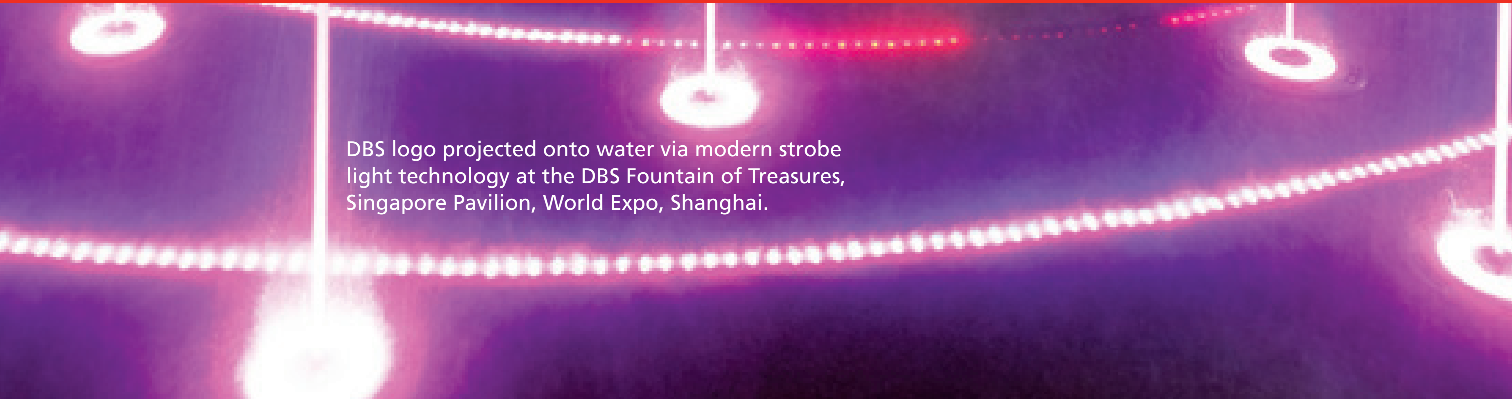
Asian Insights

As a bank that lives and breathes Asia, DBS understands and appreciates diversity. We know the intricacies of doing business in this region and are well-positioned to harness our knowledge of the various markets, trends, languages and cultures in Asia to better inform and guide our customers, as they make the most of opportunities in Asia and around the world.

Embracing Asia's past,
Shaping Asia's future

Asian Innovation

The origins of many modern-day inventions from all around the world can be traced back to Asia. Innovation is part of the Asian DNA and as an Asian bank, all of us in DBS embody the same entrepreneurial spirit. After all, the values that drive Asia, drive us. We constantly leverage technology to develop products and services to better fulfill our customers' evolving financial needs.



DBS logo projected onto water via modern strobe light technology at the DBS Fountain of Treasures, Singapore Pavilion, World Expo, Shanghai.

Asian Service

As an Asian bank, we believe that having "the humility to serve and the confidence to lead" is at the heart of Asian service. DBS staff are respectful of their customers' needs, and are committed to finding ways to provide solutions and serve them better. As Asia's Safest and Singapore's Best*, DBS customers can always be assured that they are dealing with a strong and dependable bank, a bank they can always trust.

* Named "Safest Bank in Asia" by Global Finance in 2009 and 2010. Awarded "Best Bank in Singapore" by Euromoney, FinanceAsia and Global Finance in 2010.

DBS staff donning their new branch uniforms featuring Asia inspired design elements.

As a bank born and bred in Asia, DBS is well-positioned to capture opportunities across the region. In our journey towards becoming a leading Asian bank, we will be guided by our corporate values and our nine strategic priorities as we deliver banking the Asian way.

1 Entrench leadership in Singapore

As a bank headquartered in Singapore, we must be strong in our home market as we expand in Asia. We will leverage our DBS/ POSB brands for continued growth. We are focused on growing customer assets, particularly in consumer and SME banking, and strengthening our leading position in the payments space. We will also improve cross-sell across all customer segments to cement our leadership position.

2 Re-energise Hong Kong

In Hong Kong, our second-largest market, we are building on our position as a leading bank. This includes strengthening the management team, and improving our customer segmentation to provide targeted offerings to mid-caps, SMEs and affluent customers. We have moved quickly to capture share in the offshore RMB market, and have created several innovative firsts in this space.

3 Rebalance geographic mix of our businesses

Outside of Singapore and Hong Kong, DBS' key markets are China, Indonesia, India and Taiwan. We have made good progress in growing our business in these markets, and will continue to strengthen our franchise by focusing on large corporates, mid-caps, SMEs and affluent consumers.

4 Build a leading SME business

The centre of economic activity is shifting to Asia, fuelling the growth of Asian SMEs. At DBS, we are focused on serving this segment well. Our regional SME blueprint is currently being finalised, and will be rolled out this year.

5 Strengthen our wealth proposition

Asia is creating wealth faster than anywhere else in the world, and DBS' ambition is to become a leading wealth manager in the region. A safe and trusted bank, we specialise in providing Asian-centric solutions that are designed to meet the full spectrum of wealth needs.

6 Build out GTS and T&M capabilities across the region

To better serve our customers, DBS is investing in our regional capabilities. In particular, we are strengthening our Global Transaction Services (GTS) and Treasury & Markets (T&M) offering, so as to widen the product set available to our corporate and affluent clients across Asia.

7 Place customers at the heart of the DBS banking experience

DBS wants to become a bank which is known for consistently delivering Asian service. To become a customer-centric organisation, we have launched a set of distinctive DBS Asian service values that will guide our actions. We are also developing more customer-centric processes and policies.

8 Focus on management processes, people and culture

With DBS now operating in many markets across Asia, we need to be governed by a consistent set of rules, policies and processes across our different geographies. We have put in place a regional management framework to standardise the way we manage our businesses. On the people front, we are focused on grooming talent and creating opportunities for our people to move and grow within the organisation.

9 Strengthen technology and infrastructure platform

With DBS scaling up across Asia, we recognise the need for a strong technology and infrastructure platform to undergird our business ambitions. We are building a business-driven technology roadmap, rolling out standardised software applications across the group, and enhancing the availability of services to our customers.

Financial Highlights

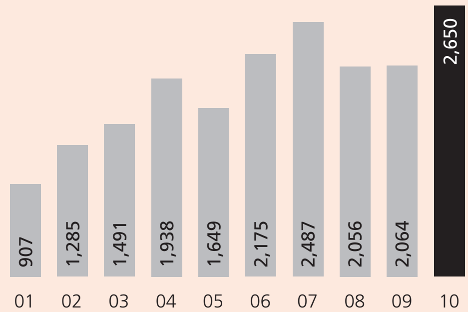
RECORD RESULTS

Net profit

$2,650 m
2009: $2,064 m

▲ **28%**

Net profit rose 28% to a record $2,650m as implementation of strategic initiatives gained momentum. DBS is well-positioned to capture opportunities from Asia's resurgence.



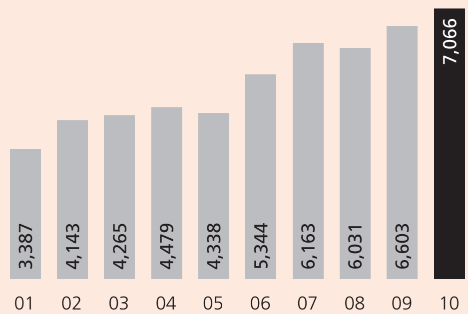
Net profit ($million)

Total income

$7,066 m
2009: $6,603 m

▲ **7%**

Revenue growth was broad-based across regions and businesses, underpinned by higher non-interest income and strong loan growth.



Total Income ($million)

GROWING ASIAN FOOTPRINT

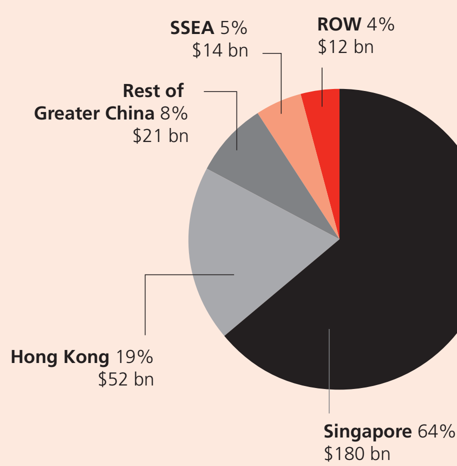
Assets before goodwill

$278,908 m
2009: $252,797 m

▲ **10%**

Growth in assets was concentrated in Asian markets in line with strategy:

Singapore ▲ 9%
Hong Kong ▲ 10%
Rest of Greater China ▲ 46%
South and Southeast Asia (SSEA) ▲ 8%
Rest of world (ROW) ▼ 4%



Assets before goodwill

SUCCESSFULLY CAPTURING OPPORTUNITIES

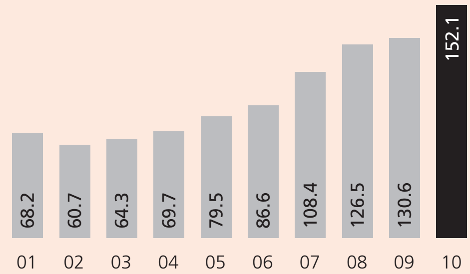
Loans

$152,094 m
2009: $130,583 m

▲ **16%**

Loans grew 16% as DBS gained market share in Singapore-dollar consumer and business loans.

Stronger corporate and SME borrowing also resulted in double-digit loan growth in Hong Kong, China, Taiwan, Indonesia and India.



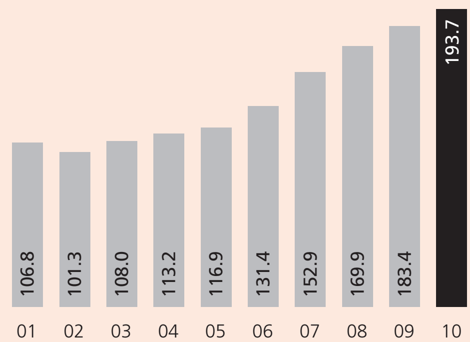
Loans ($billion)

Deposits

$193,692 m
2009: $183,432 m

▲ **6%**

Deposits grew 6% as the mix shifted towards savings and current accounts.



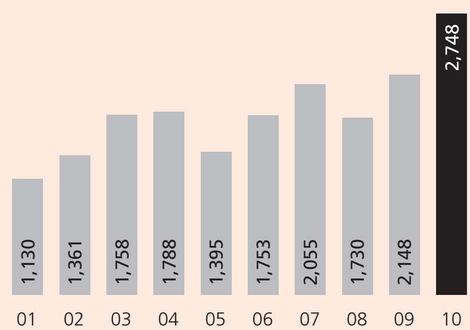
Deposits ($billion)

Non-interest income

$2,748 m
2009: $2,148 m

▲ **28%**

A focus on customer-driven trading revenues boosted non-interest income to a record.



Non-interest income ($million)

Financial Highlights

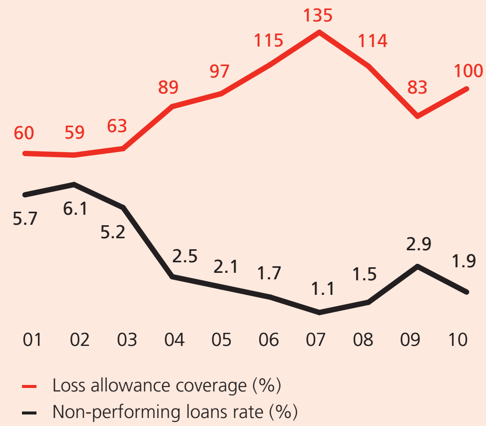
STRONG BALANCE SHEET

Better asset quality

NPL rate	▼ 1.0%pt
Allowance coverage	▲ 17%pt

Loss allowances declined as credit conditions strengthened. The NPL rate improved from 2.9% a year ago to 1.9%.

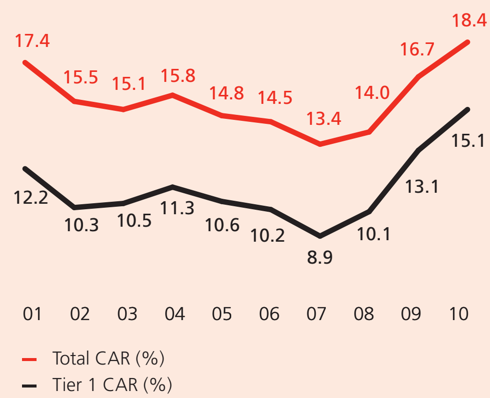
Overall loss allowance coverage rose to 100% of non-performing assets.



Well-capitalised

Total CAR	18.4%
Tier 1 CAR	15.1%

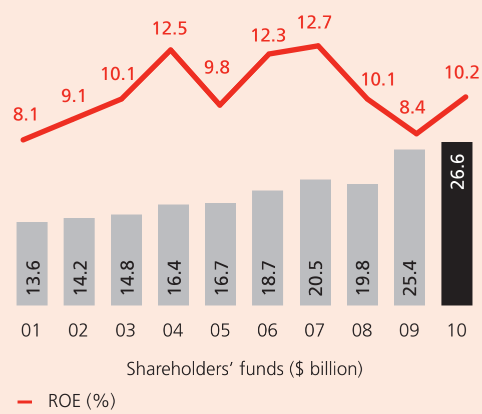
DBS remained well-capitalised. DBS strengthened its core Tier 1 capital base by raising $2.5 billion from two preference share issues. These offerings are intended to replace, subject to regulatory approval, approximately $2.1 billion of issues that are callable in 2011.



IMPROVED ROE

Shareholders' funds	▲ 5%
ROE	▲ 1.8%

DBS made progress in delivering better financial returns. ROE rose from 8.4% to 10.2% as shareholders' funds grew 5%.



Ten-Year Summary

Group	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Selected Income Statement Items ($ millions)										
Total income	**7,066**	6,603	6,031	6,163	5,344	4,338	4,479	4,265	4,143	3,387
Profit before allowances	**4,141**	3,999	3,421	3,545	2,975	2,312	2,523	2,473	2,333	1,670
Allowances	**911**	1,529	784	431	135	203	63	541	544	379
Profit before tax	**3,332**	2,536	2,712	3,224	2,910	2,163	2,509	1,992	1,797	1,469
Net profit excluding one-time items and goodwill charges	**2,650**	2,064	2,056	2,487	2,175	1,649	1,938	1,491	1,285	907
One-time items (1)	**–**	(23)	(127)	(209)	94	303	497	–	96	212
Goodwill charges	**1,018**	–	–	–	–	1,128	440	430	278	133
Net profit	**1,632**	2,041	1,929	2,278	2,269	824	1,995	1,061	1,103	986
Selected Balance Sheet Items ($ millions)										
Total assets	**283,710**	258,644	256,718	232,963	197,372	180,204	175,671	159,479	149,425	151,429
Customer loans (2)	**152,094**	130,583	126,481	108,433	86,630	79,462	69,659	64,330	60,704	68,202
Total liabilities	**250,608**	229,145	232,715	209,805	176,326	161,014	156,796	143,574	133,935	135,802
Customer deposits (2)	**193,692**	183,432	169,858	152,944	131,373	116,884	113,206	108,041	101,315	106,771
Ordinary shareholders' funds	**25,985**	24,759	19,386	20,048	18,242	16,291	16,011	14,259	13,681	13,007
Preference shares	**614**	614	433	433	433	433	433	559	560	595
Total shareholders' funds	**26,599**	25,373	19,819	20,481	18,675	16,724	16,444	14,818	14,241	13,602
Per Ordinary Share (3)										
Earnings excluding one-time items and goodwill charges	**1.15**	0.91	1.14	1.39	1.22	0.94	1.10	0.85	0.74	0.60
Earnings	**0.70**	0.90	1.07	1.27	1.28	0.46	1.13	0.60	0.64	0.65
Net tangible assets	**9.18**	8.29	7.69	7.98	7.22	6.41	5.80	4.87	4.48	5.34
Net asset value	**11.25**	10.85	10.25	10.55	9.79	8.98	8.88	8.18	7.92	7.70
Dividends (4)	**0.56**	0.56	0.65	0.68	0.65	0.49	0.34	0.26	0.26	0.26
Selected Financial Ratios (%)										
Dividend cover for ordinary shares (number of times)	**1.25**	1.57	1.55	2.15	2.46	1.17	4.14	3.03	3.15	3.18
Cost-to-income	**41.4**	39.4	43.3	42.5	44.3	46.7	43.7	42.0	43.7	50.7
Return on assets excluding one-time items and goodwill charges	**0.98**	0.80	0.84	1.15	1.15	0.93	1.16	0.97	0.85	0.69
Return on assets	**0.60**	0.79	0.79	1.06	1.20	0.46	1.19	0.69	0.73	0.75
Return on shareholders' funds excluding one-time items and goodwill charges	**10.2**	8.4	10.1	12.7	12.3	9.8	12.5	10.1	9.1	8.1
Return on shareholders' funds	**6.3**	8.4	9.5	11.7	12.8	5.0	12.8	7.3	7.9	8.8
Non-performing loans rate	**1.9**	2.9	1.5	1.1	1.7	2.1	2.5	5.2	6.1	5.7
Loss allowance coverage	**100**	83	114	135	115	97	89	63	59	60
Capital adequacy										
Tier I	**15.1**	13.1	10.1	8.9	10.2	10.6	11.3	10.5	10.3	12.2
Total	**18.4**	16.7	14.0	13.4	14.5	14.8	15.8	15.1	15.5	17.4

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

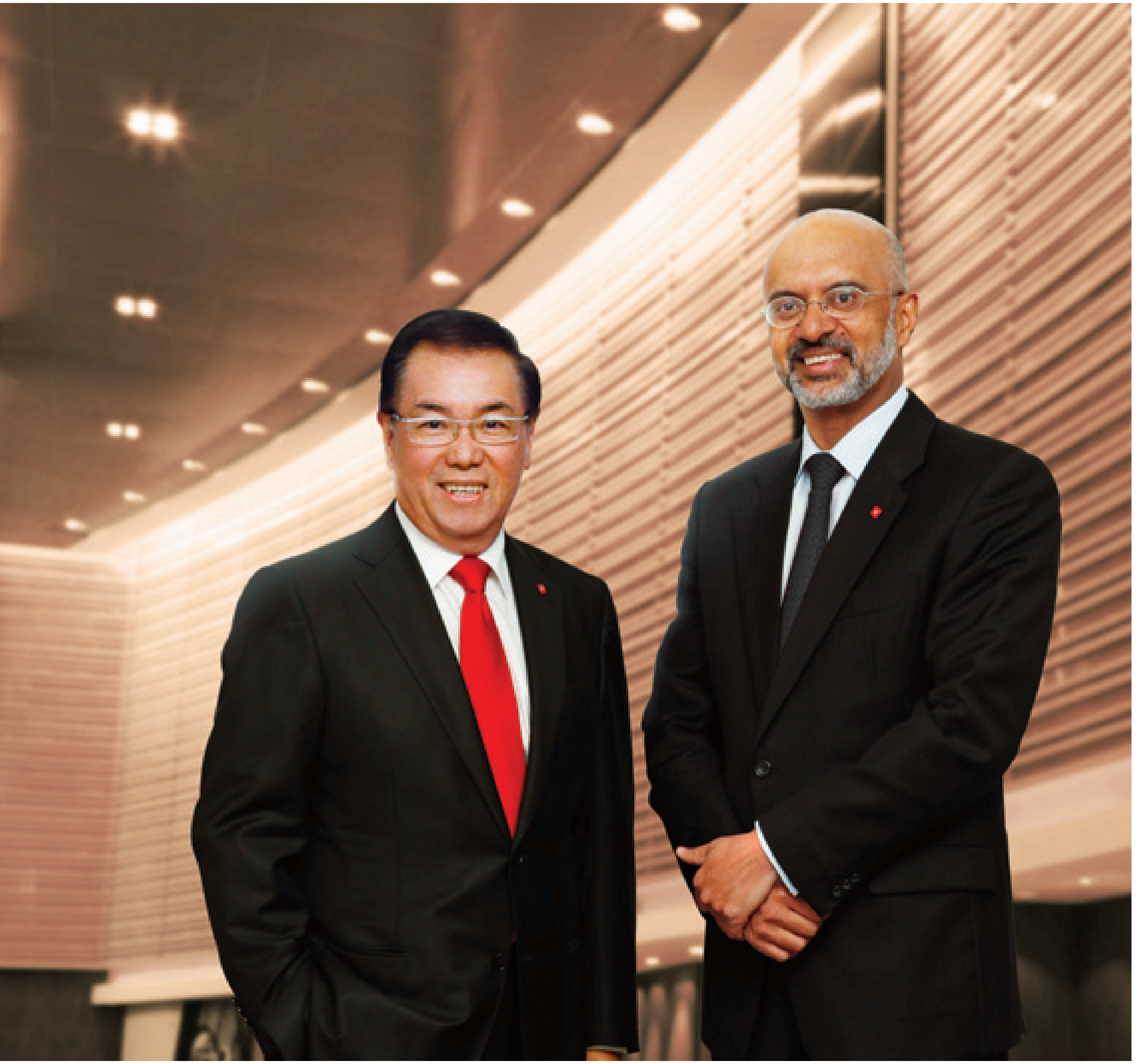
(1) One-time items arise from gains on sale of properties and/or investments, impairment charges for investments and restructuring costs

(2) Includes financial assets/liabilities at fair value through profit or loss

(3) Per ordinary share figures have been adjusted for a rights issue in 2008 (exercised in January 2009)

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

Letter to Shareholders



Chairman Peter Seah and CEO Piyush Gupta

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

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

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

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

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

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

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

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

EARNINGS AT RECORD HIGH

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

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

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

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

Return on equity rose to 10.2% from 8.4%.

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

BECOMING THE ASIAN BANK OF CHOICE FOR THE NEW ASIA

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

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

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

Letter to Shareholders

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

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

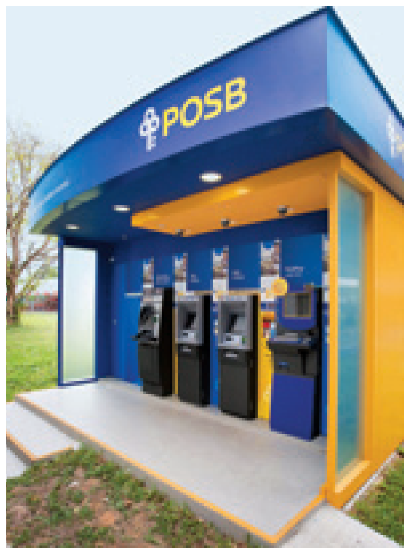
ENTRENCH LEADERSHIP POSITION IN SINGAPORE, RE-ENERGISE HONG KONG

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

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

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

To enhance the banking experience, we invested in our service and delivery channels, adding over 150 new ATMs



to give us a network of more than 1,100 ATMs islandwide. Many other initiatives to improve service levels were also implemented, to good effect. For example, process improvement initiatives have helped to reduce branch queue times, and today, 80% of our POSB customers are served within 15 minutes.

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

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

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

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

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

DBS to take over RBS' China business

星展半年内接手 RBS中国零售及金融业务

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

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

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

GROWING OUR ASIAN FOOTPRINT

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

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

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

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

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

Letter to Shareholders

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

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

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

4

6

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

BUILDING A CUSTOMER-DRIVEN ASIAN PLATFORM

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

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

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

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

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

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

LAYING STRONG FOUNDATIONS TO GROW OUR BUSINESS

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

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

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

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

DIVIDENDS AND CAPITAL

The Board is proposing a final dividend of 28 cents per share, which will bring the full-year payout to 56 cents per share. The scrip dividend scheme will be applicable to the dividend. New shares will be issued to shareholders electing to receive their dividends in scrip, at a price that is at a 5% discount to the average of the last-dealt price on each of 12, 13 and 16 May 2011.

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

ACKNOWLEDGEMENTS

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

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

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

CAPTURING OPPORTUNITIES IN THE ASIA CENTURY

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

Peter Seah Lim Huat
Chairman,
DBS Group Holdings

Piyush Gupta
Chief Executive Officer,
DBS Group Holdings

Board of Directors

From left to right
John Alan Ross, Kwa Chong Seng, Euleen Goh Yiu Kiang, Ang Kong Hua, Bart Joseph Broadman, Andrew Robert Fowell Buxton, Peter Seah Lim Huat, Danny Teoh Leong Kay, Piyush Gupta, Christopher Cheng Wai Chee, Ambat Ravi Shankar Menon

Board of Directors

Peter Seah Lim Huat
Chairman

Mr Seah, 64, joined the Board of Directors of DBS Group Holdings Ltd and DBS Bank Ltd on 16 November 2009 and assumed the role of Chairman on 1 May 2010. Mr Seah is the present Chairman of Singapore Technologies Engineering Ltd and Singapore Health Services Pte Ltd. Mr Seah was a banker for 33 years before retiring as Vice Chairman and CEO of the former Overseas Union Bank in 2001.

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

Mr Seah is Chairman of the Executive Committee and a member of the Board Risk Management Committee, Audit Committee, Compensation and Management Development Committee and Nominating Committee.

In addition, he is Chairman of DBS Bank (Hong Kong) Limited and also chairs its Board Risk Management Committee.

Piyush Gupta
Chief Executive Officer

Appointed on 9 November 2009, Mr Gupta, 51, is CEO of DBS Group Holdings Ltd and DBS Bank Ltd. Prior to joining DBS, Mr Gupta was CEO of Citibank for South East Asia, Australia and New Zealand. Mr Gupta has spent over two-thirds of his 27-year career in South East Asia and Hong Kong, including 8 years in Singapore.

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

Mr Gupta is a member of the Executive Committee. He is also Vice Chairman of DBS' subsidiary companies, The Islamic Bank of Asia Limited and DBS Bank (Hong Kong) Limited.

Ang Kong Hua
Director

Appointed on 21 March 2005, Mr Ang, 67, is Chairman of SembCorp Industries Ltd and Global Logistic Properties Limited. He spent 28 years in NSL Ltd as CEO and he retired as Executive Director in December 2010. Currently, Mr Ang also serves on the boards of the Government of Singapore Investment Corporation Private Limited and GIC Special Investments Private Limited.

Mr Ang is a member of the Audit Committee and Nominating Committee.

Bart Joseph Broadman
Director

Appointed on 17 December 2008, Dr Broadman, 50, is Managing Director of Alphadyne Asset Management based in Singapore. Prior to forming Alphadyne, Dr Broadman spent 14 years in Asia working for J.P. Morgan, most recently as Vice Chairman of Asia and Head of Markets (Credit, Rates and Equities) in Asia.

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

Dr Broadman is a member of the Compensation and Management Development Committee and the Board Risk Management Committee.

Andrew Robert Fowell Buxton
Director

Appointed on 17 February 2006, Mr Buxton, 71, was a career banker with Barclays Bank PLC and retired in 1999 having served as Chairman from 1993 to 1999. Following his retirement, he served as senior advisor to the Barclays Group on its Middle East business until 2003. He was President of the British Bankers Association from 1998 to 2002 and a Member of the Court of the Bank of England from 1997 to 2001. He was a Director of CapitaLand Limited from 2003 to 2007.

He is currently Chairman of Validata Holdings Ltd, a Fellow of the Institute of Financial Services, and a Patron of the Institute for Education Business Excellence.

Mr Buxton was honoured for his services to international trade at the Queen's Birthday Honours in June 2003 when he was made a Companion of the Most Distinguished Order of St. Michael and St. George.

Mr Buxton is a member of the Board Risk Management Committee, and sits on the board of Islamic Bank of Asia Limited and also chairs its Audit Committee.

Christopher Cheng Wai Chee
Director

Appointed on 1 June 2007, Mr Cheng, 62, is Chairman of Wing Tai Properties Limited (formerly known as USI Holdings Limited) and Winsor Properties Holdings Limited.

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

Mr Cheng is a member of the Audit Committee and the Compensation and Management Development Committee. In addition, he is a Director of DBS Bank (China) Limited and also chairs its Audit Committee.

Euleen Goh Yiu Kiang
Director

Appointed on 1 December 2008, Ms Goh, 55, is currently non-executive Chairman of the Singapore International Foundation.

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

Ms Goh chairs the Board Risk Management Committee and is a member of the Nominating Committee, Compensation and Management Development Committee and Executive Committee.

Kwa Chong Seng
Director

Appointed on 29 July 2003, Mr Kwa, 64, is Chairman and Managing Director of ExxonMobil Asia Pacific Pte Ltd and the Lead Country Manager for the ExxonMobil group of companies in Singapore.

He is also Deputy Chairman of Temasek Holdings (Private) Limited and a Director of Sinopec SenMei (Fujian) Petroleum Company Limited. Mr Kwa serves as a member of the Public Service Commission.

Mr Kwa is Chairman of the Compensation and Management Development Committee.

Ambat Ravi Shankar Menon
Director

Appointed on 1 May 2009, Mr Menon, 47, is the Permanent Secretary of Singapore's Ministry of Trade & Industry (MTI). Prior to that, he was Second Permanent Secretary of MTI, Deputy Secretary of the Ministry of Finance, and Assistant Managing Director of the Monetary Authority of Singapore, where he worked from 1987 to 2003.

Mr Menon is a member of the Board of Trustees of SINDA and the Board of Governors of Raffles Institution. He is Chairman of Singapore Co-operation Enterprise and a Director of the National Research Foundation and Singapore-India Partnership Foundation.

Mr Menon is a member of the Audit Committee and Nominating Committee.

John Alan Ross
Director

Appointed on 6 February 2003, Mr Ross, 66, was Corporate Chief Operating Officer for the Deutsche Bank Group until his retirement in February 2002. Before joining Deutsche Bank in 1992, he spent 21 years at the Bank of New York, where he was last its Executive Vice President, Head of Global Asset and Liability Management.

He was recently appointed as a board member of TPG Specialty Lending, Inc.

Mr Ross is Chairman of the Nominating Committee and a member of the Board Risk Management Committee. In addition, he is Chairman of DBS Bank (China) Limited and also chairs its Board Risk Management Committee.

Danny Teoh Leong Kay
Director

Appointed on 1 October 2010, Mr Teoh, 55, spent 27 years in KPMG LLP, Singapore and was the Managing Partner since 2005 before he retired from KPMG in September 2010. Mr Teoh is a qualified Chartered Accountant in the UK and is an associate member of the Institute of Chartered Accountants of England and Wales.

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

Mr Teoh is Chairman of the Audit Committee and a member of the Board Risk Management Committee.

For further information on Directors, please refer to pages 169 to 172

Group Executive Committee

Piyush Gupta
Chief Executive Officer

Piyush is CEO and Director of DBS Group, DBS Bank, DBS Bank (Hong Kong) and The Islamic Bank of Asia. A veteran banker, he has spent over two thirds of his 29-year banking career in Southeast Asia and Hong Kong. Prior to joining DBS, he was Citigroup's CEO for South East Asia Pacific, Australia and New Zealand.

Elbert Pattijn
Chief Risk Officer

Elbert joined DBS as Head of Specialised Corporate and Investment Banking in 2007 and has been Chief Risk Officer of DBS since October 2008. Before joining DBS, he was Head of Debt Products Origination, Asia for ING Bank. He has previously held the position of Head of Counterparty Risk, Country Risk, Risk Research and Modelling for ING Group in Amsterdam. Prior to that, Elbert worked for Barclays and ABN AMRO.

Chng Sok Hui
Chief Financial Officer

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

Tan Kong Khoon
Consumer Banking Group

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

David Gledhill
Group Technology & Operations

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

Jeanette Wong
Institutional Banking Group

Jeanette oversees DBS' Corporate and Global Transaction Services businesses. She was the CFO of DBS for five years before taking on her current responsibilities in 2008. Prior to joining DBS in 2003, Jeanette spent 16 years at JP Morgan. She also worked at Citibank and Banque Paribas. Jeanette sits on the boards of DBS Bank (China) and Neptune Orient Lines. She is the Chairperson of SMU Lee Kong Chian School of Business.

Andrew Ng
Treasury and Markets

Andrew joined DBS in 2000 and has over 20 years of experience in the treasury business. Prior to joining DBS, he was Executive Director at Canadian Imperial Bank of Commerce from 1995 to 1999. He set up CIBC's trading platform and derivative capabilities on Asian currencies. Between 1986 and 1995, Andrew was Head of North Asia Trading and Treasurer of Chase Manhattan Bank in Taipei.

Group Management Committee

Eric Ang
Capital Markets

Eric started his career with DBS in 1978 and is currently responsible for capital markets, private equity and the M&A advisory businesses. Within the DBS Group, he serves on numerous boards including DBS Asia Capital, DBS Vickers Securities Holdings, Hwang-DBS Investment Bank Berhad and The Islamic Bank of Asia.

Edwin Khoo
Enterprise Banking,
Institutional Banking Group

Edwin joined DBS in 2003. He is responsible for the growth of the mid-caps and SME businesses in Singapore and across the region. As a banker with over 30 years of experience, a large part of which was spent in Citigroup, he worked extensively in Asia, the United States, Latin America and Europe.

Sanjiv Bhasin
DBS India

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

Lim Him Chuan
Group Audit

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

Jerry Chen
DBS Taiwan

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

Sim S Lim
DBS Singapore

Sim is the first DBS country manager with dedicated oversight for Singapore. He is responsible for helping the bank to derive greater synergy and value across the Singapore franchise. He spent the bulk of his 26 years of banking career in Asia where he assumed a wide variety of roles. Prior to joining DBS, Sim was the President and CEO of Citigroup Global Markets Japan Inc.

Kenneth Fagan
Group Legal,
Compliance & Secretariat

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

Karen Ngui
Group Strategic Marketing
& Communications

Karen is responsible for corporate communications, brand management, strategic marketing and corporate social responsibility. She has over 20 years of experience in the financial sector and prior to joining DBS in 2005, was the Global Head of Brand Management and Strategic Marketing at Standard Chartered Bank. She sits on the Board of Governors of the Singapore International Foundation.

Group Management Committee

Sebastian Paredes
DBS Hong Kong

Sebastian is the CEO of DBS Bank (Hong Kong) and Non-executive Director of DBS Bank (China). A banker of 25 years, he has a strong track record in building franchises across multiple markets. Sebastian was most recently President Director of PT Bank Danamon, Indonesia where he solidified the bank's position in retail, SME and commercial banking. He also spent 20 years at Citigroup as CEO in South America, Middle East, Africa and Europe respectively.

Tan Su Shan
Wealth Management

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

Theresa Soikkeli
Group Human Resources

Theresa joined DBS in 2004. Prior to joining DBS, Theresa held several positions with multinationals such as Morgan Stanley Dean Witter, Glaxo Wellcome and Standard Chartered Bank in Asia.

Melvin Teo
DBS China

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

Bernard Tan
DBS Indonesia

As the Commissioner of PT Bank DBS Indonesia, Bernard is tasked to grow DBS' presence in Indonesia. Prior to this, he was the Acting Country Head of DBS Taiwan where he led the successful integration of Bowa Commercial Bank with DBS Taiwan. Bernard held a variety of senior leadership positions in the Singapore military and government before joining DBS in 2008.

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In 2010, we mapped out a nine-point strategic roadmap to become "The Asian Bank of Choice for the New Asia". We have been single-mindedly executing against this strategy, and will continue to focus on delivering against our priorities going forward.

1. ENTRENCH LEADERSHIP IN SINGAPORE

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

In 2010, we made good progress on this front, with DBS Singapore recording net profit of SGD 1.69 billion, up 42% from the previous year. Earnings were bolstered by increased customer cross-sell and lower specific allowances. These improvements were partially offset by lower interest margins and higher expenses.

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

In Singapore, DBS and POSB also have the largest branch and ATM network. In 2010, we expanded our self-service banking network further to provide even greater reach and convenience to our customers. We added over 150 new ATMs, as well as 60 Cash Acceptance Machines (CAMs) and AXS Stations, to give us a network of more than 1,100 ATMs, 230 CAMs and 730 AXS Stations islandwide. In August, we also piloted Cash-Only ATMs, which enable our customers to have speedier access to cash during peak hours. Ten of our branches now have extended operating hours, being open until 7 pm, six days a week. To serve our customers better, in 2010, we deployed 150 more service staff at our branches.

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

In 2010, POSB, which prides itself on being "Neighbours first, bankers second", continued to focus on reaching out to children, youth, the silver-haired as well as the overall working population.

In March, it started a coin deposit initiative in primary schools to inculcate the savings habit in children. In April, POSB collaborated with the Council for Third Age to launch the POSB ACTIVE debit card, which provides a multitude of privileges to baby boomers or those over 45 years old. POSB also started to more proactively market its baby accounts, tying up with nine Singapore hospitals to present a package of goodies to mothers and their newborns.

In the payments space, DBS is a leading player on many fronts. For example, we have a 55% market share in Giro, and the largest Internet banking base with over 1.5 million retail customers. Mobile banking, which was launched last April, had a strong reception, attracting over 200,000 users in just nine months.

On the institutional banking front, DBS had an outstanding year, as we leveraged our strong balance sheet, Asia insights, connectivity and the strength of our relationships with local corporates to grow the business. In a highly-competitive market, our Sing-dollar business loans market share grew by more than two percentage points. In addition, DBS continued to lead in the syndicated loans space, ranking among the Top 10 mandated arrangers of Asia-Pacific syndicated loans (ex-Australia and Japan). DBS' newly set-up dedicated Project Finance unit also moved into high gear quickly, being lead arranger of a

Operations Review

SGD 1.8 billion financing package for Sports Hub, Singapore's premier land, sea sports and entertainment facility.

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

In 2010, DBS also remained the leader in equity, bond and REIT issuances.

In equity capital markets, we maintained our No.1 position with a 19.3% market share of equity issuances in Singapore. Underscoring our strength in the space, we were appointed as joint bookrunner and joint underwriter for Global Logistic Properties' SGD 3.9 billion IPO, the largest in Singapore since 1993.

DBS also retained our pole position in the Sing-dollar bond market, with more than 43% market share. Key transactions we were involved in include being the bookrunner for Temasek's landmark SGD 1 billion 40-year bond issue and Danga Capital's (Khazanah Nasional) SGD 1.5 billion five- and 10-year issues, collectively the largest-ever Sukuk in Singapore.

DBS is a pioneer in the REITs space, having successfully launched CapitaMall Trust, the first REIT in Singapore, in 2002. We have not looked back since. In 2010, DBS had another good year, topping the Singapore REIT league table with a 23.9% share. We were joint global coordinator, bookrunner and underwriter for Mapletree Industrial Trust's SGD 939 million IPO, the largest S-REIT IPO to date. DBS also played an instrumental role in the SGD 467 million IPO of Cache Logistics Trust, the first S-REIT IPO following the global financial crisis.

In Mergers and Acquisitions, we were ranked No. 5 in the Singapore mid-market space, that is, for deals of up to USD 500 million. One such example is where we acted as joint financial adviser to Ezra Holdings on its USD 400 million acquisition of Aker Marine Contractors.

While we are pleased with the progress made, much more can be done to capture opportunities in our home market. Recognising this, we created a Singapore country manager position and established a Singapore country organisation. With dedicated management oversight for Singapore now in place, going forward, we are well-placed to operate more nimbly and serve our customers better.

2. RE-ENERGISE HONG KONG

One of our strategic priorities is to re-energise DBS Hong Kong, which we believe has significant untapped potential, given that it anchors our Greater China platform. Executing on this, we strengthened Hong Kong's management team, appointing a new country head and making a number of strategic hires in key businesses.

Early initiatives taken to turn around Hong Kong are bearing fruit. In 2010, DBS Hong Kong recorded net profit of SGD 579 million, up 25% from the previous year. In local currency terms, earnings were up by a steeper 33%. The improved performance was driven by higher customer flows in the Treasury & Markets space and lower specific allowances. This was partly offset by lower interest income as interest margins were affected by stiffer competition for deposits and housing loans.

Hong Kong is the anchor for our Greater China operations, and a large part of our strategy for the market is driven around intermediating China flows. In 2010, we had a very successful year, both in terms of China red chips coming to Hong Kong and in the renminbi (RMB) offshore market.

In the red chips space, we doubled our customer base, and grew assets and revenues by 80% and 190%, respectively.

By moving quickly to capture opportunities arising from Hong Kong's position as an offshore RMB centre, we now have a leading position in the RMB space. As at end-2010, we had the equivalent of over HKD 10 billion of RMB deposits.

2010 was also a good year for Consumer Banking, and we saw strong growth momentum in unsecured loans, investments and insurance sales. In addition, DBS Hong Kong rolled out more innovative firsts. As an example, we launched the DBS Octopus ATM Card, which combines the functions of an ATM card with the Octopus public transport farecard in one piece of plastic. This first-of-its-kind initiative combining banking and payments received several industry accolades.

3. REBALANCE GEOGRAPHIC MIX OF OUR BUSINESS

a. Rest of Greater China

One of DBS' strengths is that we have a growing presence in the three key axes of growth – Greater China, Southeast Asia and South Asia.

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

In 2010, DBS China and DBS Taiwan reported a combined net profit of SGD 47 million on the back of SGD 426 million in revenues.

In China, we have 17 main and sub-branches in nine major cities, and our customer base has expanded by over 40% to 30,000. The plan is to accelerate the pace of growth and increase our footprint in China to 50 outlets by 2013.

In 2010, we doubled our deposit base, significantly improving our loan-to-deposit ratio. Loan growth remained strong, being in the double digits. DBS China also enjoyed strong cross-sell momentum in Treasury & Markets and Global Transaction Services.

A landmark agreement with the Royal Bank of Scotland, offering around 25,000 of its retail and commercial banking customers in Shanghai, Beijing and Shenzhen the option of moving over to DBS China, will further bolster our client base when the transfer process is completed this year.

To serve our corporate and enterprise banking clients more seamlessly across the region, we set up various country desks in 2010. These include Singapore and Taiwan desks in China, as well as a China desk in Singapore.

In Taiwan, where DBS has 40 branches after acquiring the "good bank assets" of Bowa Bank in 2008, we turned profitable in 2009, a year ahead of expectations. In 2010, we continued to make progress in growing the franchise. DBS Taiwan's revenues rose 23%, while loans and deposits saw double-digit percentage increases. We also made good progress in growing DBS Treasures, our priority banking offering. Underscoring our commitment to Taiwan, we will set up a locally incorporated subsidiary there by September 2011.

3. REBALANCE GEOGRAPHIC MIX OF OUR BUSINESS

b. South and Southeast Asia

South and Southeast Asia, which includes our India and Indonesia franchise, recorded net profit of SGD 203 million on the back of SGD 457 million in revenues.

DBS India grew Institutional Banking revenues by 22%, with over 50% of this from non-interest income. The more diversified income stream was made possible due to increased cross-sell efforts, with the Global Transaction Services business registering a 30% increase in cash mandates and a 78% growth in trade volume.

During the year, DBS established a special client coverage group to deliver customised solutions and improve customer traction with our top-tier relationships in India. The initiative yielded immediate results with foreign exchange sales volumes from our top clients doubling within less than three months of forming the group. Loan growth across customer segments remained steady. DBS also lead arranged several large syndicated loan deals including financing Bharti Airtel's USD 9 billion acquisition of Zain's African telecom assets.

On the Consumer Banking front, we strengthened our savings account proposition and launched a debit card product. During the year, two branches were also opened, taking our total India network to 12 branches. As at end-2010, we had 25 ATMs in India.

In Indonesia, where we have 40 branches, the business is starting to gain traction. In 2010, we saw good growth in wealth management and launched a programme to fast-track the growth of our SME business. Our Global Transaction Services capabilities in Indonesia are also being recognised and we clinched a number of awards from The Asset. These include "Rising Star Cash Management Bank" for the second year running, "Best Foreign Trade Finance Bank" for the fourth year running and "Best Structured Trade Solution".

On the capital markets front, we were a bookrunner for PT Indosat Tbk's USD 650 million 10-year bond, which won FinanceAsia's "Best High Yield Bond in Asia" accolade. We were also a bookrunner in PT Chandra Asri's USD 230 million five-year bond issue.

4. BUILDING A LEADING SME BUSINESS

Small and medium-sized enterprises (SMEs) are the lifeblood of most economies and in Asia, their significance is growing. In 2010, 147 Asian companies were on the Fortune 500 global list, and with the rise of Asia, the proportion of Asian SMEs which will become the multi-national corporations of tomorrow can only grow.

At DBS, banking the SME segment in Asia is a key priority, and we believe we have the wherewithal to serve these clients well. This confidence is borne by our strong balance sheet, well-honed credit skills and a deep understanding of the region that comes with being born and bred in Asia.

At the height of the global financial crisis, DBS made a conscious decision to stand by our customers. This helped to strengthen our client relationships, and as Asian economies recovered strongly, in 2010, we grew SME assets by 11% and 12% in Singapore and Hong Kong, respectively.

To further up the ante in this space, we strengthened the regional management team for the business, and hired senior managers in Hong Kong, Indonesia and Taiwan. The development of a regional SME strategic blueprint is well underway, and will be finalised and rolled out in 2011.

5. STRENGTHEN WEALTH PROPOSITION

Wealth creation in Asia is taking place at an unprecedented pace, and Singapore, with its strong governance and sterling reputation, is well-positioned to be the "Switzerland of the East". DBS, with

Operations Review

our ownership and pedigree, is seen as a safe and trusted bank, making us a key beneficiary during the global financial crisis, when there was a flight to quality. In fact, Global Finance named us the "Safest Bank in Asia" for two consecutive years, in 2009 and 2010.

However, as DBS works towards becoming the leading wealth manager in the region, we also want to be recognised as a bank that offers quality advice and cutting-edge Asian-centric solutions to our clients.

In 2010, we laid the groundwork to realising our ambitions in the Asian wealth management space, strengthening the management team with a number of strategic hires. In addition to appointing a new Group Head of Wealth Management, we also hired a Chief Operating Officer and a Chief Investment Officer to strengthen our advisory service and up our game on the customer experience front. We also beefed up the senior team servicing the Singapore, Indonesia, Middle East and Non-Resident Indian segments.

Over the course of the year, a big theme to emerge was the increasing internationalisation of the RMB. We saw significant interest from clients wanting to gain access to what could potentially be a new reserve currency and moved quickly to meet this demand.

DBS was the first bank to launch an RMB-denominated Equity Link Note in Hong Kong. We were also one of the first banks in Hong Kong to offer a full spectrum of yield enhancement RMB-denominated products, such as Currency Linked Notes, secondary market RMB bonds and A-Share QFII funds to our Private Bank clients in 2010.

The two RMB funds launched were the DBSAM China Rail Network Opportunities Fund and the DBSAM Dynamic Wage Fund. The DBSAM China Rail Network Opportunities Fund enables our clients to participate in the growth of the Chinese railway industry as China develops its high-speed train network to boost connectivity within the country. The launch of this fund made us the first private bank to introduce an RMB fund exclusively for our clients. The DBSAM Dynamic Wage Fund focuses on themes such as rising wages and the growing domestic consumption in China, and also attracted keen interest.

During the year, DBS' wealth management business continued to be recognised by the industry. DBS Private Bank has been named the "Best Local Private Bank in Singapore" for five consecutive years (2007-2011) by the Euromoney Private Banking Poll. We were voted as the "Best Domestic Private Bank in Singapore" and ranked number two "Best Private Bank in China" (as voted by clients with over USD 25 million assets under management) in the Asiamoney Private Banking Poll. We were also named "Best Private Bank in Singapore" by The Banker and Professional Wealth Management, which are part of the Financial Times Group.

6a. BUILD OUT GLOBAL TRANSACTION SERVICES CROSS-SELL BUSINESS

In 2010, Global Transaction Services (GTS) trade assets and client liabilities grew 54% and 23% respectively, reflecting the value we provide to customers through our extensive product set. With intra-Asia trade on the rise and commodities demand growing, massive opportunities abound in the transaction banking space. One estimate pegs the transaction revenue pool in Asia at being in excess of USD 90 billion, providing our business with ample room for growth.

At DBS, we will leverage the strength of our franchise to capture a significant portion of these revenues through our cash management, trade finance, commodity finance and securities and fiduciary services offerings. From a shareholder's perspective, the GTS business generates high returns on equity, contains a significant amount of annuity earnings and provides liquidity that contributes to DBS' strong balance sheet.

DBS launched an aggressive investment programme for the GTS franchise, in order that we may enhance our product offering, distribution capabilities and capacity to grow.

Our newly implemented strategy is already demonstrating success, with DBS capturing a significant amount of intra-Asia trade flows. In addition to the strong growth in our trade and cash management business, assets under custody increased by 19%. DBS Trustee was mandated as the bond trustee and/or paying agent for many of 2010's bond listings, including that by Singapore Airlines, Public Utilities Board, PSA Corporation, SingTel Group Treasury, Singapore Post, Singapore Airport Terminal Services and Temasek Financial (I) Ltd. DBS Trustee was also appointed the REIT trustee for Mapletree Industrial Trust and a private REIT.

Across Asia, DBS opened over 12,000 new corporate client accounts, and won more than 2,200 mandates for transaction banking services.

During the year, IDEAL, our corporate Internet banking platform, was accessed by over 80,000 corporate customers, logging in from 105 countries. We also onboarded an additional 13,500 new corporate clients on IDEAL, with nearly 45% of these clients from outside Singapore.

In 2010, we further reinforced our leadership position, being one of the first banks to market the RMB trade settlement programme in Singapore and Hong Kong, booking USD 1.3 billion of RMB-related trade assets.

GTS won numerous industry awards in 2010. These include awards for Singapore including Best Transaction Bank, Best Cash Management Bank, Best Trade Finance Bank and Best Sub-Custodian. We also picked up accolades which recognised the strength of the business in India and Indonesia.

6b. BUILD OUT TREASURY & MARKETS CROSS-SELL BUSINESS

DBS Treasury & Markets (T&M) is involved in the trading of foreign exchange, interest rates, equity, credit, fixed income instruments and the provision of investment and risk advisory services. In 2010, T&M recorded revenues of SGD 1.9 billion, up 12% from the previous year, as cross-sell of T&M products to the bank's institutional, private banking and mass affluent clients gained momentum.

Over the year, we moved to de-risk the T&M business. As cross-selling efforts gained traction, income from customer flows rose 48% to SGD 687 million, even as other income, principally from balance sheet management, market-making and warehousing, stayed nearly flat, being down just 1% at SGD 1.23 billion. As at end-2010, customer flows constituted 36% of total treasury income, up from 27% in 2009.

As we improve our customer cross-sell, it is imperative that our clients are properly served and sold the right products. In 2009, T&M started work to enhance our customer suitability assessment framework, so that we would better understand our clients' risk appetite, sophistication level, investment aspirations and market risk exposure. When used hand in hand with our product risk rating framework, which assigns transactional risk and complexity ratings to our broad suite of products, we are better able to recommend solutions that are best suited to clients. This initiative was fully implemented in May 2010.

We will be investing SGD 250 million over the next five years to fuel T&M's next phase of expansion overseas, especially in China and India. With the increasing internationalisation of the RMB, we are focused on leveraging our Greater China franchise to build a strong RMB business spanning foreign exchange, bonds, structured products and hedging solutions.

In particular, Hong Kong is a centre of excellence for developing RMB products. Today, DBS has a full suite of RMB products covering FX, interest rates, credit and equity. In 2010, DBS was among the first banks to complete an offshore USD/RMB FX swap and a cross currency swap in Hong Kong. Over the year, we also garnered about 20% of the offshore RMB interbank FX market, making us one of the leading players among the foreign banks.

In 2010, T&M set up a commodities derivatives business to cater to increased demand for such solutions arising from Singapore's growing status as a commodities hub, higher demand for commodities in Asia and the increased volatility of commodities prices in recent years. We also set up an asset securitisation capability to help companies optimise their balance sheets so as to lower their funding costs.

To help promote Singapore as a regional hub for corporate treasury centres, we are doing our part to develop talent in the field. During the year, we made a SGD 220,000 contribution to enable the Singapore Management University to develop a specialised corporate treasury elective for undergraduate and postgraduate students, a first in Singapore.

DBS is consistently recognised for the strength of our T&M franchise. Accolades won in 2010 include "Regional House of the Year" and "Singapore House of the Year" by Asia Risk, "Best Derivatives House in Singapore" by The Asset, "Award for Treasury and ALM Products and Services" by The Asian Banker and "Best Foreign Exchange Bank in Singapore" by FinanceAsia, Asiamoney and Global Finance.

7. PLACE CUSTOMERS AT THE HEART OF THE BANKING EXPERIENCE

2010 marks the beginning of what has been heralded as Asia's decade. As Asia rises, banks like ourselves which are born and bred in Asia have a unique opportunity to differentiate ourselves, and to make our mark as a leading Asian bank.

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

Our aim is to become a bank known for consistently delivering a distinct form of Asian service; that is, one with "the humility to serve, the confidence to lead".

This is a painstaking journey that requires leadership and commitment from everyone in the organisation. It also requires a mindset change, one that demands that every process and detail be seen through the customer's lens.

While we have much more work to do on this front, some of the key building blocks which place customers at the heart of the banking experience have been established.

We set up a Customer Experience Council, chaired by the CEO, to drive our strategic service agenda, as well as to anticipate and address customer service needs. We also developed an Asian Service programme, and defined service values that would guide our actions going forward.

Operations Review

In addition, we established a central improvement programme aimed at improving our customers' banking experience. In 2010, one thousand staff were directly involved in delivering elements of the 50 service improvement projects undertaken by the bank. As a result of these initiatives, in all, 96 million hours of customer wait time were removed.

Some service improvement initiatives in Singapore include:

- Increasing headcount to ensure that all branch counters are fully manned during peak hours
- Fulfilling 80% of credit card applications within five calendar days
- Reducing queue times in POSB branches; in the second half of 2010, over 80% of POSB customers were served within 15 minutes or less
- Reducing the number of monthly ATM "cash-outs" by over 35%
- Shortening our GIRO application processing time from nine to four days, on volumes of some 80,000 applications per month
- Streamlining the account opening process to make it easier and faster for customers
- Improving the turnaround time for new IDEAL registrations by more than 50%, as well as shortening the turnaround time for electronic remittances within key locations in DBS Group to three hours.

To better support the growth of our clients' business as they expand across Asia, it is important that our corporate bankers have clarity on their roles and responsibilities, locally and regionally. Our people must also be confident that their efforts in selling our network and advisory service across borders will be recognised. In 2010, we rolled out our global cross-border framework to encourage greater collaboration within the team, so as to enable us to bring the best of DBS' Asia connectivity to our customers going forward.

8. FOCUS ON MANAGEMENT PROCESSES, PEOPLE AND CULTURE

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

In 2010, we put in place a regional management framework to manage our businesses across the Group. As part of this initiative, we streamlined our matrix organisation structure and put in place a standardised country governance framework.

We also set up a regional policy framework and established the Accounting and Operations Standardisation Team and Risk Policy Unit to ensure consistency in our processes and policies across the region.

In addition, we created a corporate treasury function so as to better manage our capital, returns and liquidity. This initiative will support our efforts to grow assets and garner liabilities across the group.

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

We took steps to groom and grow our talent through the provision of internal mobility opportunities, training and focus on a consistent set of values. In addition, we have put in place a talent management framework, identified high potential staff across all levels of the organisation and designed bespoke training and development programmes for each level.

9. STRENGTHEN TECHNOLOGY AND INFRASTRUCTURE PLATFORM

In 2010, Technology & Operations (T&O) focused on developing a technology blueprint for our major businesses, rolled out standardised software applications in the region and enhanced the availability of our services to customers.

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

Over the course of the year, we started to execute against the blueprint, rolling out a number of standardised software applications across the Group. This is to enable us to have consistency in our regional applications platform, especially as we expand our footprint in Asia. We rolled out a core banking system (Finacle), an IMEX trade system as well as an Avaloq platform for our wealth business.

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

We also set up an Innovation Council to leverage technology so as to promote innovation and enhance the customer experience. As a start, the Council has identified five big initiatives in the areas of analytics, mobile banking, customer touchpoints, payments, trade and SMEs. We expect to gain traction on these innovation efforts this year.

Building a better future for Asia

DBS is committed to building a better future for Asia. In 2010, we undertook a range of initiatives across our six key markets to support children and learning. In addition, we continue to invest in our people and create a vibrant working environment to make DBS a great place to work.

Close to 4,200 staff turned up in dazzling costumes for the DBS Singapore Dinner and Dance held in November.

Asian countries have a long and rich tradition of community involvement and outreach. As a bank that is born and bred in Asia, DBS understands the importance of nurturing relationships, serving the community and improving lives.

For decades, DBS, which started out as the Development Bank of Singapore, has helped businesses and individuals to fulfill their dreams. This philosophy continues to drive us today. In line with this, our corporate social responsibility (CSR) programme is focused on supporting children and learning because we believe that the young hold the key to Asia's future.

DBS actively engages our 15,000 employees to give back to the community. In 2010, our people continued to transform lives and help children access education in DBS' six key markets comprising Singapore, Hong Kong, China, India, Indonesia and Taiwan.

Singapore

In July 2010, 24 DBS colleagues in Singapore participated in the Children's Cancer Foundation (CCF) "Hair for Hope", a fund-raising event where volunteers shave their heads in a show of support for children with cancer. For their efforts, DBS raised over SGD 58,000 for the CCF. The funds will be channelled to CCF's therapeutic play and "Back to School" programmes.

On Children's Day, which falls on 1 October 2010 in Singapore, staff from DBS Treasury & Markets donated SGD118,000 to The Straits Times School Pocket Money Fund. The funds provide needy children with pocket money to defray meal expenses, bus fares and meet other schooling needs.

DBS was also the official banking partner of the inaugural Youth Olympic Games, which was held in Singapore in August 2010. The international sporting event provides a platform where young athletes not only compete, but also take part in a range of innovative learning programmes.

A part of DBS, POSB has served generations of Singaporeans over the past 134 years. It is affectionately known as the "People's Bank", and prides itself on being "Neighbours first, bankers second". Since the 1960s, POSB has been reaching out to children, and inculcating in them the value of saving. In 2010, for the second year running, POSB held a charity run which raised SGD 325,000 to help needy children

Building a better future for Asia

in Singapore. Some 5,500 participants, including 3,500 children, took part in the POSB Run for Kids 2010.

Since 2009, POSB has teamed up with the Council for Third Age, an independent organisation which promotes active ageing in Singapore, to address the financial needs of baby boomers and older Singaporeans. Under the partnership, the two organisations leverage on each other's expertise and network to provide financial products and services, as well as relevant programmes, to help those who are 45 and above enjoy health and be financially prepared for their later years.

Initiatives rolled out include the POSB Active Neighbours programme, where senior Singaporeans are recruited to assist other seniors with their banking transactions at POSB branches, and to educate them on the use of self-service banking machines. In addition, seniors can also benefit from a series of financial literacy and rewards programmes which include dining and travel privileges. In May 2010, the two organisations also jointly launched the POSB ACTIVE Card, the first debit card with cashback features in Singapore designed to enhance the lifestyle of mature consumers. As at the end of 2010, over 77,000 seniors had signed up for the POSB ACTIVE Card.

Hong Kong

Social entrepreneurs drive social innovation and improve the state of the communities in which they operate. DBS is committed to supporting their development.

In Hong Kong, the bank continued to build on the DBS Social Enterprise Experience. Now into its third year, the flagship community programme attracted participation from local enterprises and secondary school students. Over 1,500 students attended five seminars and a two-day enterprise trade show, where they picked up valuable business knowledge and skills. Some of these students were subsequently given the opportunity to apply this business know-how running DBS-sponsored stalls at the Chinese New Year flower market at Victoria Park. Over 30 staff mentors worked with the students throughout the programme, guiding them on how to run a business.

In addition, for the ninth year in a row, DBS Hong Kong colleagues, together with their families and friends, took part in the Hong Kong Community Chest Walk for Millions in January 2010. The 1,000-strong DBS contingent was named "Outstanding Walking Team" for the fourth consecutive year, in recognition of their part in raising over HKD 117,000 to support local children and youth services.

1,500 students participated in the DBS Social Enterprise Experience programme in Hong Kong.

DBS CEO Piyush Gupta flagging off the POSB Run for Kids event, which raised SGD 325,000 to help needy children.

China

In China, DBS has partnered Shanghai Charity Foundation to set up a SGD 250,000 fund, which will provide scholarships to migrant children in China. A portion of these funds has been donated to two migrant schools in Jinshan, to provide the students with a better learning environment,

900 DBS China colleagues working together to form the DBS logo at a team-building event in Shanghai.

equipment and library facilities. Over 20 staff volunteers also accompanied 100 migrant students to the 2010 Shanghai World Expo, Shanghai, in October.

India

On 17 January 2010, thousands of people participated in the Mumbai Marathon – one of India's largest charity fund-raising initiatives – in support of various charities and causes. Sixty DBS India staff participated in the 6 km Dream Run in support of our non-governmental organisation partners, Aseema and Mumbai Mobile Crèches. The initiative raised over SGD 13,000 for the two beneficiaries, which are actively involved in providing education to underprivileged children.

DBS also donated over INR 1.7 million to help construct facilities in an educational centre being built by Aseema. Apart from making contributions towards this cause, in February 2010, over 30 of our people rolled up their sleeves to help in the construction of this facility, which is located in a remote tribal village about 150 km from Mumbai.

In 2010, the DBS branch in Mumbai also hosted 35 students from Aseema to a branch visit where the children learnt more about banking as well as the importance of saving.

Indonesia

DBS is partnering Indonesian Street Children Organisation (ISCO) to support the education of 550 underprivileged children over the next few years. To this end, in 2010, we donated IDR 425 million to ISCO. DBS Indonesia staff volunteers also helped to tutor these children who live in slum areas throughout Jakarta.

2010 also saw DBS extending help to support relief efforts in Padang, Indonesia. In the wake of the Padang earthquake, which destroyed many homes and displaced hundreds of thousands of families in 2009, DBS Indonesia initiated a fund-raising programme which garnered IDR 1 billion for Habitat for Humanity. In addition, our colleagues participated actively in the reconstruction effort and helped to build 43 homes, which were completed in November 2010.

DBS staff lending a hand with the construction of an educational centre in India.

Taiwan

DBS Taiwan will be donating NTD 5 million to Taiwan Fund for Children and Families over 2010 and 2011 to help put 500 children in school. This is part of the "DBS Happy Ever Asia Relay" initiative launched in 2009, whereby our people across the region came up with an array of creative ideas to raise funds for underprivileged children in Asia.

Staff from DBS Indonesia tutoring underprivileged children in Jakarta.

MAKING DBS A GREAT PLACE TO WORK

People are our most important asset, and an important pillar of DBS' staff engagement plan is training and development.

To ensure that our people are well-equipped to serve customers, the DBS Academy was launched in 2010 to drive product and service excellence as well as leadership and talent management. Our state-of-the-art learning centres occupy a total of 35,000 sq ft in Singapore, Hong Kong and Shanghai, offering a comprehensive and holistic suite of training and development programmes, including functional training and leadership forums. Underscoring the importance DBS places on training and development, we conducted more than 100,000 hours of training in 2010, a 42% increase from the previous year.

Building a better future for Asia

We also continued to execute on our multi-year regional Strategic Occupancy Plan, which has seen the bank consolidate our operations in fewer locations within each market. This allows DBS to improve operational efficiency and productivity, strengthen communication between departments and respond to the needs of our customers more speedily. Our people also appreciate these newer premises as they offer a more conducive working environment.

- In China, DBS now operates out of DBS Bank Tower, a 107,000 sq ft facility located next to the Pearl TV Tower, in the centre of Shanghai's new financial district. The move to new headquarters marks a key milestone for DBS.

- In Singapore, DBS officially opened our new SGD 250 million purpose-built facility, DBS Asia Hub, in September. This new 340,000 sq ft facility at the Changi Business Park houses more than 3,000, or over 40% of DBS' Singapore-based staff, most of whom are in technology, operations and support functions.

- In Taiwan, our people are also working out of newer, more conducive offices. About 500 of our staff, most of whom in support functions, moved into the 46,000 sq ft Taipei Hub at the Neihu Science Park in October 2010. In the first half of 2011, our Taiwan headquarters will be relocated to the Shin Kong Xinyi Financial Center in Xinyi District.

Apart from enhancing the work environment, DBS is also investing in our people and looking at ways to improve staff welfare. As a show of appreciation for the hard work put in by our people, DBS held Dinner and Dance events in Singapore, Hong Kong, China, Indonesia and Taiwan. Some 4,200 DBS colleagues in Singapore gathered at the Resorts World Sentosa Convention Centre while

DBS China's new headquarters located in the heart of Shanghai's financial district.

about 3,000 staff attended DBS Hong Kong's first-ever Annual Dinner at the AsiaWorld Expo. DBS Indonesia also put up a night of showbiz glitz as 800 staff dressed up as famous movie personalities and performed at a fun-filled party themed "DBSI Box Office".

Preserving the environment for future generations

Apart from supporting children and learning, DBS is also committed to doing its part to conserve energy and resources, so as to preserve the environment for future generations.

In 2008, DBS embarked on an environmental sustainability programme, and efforts to create a greener workplace continue apace. DBS now has recycling bins in all departments in Singapore, Hong Kong and Taiwan. Where possible, biodegradable cups and energy efficient appliances are also used. By consolidating the number of servers at the DBS Development Data Centre, the bank also expects to reduce power consumption by close to 50% over time.

With the relocation of many of our people to newer premises in Singapore, Hong Kong and China, about 30% of the DBS workforce is now housed in green certified buildings. DBS Asia Hub in Singapore, for example, was conferred the Green Mark Gold award by the Building and Construction Authority for meeting requirements that help conserve energy and water, and which promote a healthier working environment.

Moving Forward

As DBS extends our franchise across Asia, we will continue to do our part to build a better Asia. We remain committed to giving back to the community, investing in our people and workplace, and looking at ways to better serve our customers.

DBS staff cheered for torchbearers as the Youth Olympic Flame made its way down Shenton Way in Singapore.

Corporate Governance Report

INTRODUCTION

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

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

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

BEING AT THE FOREFRONT

The Group has taken the initiative to conduct its own review to benchmark its corporate governance standards across several areas including board evaluation processes, internal controls, risk management and areas of compensation practices.

The new MAS Regulations and the Guidelines issued on 9 Dec 2010 have further entrenched good corporate governance standards for financial institutions in Singapore and formalised the following key responsibilities to the Board's mandate:

(i) Setting new responsibilities for the Nominating Committee and the Board, in terms of assessing the suitability of a candidate's qualifications to serve on the Board, reviewing the suitability of each director on an annual basis, reviewing the adequacy of the overall skills profile of the Board and its committees, and formulating plans to improve the Board's effectiveness.

(ii) Adding qualitative criteria to the evaluation of Board effectiveness and recommending that boards consider obtaining external independent evaluation of their effectiveness.

(iii) Developing and disclosing a continuous development program for all directors to ensure they are equipped with the appropriate skills and knowledge to perform their roles on the Board and committees effectively.

(iv) Ensuring remuneration is aligned with the strategy and values of the institution, and adhering to the Financial Stability Board's principles for sound compensation practices.

In anticipation of the implementation of the new MAS Regulations and the Guidelines, the Group has taken proactive steps to review the composition of the Board and its committees and is satisfied that the independence of the Board and committee members complies with the Guidelines. With the goal of improving governance standards, the Group has commissioned an independent review of the Board's effectiveness. This includes an external review of the evaluation process of the performance of the Board and committees. The objective of the evaluation is to assess whether the Board and committees, and their members, have performed their roles effectively and to identify any areas for improvement. The exercise will ensure that the Board stays at the forefront of global practices in terms of corporate governance and maintains its leadership position in Asia. The Board is confident that the results of the review will enable it to enhance its overall effectiveness.

In the area of compensation and remuneration practices, the Group has taken into account the principles and standards contained in the Guidelines of Sound Compensation Practices by the Financial Stability Board ("FSB") on alignment of remuneration with prudent risk taking, effective oversight and stakeholder engagement, and introduced steps to further enhance this alignment.

Corporate Governance Report

The Compensation and Management Development Committee engaged an external consultant to provide an independent review of the Bank's compensation system and processes to gauge if they are in compliance with the principles of Sound Compensation Practices by the FSB. The review objective is also to gain external market information on the industry best practices for reference.

The results of this external review showed that the Bank is broadly compliant with the guidelines provided by the FSB. In many areas of its practices, the Bank is aligned with the industry best practices. In the area of risk, the Bank will continue to fine-tune its risk adjustment methodologies, for example through using Economic Profit ("EP") as an additional modulator (in addition to using a balanced scorecard which is already in place for 2010). In addition, starting from 2011 payouts, the Group will also subject the unvested, deferred remuneration to claw back as part of prudent compensation practice.

In furtherance of the Group's aspiration to be the Asian Bank of Choice for the New Asia, the Group firmly believes in the paramount importance of customer relationships and developing a corporate culture in which customers have implicit trust in the way the Group operates. This trust forms the essence of the principles of fair dealing, which are the very principles laid down by the MAS in April 2009 in the MAS Fair Dealing Guidelines. The Board and senior management have adopted the principles and are committed to embedding the principles in the Group's customer relationships.

BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS

PRINCIPLE 1

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

(i) Setting the strategic direction and long-term goals of the Group and ensuring that adequate resources are available to meet strategic objectives.

(ii) Approving and monitoring capital and financial plans to ensure that they are in line with the Group's strategic directions; the annual budget; the annual and interim financial statements; and capital expenditures and divestments.

(iii) Establishing a risk strategy and a framework for risks to be assessed and managed.

(iv) Monitoring and reviewing management performance.

(v) Using its wide-ranging expertise to vet corporate plans and policies as well as major decisions.

(vi) Setting values and standards for the Group.

(vii) Making succession plans for itself and for the CEO to ensure continuity of leadership.

The Board also delegates authority and powers to Board committees to oversee specific responsibilities, such as executive leadership and strategy, financial reporting audit, risk management, credit controls and approvals, compensation and leadership development. These committees enable the Board to better carry out its stewardship and fiduciary responsibilities. The Board has established an internal framework called the Group Approving Authority ("GAA") to ensure that the delegation of authority at various levels is consistently applied throughout the Group.

Board Committees
The Board committees are as follows:

– Executive Committee ("Exco"), which reviews strategic matters such as country and business strategies, and strategic mergers and acquisitions. The Board has delegated to Exco the authority to approve credit lines, decide on non-strategic investments and divestments, and to review budget and financial plans. Exco's authority is defined in its terms of reference and is aligned to the GAA.

– Audit Committee ("AC"), which supervises the Group's internal controls and interacts with the external auditor to ensure compliance with regulations governing accounting standards and financial reporting.

– Nominating Committee ("NC"), which searches for Board nominees and assesses their suitability and independence. It also ensures that Board members commit appropriate amounts of their time to discharge their duties and performs an annual evaluation of directors.

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

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

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

Board meetings and attendance

During the financial year, there were seven Board meetings, including five scheduled ones. At these meetings, the Board reviewed the Group's financial performance, corporate strategy, business plans, potential acquisitions and significant operational matters. Prior to the commencement of a scheduled Board meeting, all non-executive directors will meet to discuss issues of general importance without the presence of management.

When exigencies prevent a member from attending Board meetings in person, he can participate by telephone or video-conference. Board approvals for less urgent matters are obtained through written resolutions approved by circulation. The Articles of Association allows resolutions in writing that are signed by a quorum of members to be as effectual as if they were passed at physical meetings.

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

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

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

Name of Director	Board Meetings (Board)		Executive Committee Meetings (Exco) *		Audit Committee Meetings (AC)		Board Risk Management Committee Meetings (BRMC)		Nominating Committee Meetings (NC) #		Compensation and Management Development Committee Meetings (CMDC)	
	No. of Meetings		No. of Meetings		No. of Meetings		No. of Meetings		No. of Meetings		No. of Meetings	
	Held@	Attendance	Held@	Attendance	Held@	Attendance	Held@	Attendance	Held@	Attendance	Held@	Attendance
Peter Seah [1]	7	6 ^	6	6	5	5	5	5	2	2	2	2
Piyush Gupta [2]	7	7	6	5	–	–	–	–	–	–	–	–
Andrew Buxton [3]	7	5	–	–	–	–	5	5	–	–	–	–
Ang Kong Hua [4]	7	7	–	–	5	5	–	–	2	2	–	–
Bart Broadman	7	6	–	–	–	–	5	4	–	–	3	2
Christopher Cheng	7	6	–	–	5	3	–	–	–	–	3	3
Euleen Goh [5]	7	7	6	5	5	5	1	1	2	1	3	3
Kwa Chong Seng [6]	7	6	–	–	–	–	–	–	–	–	3	3
John Ross	7	7	–	–	–	–	5	5	2	2	–	–
Ravi Menon	7	7	–	–	5	4	–	–	2	2	–	–
Danny Teoh [7]	2	2	–	–	1	1	1	1	–	–	–	–
Koh Boon Hwee [8]	2	1 ^	–	–	–	–	1	1	–	–	–	–

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

* *The existing Board Credit Committee (BCC) has been subsumed within Exco, thereby disbanding BCC on 29 July 2010. New Exco members were identified. There were 6 physical Exco meetings and no physical BCC meetings. There were 18 and 4 other matters deliberated and approved via circular resolutions at BCC and Exco respectively*

There were 2 physical meetings and 8 other matters deliberated and approved via circular resolutions

^ *An adhoc meeting was held on 17 March 2010, concerning the Board Chairman succession. As Mr Seah and Mr Koh were both interested in the subject matter, they recused themselves from the attendance at the said meeting*

1 *Assumed Chairmanship of DBSH and DBS Bank on 1 May 2010. Appointed as Chairman of BCC on 11 May 2010 and as Member of NC and CMDC on 1 May 2010 and 21 June 2010 respectively. Stepped down as Member of BCC and appointed as Chairman of Exco on 29 July 2010*

2 *Appointed as Member of BCC on 11 May 2010 and as Member of Exco on 29 July 2010*

3 *Stepped down as Chairman on 1 Dec 2010 but remains as Member of BRMC*

4 *Stepped down as Member of BCC on 29 July 2010*

5 *Appointed as Member of BRMC on 3 August 2010 and assumed Chairmanship of BRMC on 1 Dec 2010. Stepped down as Member of BCC and appointed as Member of Exco on 29 July 2010*

6 *Stepped down as Member of BCC on 29 July 2010*

7 *Appointed as Director and as Member of AC and BRMC on 1 October 2010*

8 *Stepped down as Chairman and Director of DBSH and DBS Bank and Member of NC, CMDC, BRMC & BCC on 30 April 2010*

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Terms of Appointment
Board members usually serve three three-year terms, which the Group considers an appropriate length of time for members to gain an understanding of the Group and make an effective contribution. In appointing new directors, NC considers the proposed candidate's expertise and background, and assesses if they possess the skills required by the Board. A candidate's skills are mapped against a matrix that is reviewed regularly to ensure that the Board has the requisite diversity of skills and backgrounds to perform effectively.

A new appointee is given a Directors' Handbook and briefed on his duties and statutory obligations. He is also given a series of induction briefings, usually undertaken over at least two sessions, by senior management on the Group's various businesses and support functions. During the financial year, this induction was provided to Mr Danny Teoh.

BOARD COMPOSITION AND INDEPENDENCE

PRINCIPLE 2

The present Board comprises eleven members. The Group is of the view that this number is appropriate for its current scope of operations.

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

As at the date of this report, eight members, namely Mr Peter Seah, Mr Ang Kong Hua, Mr Andrew Buxton, Dr Bart Broadman, Mr Christopher Cheng, Mr Danny Teoh, Ms Euleen Goh and Mr John Ross, are considered independent by the NC.

The independent non-executive directors provide the Board with the knowledge, objectivity and balance that may not be available if the Board were to consist only of full-time executives. They also ensure that the performance of executive directors and management is objectively measured against the key performance indicators which were previously formulated.

The attributes that an independent director is required to have include not being a former DBS executive, not being a significant customer or supplier, not being recommended or appointed on the basis of personal relationships, not being a close relative of an executive director, and not being related to any of the Group's external auditors, lawyers, consultants or service providers.

Dr Broadman, Mr Buxton, Ms Goh, Mr Ross and Mr Teoh are directors who are non-executive and fully independent.

Mr Ang, Mr Buxton, Mr Cheng, Ms Goh and Mr Seah are on the boards of companies that have a banking relationship with DBS but the revenues arising from such relationships are not material.

Ms Goh and Mr Seah are also directors of companies linked to Temasek Holdings, DBS' substantial shareholder. As their appointments are non-executive in nature and they are not involved in the day-to-day conduct of these companies' businesses, NC has determined that they are independent.

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

Mr Menon is currently a senior civil servant and NC has considered him not independent as the Singapore Government is the ultimate shareholder of Temasek. Mr Menon is considered independent of management and business relationships.

Procedures have been instituted to manage potential conflicts of interest between a director and the Group. Such conflicts could arise, for instance when the Group extends credit facilities to a director's company, or when the Group provides products and services to it. An appropriate account tagging mechanism has been put in place to monitor and control the occurrences of conflicts, any of which are then escalated for aggregation purposes.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

PRINCIPLE 3

A clear division of responsibilities between Chairman and CEO allows the Chairman to formally assume the role of an independent leader who chairs Board meetings and leads in its oversight of management. The Chairman manages the Board's business, including its work in the various committees, and ensures that its agenda furthers the strategic priorities of the Group. He also provides guidance to and encourages constructive relations among the Board, CEO and senior management.

On the basis that the present Chairman is independent and has no significant relationship with any other financial institution, the Board does not see it necessary at this point of time to appoint a lead independent director. The Chairman provides a clear and distinct leadership to the Board on the Group's strategic growth.

The CEO heads the Group Management Committee and the Group Executive Committee, which are the highest management bodies. He oversees the execution of the Group's strategy and is responsible for managing its day-to-day operations. The Chairman also participates in the Group Executive Committee to assist the CEO to drive the Group's strategic initiatives. In this role he also acts as a sounding board to the management on strategic and operational matters.

BOARD COMMITTEES

PRINCIPLE 4

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

Exco's responsibilities include:

(i) Reviewing the delegation of authority pursuant to the GAA.

(ii) Reviewing strategic and non-strategic investments or divestments.

(iii) Reviewing the Group's strategy, business plans, annual budget and capital structure.

(iv) Approving credit transactions and investments that exceed the limits that can be authorised by the CEO.

(v) Approving items such as operating lease commitments, expenses and write-offs within designated limits.

Arising from recent regulatory amendments, Exco reviewed and enhanced the GAA and terms of reference for the Board and the Board committees to ensure that the Group's practices are aligned with the current Code, Guidelines and MAS Regulations. The GAA was simplified for capital expenditures and divestments, operating expenses and write-offs, enabling the approval process to be applied effectively and efficiently across each functional area.

In the course of the financial year, Exco also reviewed the Group's management bench strength across the region. It also reviewed several corporate actions and divestments and investments, providing an initial review prior to discussion and approval by the Board.

The Nominating Committee ("NC")
NC comprises Mr Ross (Chairman), Mr Ang, Ms Goh, Mr Menon and Mr Seah.

NC's responsibilities include:

(i) Reviewing and recommending Board appointments for approval by the Board, taking into account the expertise, skills and knowledge offered by the candidate and the needs of the Board.

(ii) Determining annually whether each director is independent in accordance with regulatory guidelines.

(iii) Recommending the membership of various Board committees, the appointments of key business and support unit heads, and senior positions in major subsidiaries.

(iv) Providing guidance on directors' appropriate time commitments and assessing whether each director can make such a commitment after considering his other obligations.

A new director, Mr Danny Teoh, was appointed during the financial year. NC carried out a formal fit-and- proper assessment prior to recommending a director's nomination to the Board. The NC also examined the skill sets of existing Board members and reviewed their suitability to contribute to specific committees.

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Re-nomination and rotation of directors
The Articles of Association require the one-third of Board members who are longest-serving to retire from office every year at the Annual General Meeting (the "AGM"). Based on such a rotation process, each director is required to submit himself for re-election by shareholders at least once every three years. A director who reaches the age of 70 is required by law to retire and stand for re-election every year.

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

Continuous Development Programme ("CDP")
Sustainable high quality performance is an important factor to the proper discharge of the duties of directors. During the course of 2010, NC introduced the CDP for directors to ensure that they are continually equipped with the appropriate skills and knowledge to perform their roles on the Board and the committees. The CDP is based on the Guidelines.

The CDP has the following key objectives:

(i) Assessing the knowledge required by Board members in order to contribute effectively.

(ii) Providing ongoing training sessions with external advisors and trainers to ensure all directors receive the knowledge they need to effectively carry out their duties.

(ii) Ensuring that the Board is kept abreast of regulatory and legislative developments and changes across key markets.

With an increasing emphasis on the quality of financial institution boards, NC continually assesses the current skills of the Board members. NC also believes that with the formulation of the CDP framework, the current requirements under the Code, Guidelines and MAS Regulations would be met.
The Group's CDP framework is in addition to mandatory training programmes that MAS requires for directors of financial institutions.

During the financial year, the Group organised training sessions for certain directors including Risk Management Essentials for Listed Company Directors, Module 3, organised by SGX in conjunction with Singapore Institute of Directors. In November 2010, the Group also arranged for an external advisor to provide an update on the principles of Basel II/III. This presentation was made to all directors of the Group as well as non-executive directors of the subsidiary boards.

The session on Risk Management Essentials focused on the roles and responsibilities of directors in relation to risk management. Topics such as risk in strategy setting and business continuity management were covered. The directors who attended the training were members of the BRMC and the session provided members the benefit of sharing best practices with directors of other listed companies. The update on Basel II/III gave an opportunity to Board members to clarify complex issues arising from the introduction of the new regulations. In 2011, the CDP framework will be enhanced to include areas relating to capital and risk management, banking trends, regulatory developments and updates on corporate governance.

In February 2011, a training session was provided by external auditor, PwC to the Board members on future changes in accounting standards in the areas of classification and measurement of financial assets and liabilities, impairment of financial instruments, hedge accounting and leases. The session provided invaluable insights on the various discussion papers at global levels, and gave a detailed background on the proposed changes to certain accounting standards. This enabled the Board to increase its awareness of the potential impact in the future reporting of these financial instruments. The training session was also attended by senior management.

Audit Committee ("AC")
AC comprises Mr Teoh (Chairman) (with effect from 2 February 2011), Mr Ang (stepped down as Chairman on 2 February 2011), Mr Cheng, Mr Menon and Mr Seah.

AC's responsibilities include:

(i) Reviewing the adequacy of financial, operational and compliance controls, as well as accounting policies and systems, which are collectively known as internal controls.

(ii) Reinforcing the effectiveness of internal and external audit processes.

(iii) Monitoring the financial reporting process and ensuring the integrity of the Group's financial statements.

(iv) Maintaining effective communications between the Board, management and external auditors. AC reviews internal and external auditors' plans, the effectiveness of their audits, and the independence of the external auditors.

All AC meetings are also attended by the heads of Audit, Finance, and Legal, Compliance and Secretariat. AC also has the discretion to invite any director and executive to attend its meetings. Separate sessions with the external auditor are held without the presence of management after each AC meeting to discuss matters that might have to be raised privately. In addition, AC Chairman meets the internal auditors regularly to discuss the internal audit plan, current work, key findings and other significant matters.

Board Risk Management Committee ("BRMC")
BRMC comprises Ms Goh (Chairman) (with effect from 1 December), Mr Buxton (stepped down as Chairman on 1 December 2010), Mr Ross, Dr Broadman, Mr Seah and Mr Teoh.

BRMC's responsibilities include:

(i) Exercising oversight of the capital adequacy of the Group.

(ii) Approving the Group's overall and specific risk governance frameworks, including risk authority limits.

(iii) Overseeing an independent Group-wide risk management system and ensuring there are sufficient resources to monitor risks.

(iv) Monitoring risk exposures and risk strategy in accordance with approved guidelines.

During 2010, the BRMC continued to monitor the overall progress of the Group's implementation of Basel II requirements. It received updates on Basel II models and approved enhancements to the models.

It also approved the baseline and stress scenarios for use in the three-year plan for the Internal Capital Adequacy Assessment Process. The committee was updated on the progress on the economic capital plan for credit risk and the Internal Models approach for market risk. In addition to the review of the various risk profiles and topical issues, the committee approved changes to key risk management frameworks covering market, liquidity, credit and reputational risk as well as revisions in stress testing frameworks for market, liquidity and credit risk.

Compensation and Management Development Committee ("CMDC")
CMDC comprises Mr Kwa (Chairman), Dr Broadman, Mr Cheng, Ms Goh and Mr Seah.

CMDC's responsibilities include:

(i) Overseeing the principles and framework of compensation to ensure their alignment with prudent risk-taking to build a sustainable business in the long term.

(ii) Ensuring that the remuneration policy is consistent with employment laws and regulations.

(iii) Approving employee incentive schemes and reviewing their effectiveness in employee retention and the creation of long-term value for the Group.

(iv) Overseeing management development and succession planning to ensure that the Group strengthens its core competencies, bench strength and leadership pipeline.

In 2010, the Group continued to review and enhance the alignment of the Bank's compensation policies and practices with the FSB principles for Sound Compensation Practices.

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For example, the Group adopted an economic profit model as a bonus modulator to guide the capture of other key risks in bonus sizing. The Group has extended the vesting period of the deferred bonus (in the form of DBSH shares) to be paid out from 2010 onwards from three years to four years. The Group also introduced a claw back structure from 2011 payouts onwards.

Efforts on talent management and development intensified as the Group put in place a talent management framework to identify talent across Asia, train them and help them map out and develop their careers with the Group. Last year, the Group launched the DBS Academy to drive product and service excellence as well as leadership and talent management. It offers a comprehensive and holistic suite of training and development programmes, including functional training and leadership forums. Our Learning Centres occupy a total of 35,000 sq ft in Singapore, Hong Kong and Shanghai. Last year, more than 100,000 training hours for staff were conducted, which is an increase of 42% from 2009.

BOARD PERFORMANCE

PRINCIPLE 5

NC makes an assessment at least once a year as to whether the full Board and the various committees are performing effectively and it identifies steps for improvement. The evaluation covers a range of issues including Board composition, the timeliness and quality of information provided to the Board and its process, accountability and standards of conduct. The Board believes that having a robust evaluation process is critical to its performance.

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

As time commitment is a key factor in measuring a director's performance, NC has formulated guidelines to measure each director's commitment, taking into account the number of other board and committee memberships he holds, the size and complexity of the companies of which he is a board member, and the frequency of meetings of those boards. All directors have met the requirements for time commitment under the Guidelines. NC has commenced a review of time commitment guidelines and will continue to enhance them in 2011.

ACCESS TO INFORMATION

PRINCIPLE 6

Board meeting agenda are set in advance with items proposed by the CEO and senior management. Documents related to the agenda are distributed in advance. Directors also have full access to employees and they have the discretion to engage external advisers on any issue at the expense of the Group.

Group Secretary
The Group Secretary provides a link between the Group and the Board on the one hand, and shareholders, government and regulatory authorities on the other. She attends all Board meetings and is responsible for the proper maintenance of the records of all Board and committee meetings and records of discussions on key deliberations and decisions taken.

All directors have access to the Group Secretary. She ensures that Board procedures are followed and that applicable rules and regulations are complied with. Under the direction of the Chairman, the Group Secretary's responsibilities include ensuring good information flows within the Board and its Committees and between senior management and non-executive directors, as well as facilitating orientation and assisting with professional development as required.

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

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

PRINCIPLE 7

Remuneration Matters
The objective of the Group's remuneration policy is to define a rewards framework that can attract, retain, and motivate employees, and create incentives for delivering long-term performance within the risk parameters of the Group. This policy is built on a system of meritocracy and follows a Total Reward framework that supports a 'one-bank' performance and rewards culture across the Group.

The Group's remuneration policy aims to be consistent with the principles/standards set out by the FSB and the relevant local regulators.

Remuneration structures

In line with the above-mentioned objectives, the Group deploys remuneration structures that have four key features.

(i) ***Focus on total compensation:*** The employees' total compensation consists of fixed pay (salary and allowances) and discretionary variable remuneration. It is determined on the basis of their role and responsibilities, performance and contributions, and market dynamics. The Group benchmarks total remuneration against other organizations of similar size, type and standing, which it competes with in the principal markets. This set of organisations can differ across the Group's business units ("BUs") and markets.

(ii) ***Differentiation of variable/fixed remuneration across employee groups:*** the Group aims to differentiate the ratio of variable/fixed remuneration ratios across employees based on performance, seniority, and their functions (e.g. the front office vs. control staff). This is done to ensure that employee incentives remain focused on prudent risk taking and/or effective control, depending on the employee's role. The ratio of annualised variable/fixed remuneration of key management personnel is 73%/27% for performance year 2010.

(iii) ***Payout structures focused on incentive alignment:*** The payout structures are designed to incentivise appropriate risk taking among employees who can have a material impact on the Group's risk profile. This includes the senior management, key risk takers at the BU level, and senior control staff. The Group defines this group of staff based on their role, the quantum of variable remuneration, and its ratio to fixed pay.

The Group defers the variable remuneration of employees in this group based on a tiered deferral rate that ranges from 20%-60% of incremental variable remuneration. All deferred remuneration is paid in the form of restricted shares under the Group's Long Term Share Incentive Scheme. The restricted shares have a vesting period of four years, and comprise two elements, namely, the main award (the part of variable remuneration paid in shares) and a 'kicker' award. The 'kicker' acts as a retention tool and is also designed to compensate the staff for the time value of deferral. It vests at the end of four years from the grant date. For 2010 performance year, 52% of the annualised variable remuneration is in the form of deferred shares for key management personnel.

Starting with 2011 payouts (for the 2010 performance year), the Group will also subject the unvested, deferred remuneration to claw backs. The claw backs will be triggered by events like the material violation of risk limits, material Group losses due to negligent risk taking or inappropriate individual behaviour, a material restatement of Group's financials due to inaccurate performance measures, and misconduct/fraud.

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

Governance

The governance of remuneration policies involves the design, implementation, and the ongoing review of remuneration practices. The main bodies involved in these roles are outlined below.

CMDC reviews and approves the Group's remuneration policy and the annual variable remuneration pool. It also provides oversight on the remuneration of senior executives, executive directors and control functions, and reviews cases where total remuneration exceeds a pre-defined threshold, or where a claw back is being implemented. Non-executive directors comprise the majority of the CMDC membership. This provides the platform for the committee to make decisions in an independent manner.

CMDC has direct access to senior management, and works closely with the BRMC and AC when performing its role. BRMC and AC work with Human Resources, Finance, and Risk functions to validate the financial results used in the sizing and allocation of the variable remuneration pool. For instance, they review the revenue amortisation and cost allocation policies used, and also determine the extent to which key risk exposures (credit, market, liquidity, operational, reputational) are reflected in the variable remuneration sizing process.

Variable remuneration pool sizing and allocation

The Group's variable remuneration pool is expressed as a percentage of net profit before tax ("NPBT"), adjusted for any Group-level cost allocations. The percentage is determined based on Group performance, the quantum and nature of the risk exposures and the market conditions. The results are modulated by the Group's performance measurement against a balanced scorecard, which comprises metrics related to shareholder, client and employee performance, and the realisation of medium to long term strategic objectives.

The Group recognises the limitations associated with the use of management judgement to adjust for risks in the NPBT

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approach, particularly the opaque 'tail risks'. To address this limitation, the Group has started triangulating the NPBT calculations with an EP based approach starting 2010. Given the medium term challenges around the calibration of EP model and the build out of supporting infrastructure, the Group plans to continue using the EP approach as a checkpoint for NPBT approach in the near term.

After the variable remuneration pool has been endorsed by CMDC, management works with Finance, Human Resources and Risk to allocate it across BUs based on their financial and non-financial performance. The BU heads follow a similar approach when allocating the bonus to teams/individuals. Where relevant, they also liaise with the country heads to ensure that business needs are adequately reflected in the allocations.

The final bonus pool is approved at the Board level.

Performance measurement

The Group uses a comprehensive performance measurement framework in the sizing and allocation of variable remuneration. Performance is assessed based on a balanced scorecard, agreed upfront with the Board at the beginning of the year. The balanced scorecard includes both financial and non-financial metrics ranging from people, customer, shareholders and risk and compliance. The financial metrics link the variable remuneration to Group and BU level financial results, while the non-financial metrics capture the performance on qualitative aspects like adherence to risk policies and client satisfaction.

For Group-level management, performance measures are designed to incentivise the ownership of prudent strategy design and execution. This is done by measuring their performance based on a scorecard similar to the one used at the Group level, with appropriate modifications to the metrics and their weightings. For the BU level management (including the heads of BUs and teams), the scorecards also focus on maximising synergies across BUs.

DBS also places due emphasis on the incentives of sales staff to promote the development of long-term client relationships. The majority of the sales staff is located in the Institutional Banking Group ("IBG") and the Consumer Banking Group ("CBG") including Private Banking. The performance of sales staff is assessed based on profitability and risk characteristics of origination, rather than on volume. The non-financial metrics focus on incentivising customer satisfaction, compliance with the Group's legal and risk policies, and contribution to Group objectives.

The performance of control functions (Risk, Finance, Legal, Compliance and Audit) is measured independently from the BUs that they support to avoid any conflicts of interest. Employee performance is assessed based on the achievement of their respective operational KPIs. The measurement of these KPIs is driven by the control function management, and is done independent of the performance or inputs of the BU which they support.

LEVEL AND MIX OF REMUNERATION

PRINCIPLE 8

Non-Executive Director Compensation

The remuneration for the executive director and compensation for non-executive directors, including the Chairman of the Board, reflect the scope and extent of a director's responsibilities and obligations. They are measured against industry benchmarks and are competitive. A thorough review was conducted in November to benchmark non-executive directors' compensation to reflect the market trends in global, regional and local banking sections. The results of the review, which was externally conducted, helped to establish new compensation structures that reflect such trends and in particular highlighted the increasing demands and duty of care expected from bank directors. This exercise included a review of the compensation structures in key overseas subsidiaries. The fee structure for the Board reflected on page 48 reflects the outcomes of the external review and benchmarking exercise. Shareholders will be entitled to vote on the remuneration to directors at the coming AGM.

In the new structure, the non-executive directors, with the exception of Mr Buxton, Mr Ang and Mr Ross (who are retiring at the coming AGM in 2011) will receive their compensation in the form of 70% cash and 30% in the form of time-based restricted share award pursuant to the DBSH Share Plan. Mr Menon, who is from the public service sector, will receive his director's compensation in cash payable to Directorship and Consultancy Appointments Council. Mr Koh, who stepped down from the Board on 30 April 2010, will also receive all of his director's fees in cash. Shareholders will be entitled to vote on the remuneration to directors at the coming AGM.

In terms of review of the compensation of the non-executive Chairman of the Board, not only were the detailed data and industry benchmarks taken into account, the time commitment expected from the non-executive Chairman and the appropriate time devoted to further the Chairman's Board leadership work was also considered.

A new Chairman's retainer fee has been introduced which reflects the additional time commitment required of the Chairman as he spends more time with management as a means of gathering further insight into the Group's businesses and having better oversight of the CEO's operational management. The MAS Regulations and the Guidelines call for a materially greater time commitment than has been normal in the past. This will invariably limit the number of outside board appointments the Chairman can hold. In the course of the financial year, Mr Seah stepped down from certain board and other appointments to devote time to performing his chairmanship role.

Remuneration of executive directors

Certain principles are adopted by CMDC in determining the remuneration for executive directors. Principally, the remuneration should motivate the executive directors to achieve the Group's annual and long-term goals and ensure that they are aligned with shareholders' interests. Performance-related criteria therefore play a significant role in determining executive directors' total remuneration. The criteria focus on using a balanced scorecard covering shareholders, customers, employees and risk and compliance objectives. CDMC's recommendation for each executive director's remuneration has to be endorsed by the Board.

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

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

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

Employees holding the corporate rank of Managing Director, Senior Vice President and Vice President are eligible to participate in the Share Plan. Rewards made under the Share Plan form part of an employee's annual performance remuneration, which also includes cash bonuses. The portion of the performance remuneration paid in shares increases with the amount of the performance remuneration. The allocation of such awards will be linked to performance metrics designed to deliver shareholder value.

There are vesting periods for the Share Plan, which operates like restricted shares awards. There are two elements, namely, the main award and the "kicker" award. The shares comprised in the "kicker" award constitute 20% of the shares comprised in the main award. Effective 2010, the deferral period for unvested shares was extended from a three-year period to a four-year period, showing a more prudent risk management arrangement. Henceforth, 33% of the shares comprised in the main award will vest two years after the date of grant. A further 33% will vest three years after the date of grant. The remaining 34% 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.

The aggregate total number of new DBS ordinary shares that may be issued under the Share Plan and SOP at any time may not exceed 7.5% of the issued ordinary shares (excluding treasury shares) of the Group.

Details of the Share Plan and SOP appear in pages 164 to 165 of the Directors' Report.

The ESP caters to employees of the Group who are not eligible to participate in the DBSH Share Plan. The allocation of such awards is made selectively linking to the contributions of an individual. There are vesting periods for the ESP. Similar to the Share Plan, the awards made under the ESP are time based. Effective 2010, the shares will vest at 33% two years after the date of grant. A further 33% will vest three years after the date of grant and the remaining 34% four years after the date of grant.

In addition, employees who are not eligible for the Share Plan are eligible to participate in the SOS. The SOS is a market purchase plan administered by DBS Trustee Ltd, a wholly-owned subsidiary of DBS Bank Ltd. Under the SOS, all confirmed employees with at least one year of service can subscribe up to 10% of their monthly base pay to buy units of DBS ordinary shares, with the Group contributing an additional 50% of the amount the employee contributes.

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DISCLOSURE ON REMUNERATION

PRINCIPLE 9

Arising from an external review of non-executive directors' compensation, a new fee structure applicable for financial year ended 31 December 2010 is proposed as set out below. The new fee structure is subject to shareholders' approval at the forthcoming AGM.

Revised Annual Fees for the Board
Board Chairman: $500,000
Director: $80,000

ADDITIONAL FEES FOR MEMBERSHIP IN BOARD COMMITTEES

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

**The Board Credit Committee was disbanded in 29 July 2010 and subsumed into the Executive Committee.*

Breakdown of Directors' remuneration
The following table shows the composition of directors' remuneration for 2010. Directors who were appointed or who resigned or retired during the year are included in the table.

BREAKDOWN OF DBS DIRECTORS' REMUNERATION FOR PERFORMANCE YEAR 2010 (1 JAN 2010 – 31 DEC 2010) [1]

	Salary Remuneration $	Cash Bonus [2] $	Share Plan $	Directors' Fees [3] $	Share-based Remuneration [4] $	Others $	Total $
Piyush Gupta	1,200,000	2,693,000	4,112,400 [5]	–	–	30,701	8,036,101
Peter Seah Lim Huat	–	–	–	460,389	197,310	20,839	678,538
Ang Kong Hua	–	–	–	236,000	–	–	236,000
Andrew Robert Fowell Buxton	–	–	–	245,235	–	–	245,235
Bart Joseph Broadman	–	–	–	153,300	65,700	–	219,000
Christopher Cheng Wai Chee	–	–	–	153,090	65,610	–	218,700
Euleen Goh Yiu Kiang	–	–	–	211,679	90,719	–	302,398
Kwa Chong Seng	–	–	–	138,250	59,250	–	197,500
Ambat Ravi Shankar Menon [6]	–	–	–	210,000	–	–	210,000
John Alan Ross	–	–	–	260,500	–	–	260,500
Danny Teoh Leong Kay [7]	–	–	–	40,494	17,354	–	57,848
Koh Boon Hwee [8]	–	–	–	237,562	–	7,934	245,496

1 Refers to 2010 performance remuneration – includes fixed pay in 2010, cash bonus received in 2011 and shares granted in 2011.
2 Based on amount accrued in 2010 financial statements. Amount finalised, approved and paid in 2011.
3 Fees payable to non-executive directors for 2010, subject to shareholders' approval at the AGM on 28 April 2011. CEO, who is an executive director, will not receive Directors' fees.
4 This is to be granted in the form of DBSH shares over a 4-year vesting period after the AGM if approved by shareholders at the AGM on 28 April 2011.
5 Refers to the estimated value of DBSH shares granted in 2011 – forms part of 2010 variable performance bonus. Such shares will vest over a 4-year period.
6 Ambat Ravi Shankar Menon's Directors' fees will be paid in cash, to a government agency, the Directorship & Consultancy Appointments Council.
7 Danny Teoh was appointed Director on 1 October 2010.
8 Koh Boon Hwee retired as Chairman on 30 April 2010 and his Directors' fees will be paid in cash.
Note: Messrs Ang Kong Hua, John Alan Ross and Andrew Robert Fowell Buxton who are stepping down at the close of the AGM on 28 April 2011, will receive all of their Directors' fees in cash.

Immediate Family Member of Directors
No employee whose remuneration exceeded SGD 150,000 during the year is an immediate family member of a director or the CEO.

Key executives' remuneration
Although the Code recommends that at least the top five key executives' remuneration be disclosed within bands of SGD 250,000, the Board believes such disclosure would be disadvantageous to the Group's business interests, given the highly competitive conditions in the banking industry where poaching of executives is commonplace.

ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

PRINCIPLE 10

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

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

AUDIT COMMITTEE

PRINCIPLE 11

AC had reviewed the Group's audited financial statements with management and the external auditor and is of the view that the Group's financial statements for 2010 are fairly presented in conformity with relevant Singapore Financial Reporting Standards in all material aspects, based on its review and discussions with management and the external auditor.

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

AC makes recommendations to the Board for the appointment, re-appointment and dismissal of the external auditor including the remuneration and terms of engagement. During the course of 2010, AC reviewed and evaluated the effectiveness, independence and objectivity of the external auditor, taking consideration of the nature and extent of the non-audit services the external auditor provide to the Group.

INTERNAL CONTROLS

PRINCIPLE 12

The Group has instituted a framework that clearly defines the roles, responsibilities and reporting lines for various business units. Delegation of authority, control processes and operational procedures are documented and disseminated to staff. The Group Audit, Risk Management and Legal, Compliance and Secretariat functions provide an independent oversight of controls and risk management in the Group.

AC and BRMC have reviewed the adequacy of Group's control mechanisms, including financial, operational and compliance controls and risk management systems. The Board is of the view that the system of internal controls in place up to the date of this report is adequate for the current scope of operations of the Group.

Whistle-blowing policy
The Group has instituted a whistle blowing policy called the Group Escalation and Investigation Procedure. It provides guidelines for employees to report irregularities, impropriety, breaches of laws and regulations, information on the investigation procedure, criteria for disciplinary action including suspension for offending parties and information on the appeals process. Compliance Services and Security, which is part of Group Legal, Compliance and Secretariat, is responsible for managing this process.

In instances where an employee has reason to fear retribution, the Group provides a separate escalation channel for him to make a report to the head of Legal, Compliance, and Secretariat, the head of Group Audit or the head of Human Resources in the first instance. He may also report to the CEO or Chairman as appropriate.

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

All new directors are briefed on all relevant provisions that affect them. If necessary, existing credit facilities to related

Corporate Governance Report

parties are adjusted prior to a director's appointment, and all credit facilities to related parties are continually monitored. Checks are conducted before the Group enters into credit or other transactions with related parties to ensure compliance with regulations.

The Group has granted credit facilities to the following related parties in the ordinary course of business on normal terms and conditions. The outstanding amounts of these credit facilities and the estimated value of collateral as at 31 December 2010 are as follows:

Credit facilities (In $ millions)	credit facilities granted to	contingent credit facilities granted to	Estimated value of collaterals	Deposits received by the Group
Granted to/received from:				
DBSH Directors and their related entities	6	–	71	–
Companies with DBSH Directors represented on their boards	691	27	–	–
Bank related companies [1]				
engaged in financial activities	3,335	167	–	2,012
engaged in non-financial activities	245	2	515	2,465

Notes:

1 Excludes transactions between subsidiary companies and their own subsidiary companies.

As required under the SGX Listing Rules, the following are details of interested person transactions in 2010:

Name of Interested Person	Aggregate value of all Interested Person Transactions during 2010 (excluding transactions less than $100,000)
Transactions for the Purchase of Goods and Services	
Certis CISCO Security Pte Ltd Group	5,603,242
Mapletree Investments Pte Ltd Group	377,395
Starhub Ltd Group	468,768
Singapore Telecommunications Limited Group	33,643,313
SMRT Corporation Ltd Group	6,759,683
Singapore Airlines Limited Group	4,669,000
Total Interested Person Transactions ($)	**51,521,402**

Dealings in securities

The Group has adopted more stringent "black-out" policies than prescribed under Rule 1207(18)(C) issued by the SGX Listing Rules. DBS directors and employees are prohibited from trading in DBS securities one month before the release of the half-year and full-year results and three weeks before the release of the first quarter and third quarter results. In addition, directors and officers are prohibited at all times from trading in DBS securities if they are in possession of material non-public information. Employees with access to price-sensitive information in the course of their duties must obtain prior approval to trade in any securities listed in Singapore and Hong Kong. Such employees are also instructed to trade through the Group's stock broking subsidiaries. In addition, business units and subsidiaries engaging in proprietary trading and discretionary trading of securities on behalf of customers are restricted from trading in DBS securities during the black-out period.

However, the black-out restriction would not apply to situations where business units and subsidiaries are engaged in discretionary trading of securities on behalf and for the benefit of customers, for example, execution of transactions for collective investment schemes and discretionary portfolios managed by DBS Asset Management Ltd, the fund management arm of the Group.

INTERNAL AUDIT

PRINCIPLE 13

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

In DBS, Group Audit reports functionally to the Chairman of AC and administratively to the CEO. AC approves the appointment and dismissal of head of Group Audit including performance evaluation and compensation.

Group Audit's responsibilities include:

(i) Evaluating the reliability, adequacy and effectiveness of the Group's system of internal controls, risk management processes and governance processes.

(ii) Reviewing the internal controls of the Group to ensure prompt and accurate recording of the transactions and proper safeguarding of assets.

(iii) Providing an independent assessment of the Group's quantitative and judgemental credit management processes, portfolio strategies and portfolio quality.

(iv) Reviewing whether the Group complies with laws and regulations and adheres to established policies, and whether management is taking appropriate steps to address control deficiencies.

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

Group Audit has unfettered access to AC, the Board and senior management where necessary, as well as the right to seek information and explanation.

To align with the leading practice, Group Audit has established a quality assurance and improvement programme that covers all aspects of its audit activity, which conforms to the *International Standards for the Professional Practice of Internal Auditing.* The programme includes periodic internal quality assurance reviews, self-assessments and stakeholder surveys. External quality assessments are also carried out at least once every five years by qualified professionals from an external organization.

Critical audit reports containing issues identified and corrective action plans are reported to AC and senior management. The progress of the corrective action plans is monitored through a centralised Group-wide issue management system. Information on outstanding issues is included in periodic reports sent to AC, the Chairman of the Board, senior management and all Group heads.

The regulators and the external auditor are also apprised of all relevant audit matters. Group Audit also works closely with the external auditor and meets on a regular basis to discuss matters of mutual interest, to strengthen working relationships and to coordinate audit efforts.

COMMUNICATION WITH SHAREHOLDERS

PRINCIPLE 14

The Group maintains an active dialogue with shareholders. It holds in-person briefing sessions or telephone conference calls with the media and analysts when quarterly results are released. All press statements and quarterly financial statements are published on the DBS and SGX websites. A dedicated investor relations team supports the CEO and the CFO in maintaining a close dialogue with institutional investors.

During the year, management met more than 500 local and foreign investors at more than 350 meetings. It participated in 12 local and foreign investor conferences and non-deal road shows.

The Group embraces and commits to fair, transparent and timely disclosure policy and practices. All price-sensitive information or data are publicly released, prior to individual sessions held with investors or analysts. The announcements are posted on its website, which also has contact details for investors to address their queries.

SHAREHOLDERS' PARTICIPATION

PRINCIPLE 15

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

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

At AGMs, the Chairman plays a pivotal role in fostering constructive dialogue between shareholders and the Board members.

Risk Management

This report forms part of DBS' audited financial statements, except for sections marked with an asterisk.

RISK MANAGEMENT APPROACH

The Group sees strong risk management capabilities as vital to the success of a well-managed bank. The Risk Management Group function is the central resource for driving such capabilities in DBS, and complements the risk and control activities of other functions including Group Audit and Group Legal & Compliance.

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

Risk Governance

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

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

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

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

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

CREDIT RISK

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

Risk Governance and Organisation

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

Credit Policies

An enterprise-wide Core Credit Risk Policy sets forth the principles by which the Group conducts its credit risk management activities. The policy ensures consistency in credit risk underwriting across the Group, and provides guidance in the formulation of business-specific and/or location-specific credit policies. The Core Credit Risk Policy is considered and approved by the Risk Executive Committee. 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 Group's overall lending limits to counterparties.

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

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

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

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

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

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

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

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

Risk Management

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

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

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

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

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

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

Large corporate credits are assessed using approved models as well as reviews by designated credit approvers. Credit factors considered in the risk assessment process include the obligor's financial standing and outlook, industry and economic conditions, market position, access to capital and management strength. The counterparty risk rating assigned to smaller business borrowers is primarily based on the borrower's financial position and strength, which are assessed via the use of a validated quantitative tool. This is supplemented by expert judgment of qualitative factors, such as management strength, by credit officers.

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

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

- Subjective default: Obligor is unlikely to pay its credit obligations in full, without recourse by the Group to actions such as realising security (if held).

- Technical default: Obligor is past due more than 90 days on any credit obligation to the Group.

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

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

RISK GRADES DESCRIPTION

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

Risk Management

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

Securitisation Exposures
As at 31 December 2010, the Group does not have significant investments in securitised assets. Additionally, the Group is not active in securitisation activities that are motivated by credit risk transfer or other strategic considerations.

The Group's investments in securitised assets are accounted for using the principles of Financial Reporting Standards 39. Refer to Note 2.7 to the Financial Statements for the Group's accounting policies on financial assets.

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

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

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

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

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

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

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

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

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

Credit Risk Mitigants

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

Other Risk Mitigating Factors

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

Credit Concentration

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

Stress Testing*

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

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

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

Non-Performing Loans and Impairments

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

Performing Assets

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

Classified or Non-Performing Assets

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

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

Restructured Non-Performing Assets

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

Risk Management

Repossessed Collateral
When required, the Group will take possession of collateral it holds as securities and will dispose of them as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. Repossessed collateral is classified in the balance sheet as other assets. The amounts of such other assets for 2010 and 2009 were not material.

Transfer Risk*
The principles and approach in the management of cross-border risk are set out in the Group's Country Risk Management Framework. The framework includes an internal country (and sovereign) risk rating system where the assessments are made independent of business decisions. Country benchmark limits are set to alert the Group when exposures rise to levels that may imply concentration risk. Day-to-day operational country limits, called working limits, are also imposed to manage the shape and growth of cross-border exposures as they build up. A rigorous scanning process has been established with the objective of adjusting country exposures according to risks perceived at the global, regional and country level. There are close consultations with the businesses and credit management in right-sizing cross-border exposures to take into account not only risks and opportunities, but also the strategic intent of the Group.

MARKET RISK

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

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

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

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

The independent market risk management function comprising risk control, risk analytics, and risk architecture 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, as well as loss triggers for management action.

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

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

LIQUIDITY RISK

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

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

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

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

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

OPERATIONAL RISK

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

To manage and control operational risk, the framework encompasses various tools including control self-assessment, risk event management and key risk indicator monitoring. Risk events, including any significant incidents that may impact the Group's reputation, are required to be reported based on certain established thresholds. Key risk indicators with pre-defined escalation triggers are employed to facilitate risk monitoring in a forward looking manner. The Group has implemented a system that supports multiple operational risk management processes and tools including operational risk or loss event reporting, control self-assessment, key risk indicators, tracking of issues or action plans and operational risk reporting.

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

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

Capital Management and Planning

The Group's capital management objective is to maintain a strong capital position consistent with the expectations of various stakeholders, i.e., customers, investors, rating agencies and regulators, while delivering returns to shareholders and ensuring adequate capital resources are available for business growth, investment opportunities as well as adverse situations. The Group manages the structure of its capital resources in order to optimise the cost of these resources relative to the flexibility offered by the different types of resources and regulatory norms. In order to achieve this, the Group continually assesses the need and the opportunity to raise capital from the financial markets. In 2010, the Group successfully raised a total of SGD2.5 billion in non-cumulative, non-convertible, non-voting preference shares qualifying as Tier 1 capital. This was intended to allow the Group to exercise calls on certain Tier 1 instruments in 2011, subject to regulatory approval, and to augment its capital resources. The Group continues to monitor developments arising from Basel III and will manage its capital resources accordingly to achieve its capital management objective.

The Group's capital management objective is articulated concretely as capital targets that are consistent with the need to support organic and inorganic business growth in line with its strategic plans and risk appetite. A key tool for capital management is the annual Internal Capital Adequacy Assessment Process (ICAAP). Through the ICAAP, the Group assesses its forecast capital supply and demand relative to its capital targets, under various scenarios, including stress scenarios of differing scope and severity, over a three-year horizon. The capital management process is centrally supervised by the Capital and Balance Sheet Committee, which is chaired by the Chief Financial Officer.

The Group seeks to pay sustainable and increasing dividends over time, in line with its long-term growth prospects. For the year ended 31 December 2010, the Board has recommended a final dividend of SGD0.28 per ordinary share, to which the Scrip Dividend Scheme is being applied, bringing the total ordinary dividend for the year to SGD0.56.

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

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Year ended 31 December 2010

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

The Group views Basel II as part of continuing efforts to strengthen its risk management culture and ensure that the Group pursues business growth across segments and markets with the right risk management discipline, practices and processes in place.

The qualitative disclosures as required by MAS Notice 637 are presented in the Risk Management report on page 52 to page 59, the Capital Management and Planning report on page 60 and the Notes to the Financial Statements as referred to below. The following information does not form part of the audited accounts.

SCOPE OF APPLICATION

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

The Group's capital requirements are generally based on the principles of consolidation adopted in the preparation of its financial statements, as discussed in Note 2.2 to the Financial Statements, except where deductions from eligible capital are required under MAS Notice 637 or where entities meet separation requirements set by the MAS. Refer to Note 49 to the Financial Statements for the list of consolidated entities.

CAPITAL ADEQUACY

The following table sets forth details on the capital resources and capital adequacy ratios for the Group as at 31 December 2010. The Group's Tier 1 and total capital adequacy ratios as at 31 December 2010 were 15.1% and 18.4% respectively, which are above the MAS minimum requirements of 6.0% and 10.0%, while Core Tier 1 ratio was 11.8%.

The constituents of total eligible capital are set out in MAS Notice 637 Part VI. These include shareholders' funds after regulatory-related adjustments, minority interests, and eligible capital instruments issued by the Group. Refer to Notes 35 and 34 to the Financial Statements for the terms of these capital instruments, and Note 47 on the capital management policies and processes for the group.

In $ millions	2010
Tier 1 capital	
Share capital	8,780
Disclosed reserves	17,424
Paid-up non-cumulative preference shares	3,600
Minority interests	370
Innovative Tier 1 instruments	2,533
Less: Deductions from Tier 1 capital	
Goodwill and deferred tax assets	4,922
Other deductions (50%)	142
Eligible Tier 1 capital	27,643
Tier 2 capital	
Loan allowances admitted as Tier 2	696
Subordinated debts	5,281
Revaluation surplus from equity securities	149
Less: Deductions from Tier 2 capital	
Other deductions (50%)	142
Total eligible capital	33,627
Risk-Weighted Assets (RWA)	
Credit	142,037
Market	26,220
Operational	14,437
Total RWA	182,694
Core Tier 1 Ratio (%)	11.8
Tier 1 Capital Adequacy Ratio (%)	15.1
Total Capital Adequacy Ratio (%)	18.4

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Year ended 31 December 2010

Summary of RWA

In $ millions	2010 RWA
Credit risk:	
IRBA	
Retail exposures	
Residential mortgage exposures	2,497
Qualifying revolving retail exposures	1,590
Other retail exposures	805
Wholesale exposures	
Sovereign exposures	2,964
Bank exposures	10,331
Corporate exposures	60,983
Corporate small business exposures (SME)	2,484
Specialised lending exposures (SL)	22,850
Equity exposures	4,039
Securitisation exposures	7
Total IRBA RWA	108,550
Adjusted IRBA RWA post scaling factor of 1.06	115,063
SA	
Residential mortgage exposures	1,096
Regulatory retail exposures	882
Corporate exposures	13,243
Other exposures	
Real estate, premises, equipment and other fixed assets	1,383
Exposures to individuals	7,137
Others	3,233
Total SA RWA	26,974
Total RWA for credit risk	142,037
Market risk:	
Standardised approach (SA)	
Interest rate risk	18,840
Equity position risk	327
Foreign exchange risk	7,053
Commodity risk	#
Total RWA for market risk	26,220
Operational risk (SA)	14,437
Total RWA	182,694

Amount below $0.5m

CREDIT RISK

SUMMARY OF CREDIT EXPOSURES [(a)]

In $ millions	2010 Exposures
Advanced IRBA	
Retail exposures	
Residential mortgage exposures	40,195
Qualifying revolving retail exposures	4,107
Other retail exposures	3,111
Foundation IRBA	
Wholesale exposures	
Sovereign exposures	51,133
Bank exposures	43,317
Corporate exposures	96,729
Corporate small business exposures	2,698
Specialised lending exposures	20,254
IRBA for equity exposures	2,296
IRBA for securitisation exposures	107
Total IRBA	263,947
SA	
Residential mortgage exposures	3,131
Regulatory retail exposures	1,167
Corporate exposures	13,694
Other exposures	
Real estate, premises, equipment and other fixed assets	1,383
Exposures to individuals	7,131
Others	5,747
Total SA	32,253
Total	296,200

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

Refer to Notes 44.1 and 46 to the Financial Statements for analysis of maximum exposures to credit risk by geographic location, industry and residual contractual maturity distribution.

CREDIT RISK ASSESSED USING INTERNAL RATINGS – BASED APPROACH

RETAIL EXPOSURES

Residential mortgage exposures

Expected Loss (EL) % range	Exposures [a] (In $ millions)	Exposure-weighted average risk weight [b] (%)
Up to 0.10%	38,590	5
> 0.10% to 0.50%	1,298	23
> 0.50%	307	59
Total	40,195	6

(a) Includes undrawn commitments
(b) Percentages disclosed are before the application of IRBA scaling factor and exclude defaulted exposures

Qualifying revolving retail exposures

EL % range	Exposures [a] (In $ millions)	Exposure-weighted average risk weight [b] (%)
Up to 5%	3,869	26
> 5%	238	257
Total	4,107	39

(a) Includes undrawn commitments
(b) Percentages disclosed are before the application of IRBA scaling factor and exclude defaulted exposures

Other retail exposures

EL % range	Exposures (In $ millions)	Exposure-weighted average risk weight [a] (%)
Up to 0.30%	2,250	17
> 0.30%	861	49
Total	3,111	26

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

Undrawn commitments for retail exposures

In $ millions	Notional amount	Credit equivalent amount [a]
Residential mortgage exposures	5,157	5,157
Qualifying revolving retail exposures	8,643	3,097
Total	13,800	8,254

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

WHOLESALE EXPOSURES

Sovereign exposures

PD grade	PD range (%)	Exposures (In $ millions)	Exposure-weighted average risk weight [a] (%)
PD grade 1-3	0.00 – 0.10	49,677	5
PD grade 4A/4B	0.10 – 0.33	27	27
PD grade 5	0.33 – 0.47	929	47
PD grade 6A/6B	0.47 – 1.11	500	55
PD grade 7A-9	1.11 – 99.99	#	92
Total		51,133	6

(a) Percentages disclosed are before the application of IRBA scaling factor
 # Amount below $0.5m

Bank exposures

PD grade	PD range (%)	Exposures (In $ millions)	Exposure-weighted average risk weight [a] (%)
PD grade 1-3	0.03[b] – 0.10	26,904	11
PD grade 4A/4B	0.10 – 0.33	8,642	33
PD grade 5	0.33 – 0.47	2,804	41
PD grade 6A/6B	0.47 – 1.11	3,693	61
PD grade 7A-9	1.11 – 99.99	1,257	92
PD grade 10	Default	17	–
Total		43,317	24 [c]

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

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Corporate exposures

PD grade	PD range (%)	Exposures (In $ millions)	Exposure-weighted average risk weight [(a)] (%)
PD grade 1-3	0.03 [(b)] – 0.10	19,503	18
PD grade 4A/4B	0.10 – 0.33	13,044	48
PD grade 5	0.33 – 0.47	15,994	54
PD grade 6A/6B	0.47 – 1.11	21,231	73
PD grade 7A-9	1.11 – 99.99	24,921	109
PD grade 10	Default	2,036	–
Total		96,729	64 [(c)]

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

(b) For corporate exposures, the PD is the greater of the one-year PD associated with the internal borrower grade to which that exposure is assigned, or 0.03% as specified in MAS Notice 637

(c) Excludes defaulted exposures

Corporate small business [(a)] exposures

PD grade	PD range (%)	Exposures (In $ millions)	Exposure-weighted average risk weight [(b)] (%)
PD grade 1-3	0.03[(c)] – 0.10	–	–
PD grade 4A/4B	0.10 – 0.33	10	28
PD grade 5	0.33 – 0.47	75	51
PD grade 6A/6B	0.47 – 1.11	670	67
PD grade 7A-9	1.11 – 99.99	1,889	106
PD grade 10	Default	54	–
Total		2,698	94 [(d)]

(a) SME refers to corporations with reported annual sales of less than S$100 million as defined under MAS Notice 637

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

(c) For SME exposures, the PD is the greater of the one-year PD associated with the internal borrower grade to which that exposure is assigned, or 0.03% as specified in MAS Notice 637

(d) Excludes defaulted exposures

Specialised lending exposures

2010	RWA (In $ millions)	Exposures (In $ millions)	Exposure-weighted average risk weight [(a)] (%)
Strong	3,061	5,361	57
Good	5,543	7,011	79
Satisfactory	4,212	3,663	115
Weak	10,034	4,014	250
Default	–	205	–
Total	22,850	20,254	114 [(b)]

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

(b) Excludes defaulted exposures

SECURITISATION EXPOSURES

The table below sets out the securitisation exposures (net of specific allowances) purchased by the Group, analysed by risk weights:

2010 In $ millions	Exposures subject to Rating-Based Method (RBM)	Exposures not subject to RBM	RWA	Deductions from Tier 1 capital and Tier 2 capital
Risk weights				
0% – 18%	12	–	1	–
20% – 50%	26	–	6	–
Deducted	66	3	–	69
Total	104	3	7	69

The table below sets out the securitisation exposures (net of specific allowances) purchased by the Group, analysed by exposure type:

2010 In $ millions	Total exposures	Exposures risk-weighted	Deductions from Tier 1 capital and Tier 2 capital
Exposure type			
ABS collateralised debt/loan obligations (CDO)	66	–	66
Mortgage-Backed Securities (MBS) and others	41	38	3
Total	107	38	69

PROVISIONING POLICIES FOR PAST DUE AND IMPAIRED EXPOSURES

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

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

COMPARISON OF EXPECTED LOSS AGAINST ACTUAL LOSSES

The following table sets out actual loss incurred in 2010 compared with EL reported for certain IRBA asset classes at December 2009. Actual loss refers to specific impairment loss allowance and charge-offs to the Group's income statement during the financial year ended 31 December 2010.

Basel Asset Class	2009 Expected Loss In $ millions	2010 Actual Loss In $ millions
Wholesale Exposures		
Sovereign exposures	9	–
Bank exposures	44	–
Corporate exposures (including SME & SL)	869	274
Retail Exposures		
Residential mortgage exposures	21	1
Qualifying revolving retail exposures	75	12
Other retail exposures	20	3

EL is a Basel II measure of expected future losses based on Internal Ratings-Based models where PD grades are more through-the-cycle and LGD estimates are on a downturn basis, floored by regulatory minimums for retail exposures and based on supervisory estimates for wholesale exposures. Actual Loss is an accounting construct which includes net impairment allowances for non-defaulting accounts at the onset of the financial year as well as write-offs during the year. The two measures of losses are therefore not directly comparable and it is not appropriate to use Actual Loss data to assess the performance of internal rating processes or to undertake comparative trend analysis.

CREDIT RISK ASSESSED USING STANDARDISED APPROACH

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

In $ millions	2010 Exposures
Risk weights	
0%	2,331
20%	225
35%	3,130
50%	960
75%	1,156
100%	24,381
150%	70
Total	32,253

CREDIT RISK MITIGATION

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

2010 In $ millions	Eligible financial collateral	Other eligible collateral	Amount by which credit exposure have been reduced by eligible credit protection
Foundation IRBA			
Wholesale exposures			
Sovereign exposures	369	–	–
Bank exposures	1,022	–	39
Corporate exposures	3,489	4,036	2,605
Corporate SME	208	1,136	168
Sub-total	5,088	5,172	2,812
SA			
Residential mortgage exposures	198	–	–
Regulatory retail exposures	143	1	1
Corporate/ other exposures	3,055	50	844
Sub-total	3,396	51	845
Total	8,484	5,223	3,657

The above table excludes exposures where collateral has been taken into account directly in the risk weights, such as the specialised lending and residential mortgage exposures. It also excludes exposures where the collateral, while generally considered as eligible under Basel II, does not meet the

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required legal/ operational standards e.g. in the case of legal enforcement uncertainty in specific jurisdictions. Certain exposures where the collateral is eligible under Foundation IRBA and not under SA have also been excluded for portfolios where the SA is applied e.g. exposures collateralised by commercial properties.

COUNTERPARTY CREDIT RISK-RELATED EXPOSURES

NOTIONAL PRINCIPAL AMOUNTS OF CREDIT DERIVATIVES

	Notional of Credit Derivatives	
In $ millions	**Protection Bought**	**Protection Sold**
Own Credit Portfolio	30,403	28,573
Client Intermediation Activities	8,096	8,067
Total	38,499	36,640
Credit default swaps	38,422	36,640
Total return swaps	77	–
Total	38,499	36,640

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

The Group generally has a mismatch between the total notional amounts of protection bought and sold as these credit derivatives are used to hedge risks from other instruments, including those from customer flows. The protection sold in credit derivatives are largely matched with the protection bought after notional amounts are adjusted, either to a duration-based equivalent basis, or to reflect the level of subordination in tranched structures.

The Group actively monitors its counterparty credit risk in credit derivative contracts. More than 95% of the notional value of the Group's credit derivative positions as at 31 December 2010 is to 15 large, established names with which the Group maintains collateral agreements.

CREDIT EQUIVALENT AMOUNTS FOR COUNTERPARTY EXPOSURES

In $ millions	**2010**
Replacement cost	16,691
Potential future exposure	14,053
Gross credit equivalent amount	30,744
Comprising:	
Interest rate contract	9,774
Credit derivative contracts	4,413
Equity contracts	221
Foreign exchange contracts and gold	16,328
Commodities contracts	8
Gross credit equivalent amount	30,744
Less: Effect of netting arrangement	13,889
Credit equivalent amount after netting	16,855
Less: Collateral amount	
Eligible financial collateral	504
Other eligible collateral	1
Net credit equivalent amount	16,350

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

EQUITY EXPOSURES IN BANKING BOOK

SCOPE OF APPLICATION

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

The Group's banking book equity investments are classified and measured in accordance with Financial Reporting Standards and are categorised as either AFS investments or Investments in Associates; refer to Notes 2.2 and 2.7 to the Financial Statements for the Group's accounting policies. Entities in which the Group holds significant interests are disclosed in Note 49 to the Financial Statements.

CAPITAL TREATMENT

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

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

2010 In $ millions	Exposures subject to risk-weighting	Risk weight (%)	Deductions from Tier 1 or Tier 2 Capital
Equities listed on MAS-recognised exchanges	623	150	28
Equities not listed on MAS-recognised exchanges	1,553	200	92
Total	2,176	186	120

Equity exposures subject to simple risk weight method are further analysed as follows:

2010	Exposures subject to risk-weighting (in $ millions)	Exposure-weighted average risk weight [(a)] (%)
Major stake companies approved under section 32 of the Banking Act	703	195
Capital investments in financial institutions incorporated in Singapore, approved, licensed, registered or otherwise regulated by the Authority <= 2% of Eligible Total Capital	32	150
Other equity exposures	1,441	182
Total	2,176	186

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

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

Total unrealised gains for equity that have not been reflected in the Group's income statement, but have been included in Tier 2 Capital, amounted to $149 million.

Management Discussion and Analysis

OVERVIEW

	2010	2009	% chg
Selected income statement items ($m)			
Net interest income	**4,318**	4,455	(3)
Net fee and commission income	**1,397**	1,394	0
Net trading income	**915**	700	31
Net (loss) from financial instruments designated at fair value	**(20)**	(267)	93
Net income from financial investments	**310**	254	22
Other income	**146**	67	>100
Total income	**7,066**	6,603	7
Less: Expenses	**2,925**	2,604	12
Profit before allowances	**4,141**	3,999	4
Less: Allowances for credit and other losses	**911**	1,529	(40)
Share of profits of associates	**102**	66	55
Profit before tax	**3,332**	2,536	31
Net profit	**2,650**	2,064	28
Add: One-time items and goodwill charges	**(1,018)**	(23)	(>100)
Net profit including one-time items and goodwill charges	**1,632**	2,041	(20)
Selected balance sheet items ($m)			
Customer loans [1]	**152,094**	130,583	16
Interbank assets [1]	**23,298**	24,189	(4)
Total assets	**283,710**	258,644	10
Customer deposits [2]	**193,692**	183,432	6
Total liabilities	**250,608**	229,145	9
Shareholders' funds	**26,599**	25,373	5
Key financial ratios (excluding one-time items and goodwill charges) (%)			
Net interest margin	**1.84**	2.02	–
Non-interest/total income	**38.9**	32.5	–
Cost/income ratio	**41.4**	39.4	–
Return on assets	**0.98**	0.80	–
Return on equity	**10.20**	8.44	–
Loan/deposit ratio	**78.5**	71.2	–
NPL ratio	**1.9**	2.9	–
Specific allowances (loans)/average loans (bp)	**43**	85	–
Core Tier 1 capital adequacy ratio	**11.8**	11.0	–
Tier 1 capital adequacy ratio	**15.1**	13.1	–
Total capital adequacy ratio	**18.4**	16.7	–
Per share data ($)			
Per basic share			
– earnings excluding one-time items and goodwill charges	**1.15**	0.91	–
– earnings	**0.70**	0.90	–
– net book value	**11.25**	10.85	–
Per diluted share			
– earnings excluding one-time items and goodwill charges	**1.11**	0.88	–
– earnings	**0.68**	0.87	–
– net book value	**11.04**	10.65	–

1 *Includes financial assets at fair value through profit or loss*

2 *Includes financial liabilities at fair value through profit or loss*

DBS Group Holdings reported net profit excluding one-time items and goodwill charges of $2,650 million for 2010, a 28% increase from a year ago.

The record performance reflected the early success of strategic initiatives implemented during the year. The results were driven by strong loan growth across the region, higher income from cross-selling treasury products and an improvement in asset quality.

Underpinned by its strong capital and liquidity position, DBS continued to support customers' financing needs during the year. Total loans rose 16% to $152,094 million; and if currency effects were excluded, loans grew 21%. In Singapore, DBS' differentiated products resulted in faster domestic loan growth than the industry. In Hong Kong, China, Taiwan, India and Indonesia, healthy corporate and SME lending demand resulted in double-digit loan growth. The higher volumes alleviated the impact of margin pressures arising from a soft interest rate environment and normalising credit conditions. Net interest income declined 3% to $4,318 million.

The Group's trading income doubled to $895 million as efforts to cross-sell treasury products to corporate and consumer customers yielded early results. Customer-related flows accounted for three-quarters of trading income. Fee income from wealth management, stockbroking, investment banking and cards also rose. Overall non-interest income rose 28% to $2,748 million.

The higher business volumes led to a record $4,141 million in profit before allowances, an increase of 4% from a year ago, with revenues gaining 7% to $7,066 million. Expenses increased 12% to $2,925 million to support higher business volumes and as investments in staff and infrastructure were made for future growth.

Asset quality improved. Allowances declined significantly from $1,529 million in the previous year to $911 million. Specific allowances fell from 85 basis points of loans a year ago to 43 basis points as the NPL ratio fell from 2.9% to 1.9%.

Return on equity rose to 10.2% from 8.4% and return on assets improved to 0.98% from 0.80%. The capital adequacy ratio on December 31, 2010 was at 18.4%, with Tier 1 at 15.1% and core Tier 1 at 11.8%. DBS issued $2.5 billion of Tier 1 preference shares during the year to replace, subject to regulatory approval, existing ones due to be called in 2011.

A one-time goodwill impairment charge of $1,018 million was taken for DBS Bank (Hong Kong) Limited to reflect heightened deposit competition. The charge has no impact on the Group's ability to carry out ongoing business or pay dividends as goodwill was deducted from regulatory capital on consolidation. Including one-time items, net profit amounted to $1,632 million, a 20% decrease from the prior year.

There were no significant accounting changes for the year.

Management Discussion and Analysis

NET INTEREST INCOME

Average balance sheet	2010 Average balance ($m)	2010 Interest ($m)	2010 Average rate (%)	2009 Average balance ($m)	2009 Interest ($m)	2009 Average rate (%)
Interest-bearing assets						
Customer loans	**141,245**	**3,937**	**2.79**	127,832	4,075	3.20
Interbank assets	**43,190**	**358**	**0.83**	41,782	378	0.91
Securities	**50,272**	**1,404**	**2.79**	51,031	1,661	3.26
Total	**234,707**	**5,699**	**2.43**	220,645	6,114	2.78
Interest-bearing liabilities						
Customer deposits	**184,792**	**970**	**0.53**	178,064	1,131	0.64
Other borrowings	**30,834**	**411**	**1.33**	26,272	528	2.02
Total	**215,626**	**1,381**	**0.64**	204,336	1,659	0.81
Net interest income/margin		**4,318**	**1.84**		4,455	2.02

Net interest income amounted to $4,318 million, representing 61% of total income.

Net interest income fell 3% from a year ago. While loans increased, the impact was more than offset by a decline in interest margins. Net interest margins fell 18 basis points to 1.84% on lower asset yields, partly offset by reductions in funding costs.

Average customer loans grew 10% from a year ago, with the expansion spread across most regions and across corporate, SME and consumer borrowers.

Overall asset yields fell by 35 basis points to 2.43%. Loan yields were affected by low interest rates and tightening spreads amid a normalising credit environment. Securities yields were also lower as higher-yielding securities were replaced with higher-quality bonds with lower yields.

Funding costs fell 17 basis points to 0.64% as market rates declined and as the customer deposit mix shifted towards Singapore-dollar savings and current accounts.

Volume and rate analysis ($m) Increase/(decrease) due to change in	Volume	Rate	Net change
Interest income			
Customer loans	**426**	**(564)**	**(138)**
Interbank assets	**13**	**(33)**	**(20)**
Securities	**(24)**	**(233)**	**(257)**
Total	**415**	**(830)**	**(415)**
Interest expense			
Customer deposits	**42**	**(203)**	**(161)**
Other borrowings	**39**	**(156)**	**(117)**
Total	**81**	**(359)**	**(278)**
Due to change in number of days			**–**
Net Interest Income	**334**	**(471)**	**(137)**

NET FEE AND COMMISSION INCOME

($m)	2010	2009	% chg
Stockbroking	**179**	170	5
Investment banking	**154**	146	5
Trade and remittances	**227**	244	(7)
Loan related	**333**	375	(11)
Guarantees	**59**	57	4
Deposit related	**85**	84	1
Credit card	**149**	143	4
Fund management	**22**	20	10
Wealth management	**136**	101	35
Others	**53**	54	(2)
Total	**1,397**	1,394	0

Net fee and commission income was little changed from a year ago at $1,397 million, as higher revenues from capital market-related activities and cards were offset by lower fees from trade- and loan-related activities. Fee income accounted for 20% of total income for 2010.

Regional equity markets enjoyed strong gains over the year from expanded investment flows, lifting stockbroking commissions and wealth management product sales income by 5% and 35% respectively. Stronger markets also encouraged a higher level of mergers and acquisitions and IPO activity. For the year, DBS led in managing and underwriting IPOs in Singapore by value as investment banking fees rose 5%.

Trade and remittances fell 7% as margins declined, while loan-related fees fell 11% from an exceptionally strong performance in the previous year. DBS continued to rank among the top 10 in the Asia Pacific (ex-Australia and Japan) league table for arranging syndicated loan deals.

OTHER NON-INTEREST INCOME

($m)	2010	2009	% chg
Net trading income	**915**	700	31
Net income from financial instruments designated at fair value	**(20)**	(267)	93
Net income from financial investments	**310**	254	22
Net gain from fixed assets	**103**	13	>100
Others	**43**	54	(20)
Total	**1,351**	754	79

Other non-interest income rose 79% to $1,351 million in 2010, accounting for 19% of total income.

The increase from the prior year was mainly from trading. Trading activities (including financial instruments designated at fair value) recorded a gain of $895 million in 2010, compared to $433 million in 2009, led by higher revenues from the sale of treasury products to customers.

Other non-interest income was supported by higher gains from the sale of financial investments and by higher gains from the sale of fixed assets.

Management Discussion and Analysis

EXPENSES

($m)	2010	2009	% chg
Staff	**1,422**	1,292	10
Occupancy	**269**	265	2
Computerisation	**569**	473	20
Revenue-related	**136**	132	3
Others	**529**	442	20
Total	**2,925**	2,604	12

Expenses rose 12% to $2,925 million to support higher business volumes and investments for future growth.

Investments made included initiatives to improve customer service, create regional standards and enhance technology platforms to support business growth. Staff costs rose 10% on a 13% increase in headcount. Non-wage costs collectively rose 15%.

ALLOWANCES FOR CREDIT AND OTHER LOSSES

($m)	2010	2009	% chg
General allowances ("GP")	**232**	154	51
Specific allowances ("SP") for loans [1]	**614**	1,113	(45)
Singapore	**18**	149	(88)
Hong Kong	**14**	185	(92)
Rest of Greater China	**25**	54	(54)
South and South-east Asia	**47**	31	52
Rest of the world	**510**	694	(27)
Specific allowances ("SP") for securities, properties and other assets	**65**	262	(75)
Total	**911**	1,529	(40)

1 Specific allowances for loans are classified according to where the borrower is incorporated. Historical comparatives have been restated to conform to the current year presentation

Total allowances amounted to $911 million, a decrease of 40% from a year ago, as asset quality improved.

Specific allowances for loans fell 45% to $614 million with broad-based declines across regions as economic conditions strengthened. Specific allowances due to Rest of the world, while lower than the previous year, included residual charges for certain corporate loans.

General allowances of $232 million were taken for loan growth.

PERFORMANCE BY BUSINESS UNIT

($m)	Consumer/ Private Banking	Institutional Banking	Treasury	Others
2010				
Net interest income	**1,398**	**1,995**	**840**	**85**
Non-interest income	**667**	**1,518**	**393**	**170**
Total income	**2,065**	**3,513**	**1,233**	**255**
Less: Expenses	**1,471**	**1,119**	**368**	**(33)**
Profit before allowances	**594**	**2,394**	**865**	**288**
Less: Allowances	**55**	**812**	**(2)**	**46**
Share of profits of associates	**0**	**25**	**0**	**77**
Profit before tax	**539**	**1,607**	**867**	**319**
Net profit	**458**	**1,360**	**733**	**99**
2009				
Net interest income	1,399	1,844	1,223	(11)
Non-interest income	609	1,328	26	185
Total income	2,008	3,172	1,249	174
Less: Expenses	1,245	964	324	71
Profit before allowances	763	2,208	925	103
Less: Allowances	82	1,118	7	322
Share of profits of associates	0	28	0	38
Profit before tax	681	1,118	918	(181)
Net profit	572	974	723	(205)

A description of DBS' reported business units can be found in Note 48.1 of the financial accounts on page 150.

Consumer/Private Banking (CBG)

Compared to the previous year, CBG's net interest income was flat as strong loan growth was offset by lower net interest margins. Mortgage loans grew 17% led by Singapore where the Group gained market share with its fixed-rate offering. Housing loans also grew in China and Taiwan. Fee income was higher as sales of wealth management products, cards and unsecured products rose.

Expenses were higher due to compensation to customers who had bought Constellation Notes in Hong Kong. Investments were also made to improve the Group's sales and customer servicing capacity across the region. They included a higher headcount, an expanded ATM network and the launch of a new mobile banking platform. These costs were partly offset by lower allowances.

Institutional Banking (IBG)

Net interest income was higher underpinned by stronger business loan growth across the region. In Singapore, IBG loans grew 21%, supported by stronger economic conditions, and as DBS gained market share. In Hong Kong and China, business loans grew 25% and 19% respectively in local currency terms, as the Group grew its customer base in the two locations.

Non-interest income also rose from higher investment banking fees as the Group maintained domestic leadership in REITs, equity offerings and Singapore-dollar bonds; and from increased treasury product sales. These were partly offset by a decline in trade-related income as lower margins more than offset higher volumes helped by the launch of the Group's RMB trade settlement programme in Hong Kong and Singapore.

Expenses rose as staff costs increased with a higher headcount. Allowance charges were lower as a decline in specific allowances was partly offset by higher general allowances in line with stronger loan growth.

Management Discussion and Analysis

Treasury
Treasury's revenues, derived principally from managing the excess liquidity in the balance sheet, market-making and managing residual positions arising from customer flows were little changed from a year ago at $1,233 million.

At the same time, the value-at-risk of the trading book declined, with average VAR falling 18% to $27m from the previous year. Expenses rose partly due to a larger headcount while allowances remained low.

PERFORMANCE BY GEOGRAPHY

($m)	S'pore	Hong Kong	Rest of Greater China	South, S-East Asia	Rest of world
2010					
Net interest income	**2,683**	**783**	**327**	**283**	**242**
Non-interest income	**1,743**	**682**	**99**	**174**	**50**
Total income	**4,426**	**1,465**	**426**	**457**	**292**
Less: Expenses	**1,611**	**720**	**325**	**207**	**62**
Profit before allowances	**2,815**	**745**	**101**	**250**	**230**
Less: Allowances	**652**	**73**	**52**	**79**	**55**
Share of profits of associates	**10**	**0**	**20**	**72**	**0**
Profit before tax	**2,173**	**672**	**69**	**243**	**175**
Net profit	**1,688**	**579**	**47**	**203**	**133**
2009					
Net interest income	2,738	888	302	326	201
Non-interest income	1,253	478	107	175	135
Total income	3,991	1,366	409	501	336
Less: Expenses	1,512	600	270	172	50
Profit before allowances	2,479	766	139	329	286
Less: Allowances	1,034	210	74	69	142
Share of profits of associates	16	0	17	33	0
Profit before tax	1,461	556	82	293	144
Net profit	1,186	464	68	226	120

A description of DBS' reported geographic segments can be found in Note 48.2 of the financial accounts on page 152.

Singapore
Net profit rose to $1,688 million from $1,186 million a year ago as higher trading income and lower allowance charges more than offset interest margin pressures as interest rates remained soft.

Net interest income fell 2% due to lower loan yields even as loans grew 21%. Customer loans grew $16,011 million, with approximately two-thirds in Singapore dollar loans, as DBS gained market share. With deposits growing 8%, the Group improved its Singapore-dollar loan-to-deposit ratio from 55% a year ago to 60%. Non-interest income rose 39% from better trading gains and increased cross-selling of treasury products to customers.

Operating expenses rose 7% to $1,611 million to support business expansion. Allowances fell 37% to $652 million as asset quality improved. Tax expense benefited from a write-back of previous accruals, but was higher than a year ago when a larger write-back was recorded.

Hong Kong
The results for Hong Kong incorporate the effects of a 7% appreciation of the Singapore dollar against the Hong Kong dollar in the profit and loss account, and a 9% appreciation in the balance sheet.

Hong Kong's earnings rose 25% in Singapore-dollar terms to $579 million from higher revenues and lower allowances.

Revenues rose 7% from broad-based non-interest income growth with higher fees from trade finance, wealth management and loan syndication; higher sales of treasury products and trading gains; and higher gains from the sale of investments and fixed assets. The increase in non-interest income was partly offset by a 12% decline in net interest income as margins fell, while customer loan volumes rose 8%.

Expenses for 2010 included compensation to customers who had bought Constellation Notes. Wage and non-staff costs rose in line with revenues.

Specific allowances were substantially lower as the NPL rate improved from 1.7% a year ago to 1.0%.

Other regions

The largest earnings contributors are Indonesia through a 99%-owned subsidiary, China through a 100%-owned subsidiary, India where the Group has 12 branches, and Taiwan where the Group has 40 branches.

Earnings from these regions were generally lower than a year ago as cost increases outpaced revenue growth. Expenses rose as the Group invested in its staff, technology, and distribution network to tap into the longer-term growth prospects of these markets.

During the year, DBS also sold its 37.5% stake in Cholamandalam DBS Finance, a mass-market consumer finance company in India, to focus on serving corporate clients as well as the high net worth and emerging affluent segments through its branch operations. The sale did not have a material impact on earnings.

CUSTOMER LOANS [1]

($m)	2010	2009	% chg
By business unit			
Consumer/Private Banking	**50,256**	44,162	14
Institutional Banking	**103,219**	88,503	17
Others	**1,247**	755	65
By geography [2]			
Singapore	**91,128**	75,117	21
Hong Kong	**36,224**	33,431	8
Rest of Greater China	**12,208**	10,252	19
South and South-east Asia	**9,121**	8,058	13
Rest of world	**6,041**	6,562	(8)
By currency			
Singapore dollar	**67,439**	56,712	19
Hong Kong dollar	**30,478**	30,274	1
US dollar	**38,094**	29,449	29
Others	**18,711**	16,985	10
Gross total	**154,722**	133,420	16

1 Includes financial assets at fair value through profit or loss
2 Based on the location where the loans are booked

Gross customer loans increased 16% to $154,722 million.

Loans booked in Singapore, comprising both Singapore-dollar and foreign-currency loans, rose 21% to $91,128 million. The growth in Singapore-booked loans was broad-based across consumers, SMEs and corporates. DBS differentiated its products by offering longer-term fixed-rate tenors. This helped the Group increase its market share in Singapore-dollar to 21% as they grew 19% to $67,439 million.

In Hong Kong, loans grew 19% in local-currency terms and 8% in Singapore-dollar terms to $36,224 million. Loan growth in Hong Kong was supported by strong economic conditions and higher credit demand from mainland China corporates. DBS' overall share of loans in Hong Kong fell slightly to 5.2%.

Loans booked in Greater China increased 19%, led by housing and corporate loans. Loans booked in South and South-east Asia grew 13%, supported by strong corporate and SME borrowing in India and Indonesia.

Management Discussion and Analysis

NON-PERFORMING ASSETS AND LOSS ALLOWANCE COVERAGE

	2010			2009		
	NPA ($m)	NPL (% of loans)	(GP+SP)/ NPA (%)	NPA ($m)	NPL (% of loans)	(GP+SP)/ NPA (%)
By geography						
Singapore	**594**	**0.8**	**136**	731	1.2	104
Hong Kong	**359**	**1.0**	**162**	567	1.7	116
Rest of Greater China	**250**	**1.9**	**124**	352	3.1	95
South and South-east Asia	**164**	**1.2**	**180**	157	1.3	163
Rest of world	**1,511**	**9.5**	**46**	2,069	13.1	45
Total non-performing loans	**2,878**	**1.9**	**93**	3,876	2.9	76
By business unit						
Consumer/Private Banking	**317**	**0.6**	**192**	513	1.2	124
Institutional Banking	**2,561**	**2.5**	**81**	3,363	3.8	68
Total non-performing loans	**2,878**	**1.9**	**93**	3,876	2.9	76
Debt securities	**28**	**–**	**464**	160	–	124
Contingent liabilities	**307**	**–**	**123**	183	–	192
Total non-performing assets	**3,213**	**–**	**100**	4,219	–	83

Non-performing loans (NPLs) fell from $3,876 million to $2,878 million, while the NPL rate declined from 2.9% to 1.9%. NPL rates for all geographical and business segments improved.

Including debt securities and contingent liabilities, the amount of non-performing assets fell from $4,219 million to $3,213 million, 40% of which were still current and were classified for prudential reasons.

Overall loss allowance coverage increased from 83% to 100% of total non-performing assets. If collateral was considered, allowance coverage rose from 108% to 127%.

($m)	2010	2009
Unsecured non-performing assets	**2,523**	3,233
Secured non-performing assets by collateral type		
Properties	**250**	540
Shares and debentures	**85**	124
Fixed deposits	**38**	22
Others	**317**	300
Total non-performing assets	**3,213**	4,219

FUNDING SOURCES

($m)	2010	2009	% chg
Customer deposits by currency and product			
Singapore dollar	**112,228**	103,842	8
Fixed deposits	**20,081**	20,617	(3)
Savings accounts	**76,417**	69,160	10
Current accounts	**14,916**	12,697	17
Others	**814**	1,368	(40)
Hong Kong dollar	**23,220**	23,625	(2)
Fixed deposits	**12,946**	12,285	5
Savings accounts	**7,082**	7,932	(11)
Current accounts	**3,081**	3,254	(5)
Others	**111**	154	(28)
US dollar	**30,022**	29,018	3
Fixed deposits	**16,064**	14,912	8
Savings accounts	**3,255**	3,468	(6)
Current accounts	**9,777**	8,846	11
Others	**926**	1,792	(48)
Others	**28,222**	26,947	5
Fixed deposits	**22,289**	20,441	9
Savings accounts	**2,035**	2,191	(7)
Current accounts	**2,341**	2,908	(19)
Others	**1,557**	1,407	11
Total customer deposits	**193,692**	183,432	6
Interbank liabilities	**18,854**	9,320	>100
Other borrowings and liabilities	**44,565**	40,519	10
Shareholders' funds	**26,599**	25,373	5
Total	**283,710**	258,644	10

Deposits grew 6% to $193,692 million, with Singapore-dollar savings accounts accounting for more than two-thirds of the increase. Hong Kong and US dollar deposits grew 8% and 13% respectively if currency translation effects were excluded.

The Group maintained its leadership position in Singapore-dollar deposits. Market share was little changed at 26% as they rose 8% to $112,228 million.

Hong Kong-dollar deposits grew 8% in local currency terms as increases in current accounts and fixed deposits were partly offset by a reduction in savings deposits. DBS' overall market share of Hong Kong-dollar deposits was unchanged at 4%. US dollar deposits rose 13% excluding currency effects. Overall US dollar funding was supplemented with a maiden issue from the Group's US$10 billion Debt Issuance Program of US$1,000 million, booked under Other borrowings and liabilities.

Other currency deposits grew 5% led by increases in RMB-denominated accounts. This was partly boosted by the gathering of offshore RMB deposits.

Management Discussion and Analysis

CAPITAL ADEQUACY RATIOS

($m)	2010	2009
Tier 1		
Share capital	**8,780**	8,435
Disclosed reserves and others	**23,927**	20,928
Less: Tier 1 deductions	**(5,064)**	(6,098)
Total	**27,643**	23,265
Tier 2		
Loan allowances admitted as Tier 2	**696**	434
Subordinated debts	**5,281**	5,970
Revaluation surplus from equity securities	**149**	87
Less: Tier 2 deductions	**(142)**	(128)
Total	**5,984**	6,363
Total capital	**33,627**	29,628
Risk-weighted assets	**182,694**	177,222

The Group's core Tier 1, Tier 1 and total capital adequacy ratios were 11.8%, 15.1% and 18.4% respectively, compared to 11.0%, 13.1% and 16.7% at end-2009.

Tier 1 capital increased during the year, as a result of retained earnings and two preference share issues which raised $2.5 billion. These issues are intended to replace approximately $2.1 billion of Tier 1 instruments which are, subject to regulatory approval, callable in 2011. Tier 2 capital registered a net decline due partly to the amortisation of existing Tier 2 subordinated debt. The growth in risk-weighted assets reflects the increase in customer loans over this period.

Additional disclosures made pursuant to Basel II Pillar 3 can be found on pages 61 to 67.

VALUATION SURPLUS

($m)	2010	2009
Properties	**507**	511
Financial investments	**26**	119
Total	**533**	630

The amount of unrealised valuation surpluses fell from $630 million to $533 million due to a decline in the valuation surplus of financial investments.

By The Numbers

DBS GROUP HOLDINGS LTD & ITS SUBSIDIARIES

Consolidated Income Statement

for the year ended 31 December 2010

In $ millions	Note	2010	2009
Income			
Interest income		**5,699**	6,114
Interest expense		**1,381**	1,659
Net interest income	5	**4,318**	4,455
Net fee and commission income	6	**1,397**	1,394
Net trading income/(loss)	7	**915**	700
Net (loss)/income from financial instruments designated at fair value	8	**(20)**	(267)
Net income from financial investments	9	**310**	254
Other income	10	**146**	67
Total income		**7,066**	6,603
Expenses			
Employee benefits	11	**1,422**	1,292
Depreciation of properties and other fixed assets	27	**193**	195
Other expenses	12	**1,310**	1,117
Goodwill charges	26	**1,018**	–
Allowances for credit and other losses	13	**911**	1,552
Total expenses		**4,854**	4,156
Share of profits of associates		**102**	66
Profit before tax		**2,314**	2,513
Income tax expense	14	**454**	285
Net profit for the year		**1,860**	2,228
Attributable to:			
Shareholders		**1,632**	2,041
Non-controlling interests		**228**	187
		1,860	2,228
Basic earnings per ordinary share ($)	15	**0.70**	0.90
Diluted earnings per ordinary share ($)	15	**0.68**	0.87

(The notes on pages 85 to 157, as well as the audited paragraphs of Risk Management section on pages 52 to 59, form part of these financial statements)

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2010

In $ millions	2010	2009
Net profit for the year	**1,860**	2,228
Other comprehensive income:		
Foreign currency translation differences for foreign operations	**(187)**	31
Share of other comprehensive income of associates	**12**	18
Available-for-sale financial assets		
Net valuation taken to equity	**598**	932
Transferred to income statement on sale	**(315)**	(312)
Tax on items taken directly to or transferred from equity	**(28)**	(100)
Other comprehensive income for the year, net of tax	**80**	569
Total comprehensive income	**1,940**	2,797
Attributable to:		
Shareholders	**1,829**	2,616
Non-controlling interests	**111**	181
	1,940	2,797

(The notes on pages 85 to 157, as well as the audited paragraphs of Risk Management section on pages 52 to 59, form part of these financial statements)

DBS GROUP HOLDINGS LTD & ITS SUBSIDIARIES

Balance Sheets

at 31 December 2010

In $ millions	Note	Group 2010	Group 2009	Company 2010	Company 2009
Assets					
Cash and balances with central banks	17	**31,203**	22,515		
Singapore Government securities and treasury bills	18	**11,546**	15,960		
Due from banks		**20,306**	22,203		
Financial assets at fair value through profit or loss	19	**10,179**	11,257		
Positive fair values for financial derivatives	39	**16,767**	16,015		
Loans and advances to customers	20	**151,698**	129,973		
Financial investments	21	**26,550**	25,731		
Securities pledged	22	**1,982**	784		
Subsidiaries	23	**–**	–	**10,438**	9,698
Investments in associates	25	**813**	672		
Goodwill on consolidation	26	**4,802**	5,847		
Properties and other fixed assets	27	**1,025**	1,134		
Investment properties	27	**358**	398		
Deferred tax assets	28	**102**	144		
Other assets	29	**6,379**	6,011	**63**	93
Total assets		**283,710**	258,644	**10,501**	9,791
Liabilities					
Due to banks		**18,811**	9,108		
Due to non-bank customers	30	**187,695**	178,448		
Financial liabilities at fair value through profit or loss	31	**10,228**	9,217		
Negative fair values for financial derivatives	39	**17,222**	16,406		
Bills payable		**601**	501		
Current tax liabilities		**879**	807		
Deferred tax liabilities	28	**40**	54		
Other liabilities	32	**6,574**	6,489	**5**	5
Other debt securities in issue	33	**2,160**	413		
Subordinated term debts	34	**6,398**	7,702		
Total liabilities		**250,608**	229,145	**5**	5
Net assets		**33,102**	29,499	**10,496**	9,786
Equity					
Share capital	35	**8,780**	8,435	**8,780**	8,435
Treasury shares	35	**(84)**	(114)		
Other reserves	36	**7,084**	6,879	**79**	71
Revenue reserves	36	**10,819**	10,173	**1,637**	1,280
Shareholders' funds		**26,599**	25,373	**10,496**	9,786
Non-controlling interests	37	**6,503**	4,126		
Total equity		**33,102**	29,499	**10,496**	9,786
Off-balance sheet items					
Contingent liabilities and commitments	38	**111,949**	98,207		
Financial derivatives	39	**1,347,522**	1,396,855		

(The notes on pages 85 to 157, as well as the audited paragraphs of Risk Management section on pages 52 to 59, form part of these financial statements)

Consolidated Statement of Changes in Equity

for the year ended 31 December 2010

In $ millions	Ordinary shares	Convertible preference shares	Treasury shares	Other reserves	Revenue reserves	Total	Non-controlling interests	Total equity
2010								
Balance at 1 January 2010	**8,188**	**247**	**(114)**	**6,879**	**10,173**	**25,373**	**4,126**	**29,499**
Issue of shares upon exercise of share options	**16**					**16**		**16**
Cost of share-based payments				**40**		**40**		**40**
Reclassification of reserves upon exercise of share options	**2**			**(2)**		**–**		**–**
Draw-down of reserves upon vesting of performance shares			**30**	**(30)**		**–**		**–**
Issue of shares pursuant to Scrip Dividend Scheme	**327**					**327**		**327**
Final dividends paid for previous year					**(320)**	**(320)**		**(320)**
Interim dividends paid for current year					**(666)**	**(666)**		**(666)**
Dividends paid to non-controlling interests						**–**	**(233)**	**(233)**
Preference shares issued by a subsidiary						**–**	**2,499**	**2,499**
Total comprehensive income				**197**	**1,632**	**1,829**	**111**	**1,940**
Balance at 31 December 2010	**8,533**	**247**	**(84)**	**7,084**	**10,819**	**26,599**	**6,503**	**33,102**
2009								
Balance at 1 January 2009	4,149	66	(154)	6,322	9,436	19,819	4,184	24,003
Issue of shares upon exercise of share options	11					11		11
Cost of share-based payments				44		44		44
Reclassification of reserves upon exercise of share options	1			(1)		–		–
Draw-down of reserves upon vesting of performance shares			61	(61)		–		–
Purchase of treasury shares			(21)			(21)		(21)
Issue of rights shares	4,029	181				4,210		4,210
Share issues expenses	(2)					(2)		(2)
Final dividends paid for previous year					(319)	(319)		(319)
Interim dividends paid for current year					(985)	(985)		(985)
Dividends paid to non-controlling interests						–	(239)	(239)
Total comprehensive income				575	2,041	2,616	181	2,797
Balance at 31 December 2009	8,188	247	(114)	6,879	10,173	25,373	4,126	29,499

(The notes on pages 85 to 157, as well as the audited paragraphs of Risk Management section on pages 52 to 59, form part of these financial statements)

DBS GROUP HOLDINGS LTD & ITS SUBSIDIARIES

Consolidated Cash Flow Statement

for the year ended 31 December 2010

In $ millions	2010	2009
Cash flows from operating activities		
Net profit for the year	**1,860**	2,228
Adjustments for non-cash items:		
Allowances for credit and other losses	**911**	1,552
Depreciation of properties and other fixed assets	**193**	195
Goodwill charges	**1,018**	–
Share of profits of associates	**(102)**	(66)
Net gain on disposal of properties and other fixed assets	**(103)**	(13)
Net gain on disposal of financial investments	**(310)**	(254)
Income tax expense	**454**	285
Profit before changes in operating assets and liabilities	**3,921**	3,927
Increase/(Decrease) in:		
Due to banks	**9,703**	87
Due to non-bank customers	**9,247**	15,089
Financial liabilities at fair value through profit or loss	**1,011**	(2,065)
Other liabilities including bills payable	**708**	(15,960)
Debt securities and borrowings	**1,405**	307
(Increase)/Decrease in:		
Change in restricted balances with central banks	**(2,857)**	(122)
Singapore Government securities and treasury bills	**4,414**	(1,163)
Due from banks	**1,895**	(1,749)
Financial assets at fair value through profit or loss	**1,078**	(1,856)
Loans and advances to customers	**(22,521)**	(5,579)
Financial investments	**(529)**	(2,746)
Other assets	**(2,246)**	17,241
Tax paid	**(382)**	(321)
Net cash generated from operating activities (1)	**4,847**	5,090
Cash flows from investing activities		
Dividends from associates	**57**	41
Purchase of properties and other fixed assets	**(176)**	(179)
Proceeds from disposal of properties and other fixed assets	**192**	57
Acquisition of interest in associates	**(75)**	–
Proceeds from disposal of associates/ joint ventures	**136**	–
Net cash generated from/(used in) investing activities (2)	**134**	(81)
Cash flows from financing activities		
Increase in share capital	**345**	4,220
Payment upon maturity of subordinated term debts	**(705)**	(1,099)
Purchase of treasury shares	**–**	(21)
Dividends paid to shareholders of the Company	**(986)**	(1,304)
Dividends paid to non-controlling interests	**(233)**	(239)
Proceeds from issue of preference shares by a subsidiary	**2,499**	–
Net cash generated from financing activities (3)	**920**	1,557
Exchange translation adjustments (4)	**(70)**	37
Net change in cash and cash equivalents (1)+(2)+(3)+(4)	**5,831**	6,603
Cash and cash equivalents at 1 January	**19,281**	12,678
Cash and cash equivalents at 31 December (Note 40)	**25,112**	19,281

(The notes on pages 85 to 157, as well as the audited paragraphs of Risk Management section on pages 52 to 59, form part of these financial statements)

Notes to the Financial Statements

for the year ended 31 December 2010

These Notes are integral to the financial statements.

The consolidated financial statements for the year ended 31 December 2010 were authorised for issue by the directors on 10 February 2011.

1 DOMICILE AND ACTIVITIES

The Company, DBS Group Holdings Ltd, is incorporated and domiciled in the Republic of Singapore and has its registered office at 6 Shenton Way, DBS Building Tower One, Singapore 068809.

The Company is listed on the Singapore Exchange.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

The financial statements are presented in Singapore dollars and rounded to the nearest million, unless otherwise stated. They are prepared on the historical cost convention, except for derivative financial instruments, available-for-sale financial assets, and financial assets and liabilities carried at fair value through profit or loss, which have been measured at fair value. In addition, the carrying amounts of assets and liabilities that are designated as hedged items in a fair value hedge are adjusted for fair value changes attributable to the hedged risks.

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 2010, the Group adopted the new or revised FRS and Interpretations to FRS (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.

FRS 27: Consolidated and Separate Financial Statements

The standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. Such transactions will have no impact on goodwill, nor will it give rise to a gain or loss. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

The changes introduced by FRS 27 must be applied prospectively and will affect future transactions with non-controlling interests.

FRS 103: Business Combinations

The revised FRS 103 introduces a number of changes in the accounting for business combinations. For example, there is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

The changes introduced by FRS 103 must be applied prospectively and will affect future business combinations.

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 39 (Amendments)	Financial Instruments: Recognition and Measurement
FRS 102 (Amendments)	Share-based Payment – Group Cash-settled Share-based Payment Transaction
General amendments	Improvements to FRS (where applicable)
INT FRS 117	Distributions of Non-cash Assets to Owners

2.2 Group accounting

Subsidiaries

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

For business combinations occurring on or after 1 January 2010, the acquisition method is used to account for business combinations by the Group. Subsidiaries are consolidated from the date control is transferred to the Group to the date control ceases. The consideration transferred for an acquisition is measured as the acquisition-date fair values of the assets transferred, the liabilities incurred and the equity interests issued. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value on the date of acquisition.

For business combinations occurring before 1 January 2010, the purchase method is used to account for the acquisition of subsidiaries. Subsidiaries are consolidated from the date control is transferred to the Group to the date control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus cost directly attributable to the acquisition. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value on the date of acquisition.

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

Special purpose entities

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

Joint ventures

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

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

Associates

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

Under the equity method of accounting, an investment in 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 exchange, plus costs directly attributable to the acquisition. The carrying amount is increased or decreased to recognise the Group's share of net assets of the associate, less any impairment in value after the date of acquisition. Where the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The results of the associates are taken from the latest audited accounts or unaudited management accounts of the associates, prepared at dates not more than three months prior to the end of the financial year of the Group.

Investment cost at Company level

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

Intra-group transactions

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

Alignment of accounting policies

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

2.3 Foreign currency translation

Functional and presentation currency

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

Foreign currency transactions

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

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

Foreign operations

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

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

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

Consolidation adjustments

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

2.4 Segment reporting

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

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

2.5 Revenue recognition

Net interest income

Net interest income, being interest income less interest expense, is 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, when appropriate, a shorter period to its carrying amount. The calculation includes significant fees and transaction costs that are integral to the effective interest rate, as well as premiums or discounts. No interest expense is accrued on the Group's structured investment deposits which are carried at fair value through profit or loss.

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

Fee and commission income

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

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

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

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

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

The classification of financial assets is as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Determination of fair value

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

2.8 Impairment of financial assets

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

(a) Financial assets classified as loans and receivables

The Group carries out regular and systematic reviews of all credit facilities extended to customers.

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

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

Specific allowances for credit losses

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

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

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

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

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

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

General allowances for credit losses

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

(b) Financial assets classified as available-for-sale

The Group assesses at each balance sheet date whether there is objective evidence that an available-for-sale financial asset is impaired. In the case of an equity investment, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the asset is impaired. When there is objective evidence of an impairment of an available-for-sale financial asset, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is reclassified from the revaluation reserve within equity to profit or loss. Impairment losses recognised in the income statement on equity investments are not reversed through the income statement, 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 combination 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 a business acquisition 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 impairment losses. 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 benefit associated with the item 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.

On disposal of an item of properties and other fixed assets, 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 investment in subsidiaries, associates and joint ventures

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

2.13 Financial liabilities

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

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

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

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

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

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

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

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

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

2.14 Provisions and other liabilities

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

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

2.15 Derivative financial instruments and hedge accounting

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

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

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

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

Fair value hedge

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

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

Cash flow hedge

The effective portion of changes in the fair value of a derivative designated and qualifying as a hedge of future cash flows is recognised in other comprehensive income and accumulated under the cash flow hedge reserve in equity, and reclassified to the income statement in the periods when the hedged item affects profit or loss. 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 profit or loss.

Hedge of net investment in a foreign operation

Hedges of net investments in the Group's foreign operations are accounted for in a manner similar to cash flow hedges. The gain or loss from the derivative relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated under the capital reserve 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 reserve is reclassified to profit or loss under "Net trading income".

2.16 Employee benefits

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

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

2.17 Share-based compensation

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

Equity instruments granted and ultimately vested under the Plans are recognised in the income statement based on the fair value of the equity instrument at the date of grant. The expense is amortised over the vesting period of each award, with a corresponding adjustment to the share option/plan reserves. Monthly contributions to the Scheme are expensed off when incurred.

For the DBSH Share Plan and the DBSH Employee Share Plan, a trust has been set up for each share plan. The employee trust funds are consolidated and the DBSH shares held by the trust funds are accounted for as "Treasury shares", which are included as a deduction within equity.

2.18 Current and deferred taxes

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

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

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

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

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

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

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

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the consideration paid including any directly attributable incremental cost is presented as a component within equity, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares is deducted against either the share capital account or retained earnings. When treasury shares are subsequently sold or reissued, any realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company.

2.21 Dividend payments
Interim dividends are recorded during the financial year in which they are declared payable. Final dividends are recorded during the financial year in which the dividends are approved by the shareholders at the Annual General Meeting.

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

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

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

3 EFFECTS ON FINANCIAL STATEMENTS ON ADOPTION OF NEW OR REVISED FRS
The Group has not applied the following FRS and INT FRS that have been issued but are not yet effective.

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.

FRS 32 (Amendments): Financial Instruments: Presentation
The amendment clarifies that rights issues are to be classified as equity if they are issued for a fixed amount of cash regardless of the currency in which the exercise price is denominated, provided they are offered on a pro rata basis to all owners of the same class of equity.

INT FRS 119: Extinguishing Financial Liabilities with Equity Instruments

The Interpretation provides guidance on the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditors.

It requires the gain or loss to be recognised in profit or loss when a liability is settled through the issuance of the entity's own equity instruments. The amount of gain or loss will be the difference between the carrying value of the financial liability and the fair value of the equity instruments issued.

4 CRITICAL ACCOUNTING ESTIMATES

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

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

4.1 Impairment allowances

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

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

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

4.2 Fair value of financial instruments

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

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

4.3 Impairment review of goodwill on consolidation

The Group performs an impairment review to ensure that the carrying value of the goodwill does not exceed its recoverable amount from the CGU to which the goodwill is allocated. The recoverable amount represents the present value of the estimated future cash flows expected to arise from continuing operations. Therefore, in arriving at the recoverable amount, management exercises judgement in estimating the future cash flows, growth rate and discount rate. Refer to Note 26 for more details.

4.4 Income taxes

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

4.5 Provisions for customer compensation

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

5 NET INTEREST INCOME

In $ millions	The Group 2010	2009
Cash and balances with central banks and Due from banks	**358**	378
Loans and advances to customers	**3,937**	4,075
Debt securities	**1,404**	1,661
Total interest income	**5,699**	6,114
Due to banks	**137**	109
Due to non-bank customers	**970**	1,131
Others	**274**	419
Total interest expense	**1,381**	1,659
Net interest income	**4,318**	4,455
Comprising:		
Interest income for financial assets at fair value through profit or loss	**270**	413
Interest income for financial assets not at fair value through profit or loss	**5,429**	5,701
Interest expense for financial liabilities at fair value through profit or loss	**(118)**	(196)
Interest expense for financial liabilities not at fair value through profit or loss	**(1,263)**	(1,463)
Total	**4,318**	4,455

6 NET FEE AND COMMISSION INCOME

In $ millions	The Group 2010	2009
Fee and commission income	**1,737**	1,688
Fee and commission expense	**340**	294
Net fee and commission income	**1,397**	1,394
Comprising:		
Loan-related	**333**	375
Trade and remittances	**227**	244
Stock broking	**179**	170
Investment Banking	**154**	146
Credit Card	**149**	143
Wealth Management	**136**	101
Deposit-related	**85**	84
Guarantees	**59**	57
Others	**53**	54
Fund management	**22**	20
Net fee and commission income[(a)]	**1,397**	1,394

(a) Includes net fee and commission income of $47 million (2009: $44 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 $571 million (2009: $612 million) during the year

7 NET TRADING INCOME/(LOSS)

In $ millions	The Group 2010	2009
From trading businesses		
– Foreign exchange	**649**	774
– Interest rates, credit and equities[(a)]	**220**	(21)
Other businesses	**46**	(53)
Total	**915**	700

(a) Includes dividend income of $9 million (2009: $7 million)

8 NET (LOSS)/INCOME FROM FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE

In $ millions	The Group 2010	2009
Financial assets designated at fair value	**5**	365
Financial liabilities designated at fair value	**(25)**	(632)
Total	**(20)**	(267)

Gains or losses from changes in fair value of financial liabilities designated at fair value, not attributable to changes in market conditions, are not material. Refer to Note 31.

9 NET INCOME FROM FINANCIAL INVESTMENTS

In $ millions	The Group 2010	2009
Debt securities		
– Available-for-sale	**192**	9
– Loans and receivables	**5**	2
Equity securities[(a) (b)]	**113**	243
Total	**310**	254
Comprising net gains transferred from:		
Available-for-sale revaluation reserves	**315**	312

(a) There was no sale of unquoted securities, which were stated at cost in 2010 and 2009
(b) Includes dividend income of $22 million (2009: $20 million)

10 OTHER INCOME

In $ millions	The Group 2010	2009
Rental income	**19**	17
Net gain on properties and other fixed assets	**103**	13
Others	**24**	37
Total	**146**	67

11 EMPLOYEE BENEFITS

In $ millions	The Group 2010	2009
Salary and bonus	**1,207**	1,124
Contributions to defined contribution plans	**69**	67
Share-based expenses	**40**	44
Others [(a)]	**106**	57
Total	**1,422**	1,292

(a) $4 million (2009: $22 million) of cash grants (Job Credit Scheme) was received from the government in 2010. The amount received was deducted against the staff expenses

Included in the above is compensation to Company directors and directors of subsidiaries as follows:

In $ millions	The Group 2010	2009
Compensation paid to Company directors	**6**	11
Compensation paid to subsidiaries' directors	**18**	19
Total	**24**	30

12 OTHER EXPENSES

In $ millions	The Group 2010	2009
Computerisation expenses[(a)]	**463**	367
Occupancy expenses[(b)]	**240**	236
Revenue-related expenses	**136**	132
Others[(c)]	**471**	382
Total	**1,310**	1,117

(a) Includes hire and maintenance of computer hardware and software
(b) Includes rental expenses of office and branch premises of $139 million (2009: $125 million) and amounts incurred in the maintenance and service of buildings owned by the Group's subsidiary companies
(c) Includes office administration expenses (e.g. printing and stationery, telecommunications, etc), legal and professional fees

In $ millions	The Group 2010	2009
Hire and maintenance of fixed assets, including building-related expenses	**267**	242
Audit fees payable to external auditors[(a)]:		
– Singapore	**3**	3
– Outside Singapore	**3**	2
Non audit fees payable to external auditors[(a)]:		
– Singapore	**1**	2
– Outside Singapore	**2**	#
Directors' fees payable to:		
– Company directors[(b)]	**2**	2
– Subsidiaries' directors	**1**	1

 # Amount under $500,000
(a) PricewaterhouseCoopers network firms
(b) Subject to approval at Annual General Meeting

13 ALLOWANCES FOR CREDIT AND OTHER LOSSES

In $ millions	The Group 2010	2009
Loans and advances to customers (Note 20)	**796**	1,414
Financial investments		
– Available-for-sale[(a)]	**(18)**	31
– Loans and receivables (Note 21)	**38**	20
Properties and other fixed assets (Note 27)	**(2)**	2
Off-balance sheet credit exposures (Note 32)	**36**	4
Others (bank loans and sundry debtors)	**61**	81
Total	**911**	1,552

(a) Includes one-time impairment charges for a Thailand investment of (2010: Nil, 2009: $23 million)

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

In $ millions	Balance at 1 January	Charge/ (Write-back) to income statement	Net write-off during the year	Exchange and other movements	Balance at 31 December
	The Group				
2010					
Loans and advances to customers (Note 20)	**2,837**	**796**	**(899)**	**(106)**	**2,628**
Financial investments	**264**	**20**	**(82)**	**(5)**	**197**
Properties and other fixed assets (Note 27)	**74**	**(2)**	**–**	**(4)**	**68**
Off-balance sheet credit exposures (Note 32)	**199**	**36**	**–**	**(17)**	**218**
Others (bank loans and sundry debtors)	**168**	**61**	**(50)**	**(3)**	**176**
Total specific and general allowances	**3,542**	**911**	**(1,031)**	**(135)**	**3,287**
2009					
Loans and advances to customers (Note 20)	1,884	1,414	(406)	(55)	2,837
Financial investments	608	51	(386)	(9)	264
Properties and other fixed assets (Note 27)	72	2	–	–	74
Off-balance sheet credit exposures (Note 32)	177	4	–	18	199
Others (bank loans and sundry debtors)	94	81	(21)	14	168
Total specific and general allowances	2,835	1,552	(813)	(32)	3,542

14 INCOME TAX EXPENSE

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

In $ millions	The Group 2010	2009
Current tax expense		
– Current year	**490**	473
– Prior years' provision	**(35)**	(124)
Deferred tax expense		
– Effect of change in tax rate	**–**	1
– Origination of temporary differences	**(1)**	(65)
Total	**454**	285

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

In $ millions	The Group 2010	2009
Accelerated tax depreciation	**(9)**	(17)
Allowances for loan losses	**10**	(75)
Other temporary differences	**1**	28
Available-for-sale investments	**(3)**	–
Deferred tax credit to income statement	**(1)**	(64)

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

In $ millions	The Group 2010	2009
Profit	**2,212**	2,447
Prima facie tax calculated at a tax rate of 17% (2009: 17%)	**376**	416
Effect of different tax rates in other countries	**35**	25
Effect of change in tax rate	**–**	1
Income not subject to tax	**(70)**	(47)
Income taxed at concessionary rate	**(121)**	(97)
Non-tax deductible provisions	**–**	3
Goodwill charges not deductible for tax purpose	**173**	–
Others	**61**	(16)
Income tax expense charged to income statement	**454**	285

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

15 EARNINGS PER ORDINARY SHARE

Number of shares (millions)		The Group 2010	2009
Weighted average number of ordinary shares in issue	(a)	**2,287**	2,234
Dilutive effect of share options		**1**	1
Full conversion of non-voting redeemable CPS		**100**	98
Full conversion of non-voting convertible preference shares		**#**	#
Weighted average number of ordinary shares in issue (diluted)	(aa)	**2,388**	2,333

Amount under 500,000

In $ millions		The Group 2010	2009
Net profit attributable to shareholders (Net Profit)	(b)	**1,632**	2,041
Net profit (less preference dividends)	(c)	**1,602**	2,011
Earnings per ordinary share ($)			
Basic	(c)/(a)	**0.70**	0.90
Diluted	(b)/(aa)	**0.68**	0.87

For the purpose of calculating the diluted earnings per ordinary share, the weighted average number of ordinary shares in issue is adjusted to take into account the effect of a full conversion of non-voting convertible preference shares (CPS) and non-voting redeemable CPS. In addition, the calculation takes into account the exercise of all outstanding share options granted to employees when such shares would be issued at a price lower than the average share price during the financial year.

16 MEASUREMENT BASIS OF FINANCIAL INSTRUMENTS

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

(a) Includes investments in associates, goodwill on consolidation, properties and other fixed assets, investment properties and deferred tax assets

(b) Includes current tax liabilities, deferred tax liabilities and provision for loss in respect of off-balance sheet credit exposures

	The Group 2009					
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	–	–	22,515	–	–	22,515
Singapore Government securities and treasury bills	2,715	–	–	13,245	–	15,960
Due from banks	–	–	22,203	–	–	22,203
Financial assets at fair value through profit or loss	10,043	1,214	–	–	–	11,257
Positive fair values for financial derivatives	15,757	–	–	–	258	16,015
Loans and advances to customers	–	–	129,973	–	–	129,973
Financial investments	–	–	5,055	20,676	–	25,731
Securities pledged	534	–	–	250	–	784
Other assets	–	–	6,011	–	–	6,011
Total financial assets	29,049	1,214	185,757	34,171	258	250,449
Other asset items outside the scope of FRS 39(a)						8,195
Total assets						258,644
Liabilities						
Due to banks	–	–	9,108	–	–	9,108
Due to non-bank customers	–	–	178,448	–	–	178,448
Financial liabilities at fair value through profit or loss	7,469	1,748	–	–	–	9,217
Negative fair values for financial derivatives	16,142	–	–	–	264	16,406
Bills payable	–	–	501	–	–	501
Other liabilities	–	–	6,290	–	–	6,290
Other debt securities in issue	–	–	413	–	–	413
Subordinated term debts	–	–	7,702	–	–	7,702
Total financial liabilities	23,611	1,748	202,462	–	264	228,085
Other liability items outside the scope of FRS 39(b)						1,060
Total liabilities						229,145

(a) Includes investments in associates, goodwill on consolidation, properties and other fixed assets, investment properties and deferred tax assets

(b) Includes current tax liabilities, deferred tax liabilities and provision for loss in respect of off-balance sheet credit exposures

In 2008, the Group reclassified certain financial assets which were no longer held for selling in the near term, out of the held for trading category into the available-for-sale category. If the Group had not reclassified the financial assets, fair value gains recognised for the year in respect of the reclassified assets outstanding at year end would have amounted to $37 million (2009: gains of $105 million) in the income statement.

In the previous financial years, the Group also reclassified certain financial assets out of the held for trading and available-for-sale categories into the loans and receivables category. The Group has the intention and ability to hold these reclassified assets for the foreseeable future or until maturity. If the Group had not reclassified the available-for-sale assets, fair value losses recognised for the year in respect of the reclassified assets outstanding at year end would have amounted to $4 million (2009: gains of $132 million) in the revaluation reserves. If the Group had not reclassified the held for trading assets, fair value gains or losses recognised for the year in respect of the reclassified assets outstanding at year end would have been insignificant.

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

In $ millions		The Group			
		2010		2009	
Reclassified from	Reclassified to	Fair values	Carrying amounts	Fair values	Carrying amounts
Reclassified in 2009					
Held for trading	Loans and receivables	**51**	**51**	83	83
Reclassified in 2008					
Held for trading	Available-for-sale	**895**	**895**	1,720	1,720
Available-for-sale	Loans and receivables	**741**	**730**	1,598	1,544
Total		**1,687**	**1,676**	3,401	3,347

17 CASH AND BALANCES WITH CENTRAL BANKS

In $ millions	The Group 2010	2009
Cash on hand	**1,369**	1,388
Balances with central banks		
– Restricted balances [(a)]	**6,091**	3,234
– Non-restricted balances	**23,743**	17,893
Total	**31,203**	22,515

(a) Mandatory balances with central banks

18 SINGAPORE GOVERNMENT SECURITIES AND TREASURY BILLS

In $ millions	The Group 2010	2009
Held for trading	**1,815**	2,715
Available-for-sale	**9,731**	13,245
Total	**11,546**	15,960
Market value	**11,546**	15,960

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

In $ millions	The Group 2010	2009
Trading		
Other government securities and treasury bills	**2,845**	3,893
Corporate debt securities	**3,435**	3,874
Equity securities	**346**	284
Loans and advances to customers	**–**	6
Other financial assets (due from banks)	**2,992**	1,986
Sub-total	**9,618**	10,043
Fair value designated		
Other government securities and treasury bills	**–**	25
Corporate debt securities	**166**	585
Loans and advances to customers	**395**	604
Sub-total	**561**	1,214
Total	**10,179**	11,257
Analysed by industry		
Manufacturing	**482**	578
Building and construction	**188**	243
General commerce	**126**	85
Transportation, storage and communications	**361**	378
Financial institutions, investment and holding companies	**5,129**	4,857
Government	**2,845**	3,918
Others	**1,048**	1,198
Total	**10,179**	11,257
Fair value designated loans and advances and related credit derivatives/enhancements		
Maximum credit exposure	**395**	604
Credit derivatives/enhancements – protection bought	**(395)**	(604)
Cumulative change in fair value arising from changes in credit risk	**(14)**	(16)
Cumulative change in fair value of related credit derivatives /enhancements	**14**	16

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

During the year, the amount of change in the fair value of the loans and advances attributable to credit risk was $2 million (2009: $39 million).

During the year, the amount of change in the fair value of the related credit derivatives/enhancements was $2 million (2009: $39 million).

20 LOANS AND ADVANCES TO CUSTOMERS

In $ millions	The Group 2010	2009
Gross	**154,326**	132,810
Less: Specific allowances	**1,152**	1,512
General allowances	**1,476**	1,325
Net total	**151,698**	129,973
Comprising:		
Bills receivable	**8,287**	5,023
Loans	**143,411**	124,950
Net total	**151,698**	129,973
Analysed by industry [(a)]		
Manufacturing	**19,173**	16,120
Building and construction	**21,353**	18,426
Housing loans	**38,675**	33,120
General commerce	**16,706**	13,304
Transportation, storage and communications	**14,378**	12,277
Financial institutions, investment and holding companies	**18,509**	16,674
Professionals and private individuals (except housing loans)	**11,142**	10,873
Others	**14,390**	12,016
Gross total	**154,326**	132,810
Analysed by product		
Long-term loans	**72,265**	65,622
Short-term facilities	**31,751**	25,659
Overdrafts	**3,261**	3,410
Housing loans	**38,675**	33,120
Trade financing	**8,374**	4,999
Gross total	**154,326**	132,810
Analysed by currency		
Singapore dollar	**67,439**	56,703
Hong Kong dollar	**30,478**	30,274
US dollar	**37,743**	28,938
Others	**18,666**	16,895
Gross total	**154,326**	132,810

(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.

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

In $ millions	2010 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**

In $ millions	Balance at 1 January	Charge/ (Write-back) to income statement	2009 Net write-off during the year	Exchange and other movements	Balance at 31 December
Specific allowances					
Manufacturing	340	229	(189)	(12)	368
Building and construction	29	3	(8)	(1)	23
Housing loans	41	(6)	(7)	–	28
General commerce	174	152	(92)	(6)	228
Transportation, storage and communications	5	94	(1)	(1)	97
Financial institutions, investment and holding companies	66	526	1	(4)	589
Professionals and private individuals (except housing loans)	109	75	(92)	(3)	89
Others	104	7	(18)	(3)	90
Total specific allowances	868	1,080	(406)	(30)	1,512
General allowances					
Manufacturing	150	53	–	(4)	199
Building and construction	179	57	–	(4)	232
Housing loans	48	9	–	(1)	56
General commerce	129	39	–	(3)	165
Transportation, storage and communications	125	32	–	(3)	154
Financial institutions, investment and holding companies	144	64	–	(4)	204
Professionals and private individuals (except housing loans)	104	34	–	(2)	136
Others	137	46	–	(4)	179
Total general allowances	1,016	334	–	(25)	1,325
Total allowances	1,884	1,414	(406)	(55)	2,837

21 FINANCIAL INVESTMENTS

In $ millions	The Group 2010	2009
Available-for-sale		
Quoted other government securities and treasury bills	**8,345**	7,539
Quoted corporate debt securities	**9,922**	12,121
Quoted equity securities	**818**	691
Unquoted equity securities	**325**	325
Available-for-sale financial investments	**19,410**	20,676
Loans and receivables		
Other government securities and treasury bills	**128**	146
Corporate debt securities	**7,140**	5,079
Less: Impairment allowances for corporate debt securities	**128**	170
Loans and receivables financial investments	**7,140**	5,055
Total	**26,550**	25,731
Market value of debt securities and quoted equity securities	**26,286**	25,578
Analysed by industry		
Manufacturing	**726**	656
Building and construction	**1,257**	887
General commerce	**612**	582
Transportation, storage and communications	**1,769**	1,260
Financial institutions, investment and holding companies	**9,698**	10,513
Government	**8,473**	7,685
Others	**4,015**	4,148
Total carrying value	**26,550**	25,731

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

In $ millions	Balance at 1 January	Charge to income statement	Net write-off during the year	Exchange and other movements	Balance at 31 December
2010					
Loans and receivables					
Corporate debt securities	**170**	**38**	**(76)**	**(4)**	**128**
2009					
Loans and receivables					
Corporate debt securities	483	20	(331)	(2)	170

22 SECURITIES PLEDGED

In $ millions	The Group 2010	2009
Securities pledged		
Singapore Government securities and treasury bills	**414**	55
Other government securities and treasury bills	**1,556**	702
Corporate debt securities	**12**	27
Total securities pledged[a]	**1,982**	784
Related liabilities	**1,981**	776

(a) Includes financial assets at fair value through profit or loss of $992 million (2009: $534 million)

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

23 SUBSIDIARIES

In $ millions	The Company 2010	2009
Unquoted equity shares, at cost	**8,076**	6,726
Due from subsidiaries	**2,362**	2,972
Total	**10,438**	9,698

Refer to Note 49 for details of significant subsidiaries.

24 JOINT VENTURES

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

In $ millions	The Group 2010	2009
Income statement		
Share of income	**24**	72
Share of expenses	**(20)**	(95)
Balance sheet		
Share of total assets	**190**	896
Share of total liabilities	**146**	772

The joint ventures are Hutchinson DBS Card Limited for 2010 and Cholamandalam DBS Finance Limited and Hutchinson DBS Card Limited for 2009.

25 INVESTMENTS IN ASSOCIATES

In $ millions	The Group 2010	2009
Unquoted		
Cost	**105**	52
Share of post acquisition reserves	**117**	107
Sub-total	**222**	159
Quoted		
Cost	**1,263**	1,231
Impairment allowances	**(837)**	(837)
Net exchange translation adjustments	**(40)**	(31)
Share of post acquisition reserves	**205**	150
Sub-total	**591**	513
Total	**813**	672
Market value of quoted associates	**1,309**	1,015

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

In $ millions	The Group 2010	2009
Income statement		
Share of income	**432**	411
Share of expenses	**(330)**	(319)
Balance sheet		
Share of total assets	**5,847**	5,220
Share of total liabilities	**5,034**	4,548
Off-balance sheet		
Share of contingent liabilities and commitments	**54**	48

Refer to Note 49 for details of significant associates.

26 GOODWILL ON CONSOLIDATION

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

In $ millions	The Group 2010	2009
Balance at 1 January	**5,847**	5,847
Impairment charge	**(1,018)**	–
Disposal of joint venture	**(27)**	–
Balance at 31 December	**4,802**	5,847

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

In $ millions	2010	2009
DBS Bank (Hong Kong) Limited	**4,631**	5,649
DBS Vickers Securities Holdings Pte Ltd	**154**	154
Cholamandalam DBS Finance Limited	**–**	27
Primefield Company Pte Ltd	**17**	17
Total	**4,802**	5,847

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 2009

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.

For the year ended 31 December 2010, an impairment charge of $1,018 million has been recorded in the income statement for the goodwill arising from the Group's acquisition of DBS Bank (Hong Kong) Limited. This resulted from a decline in the value-in-use of the cash generating unit as cash flow projections were reduced. The decline in cash flow projection for the cash generating unit was driven by the increased likelihood of interest margin compression as a result of heightened deposit competition.

If the estimated long term growth rates for DBS Bank (Hong Kong) Limited and DBS Vickers Securities Holdings Pte Ltd are reduced by 25 basis points or the estimated discount rates increased by 25 basis points, the impact on the recoverable amounts for these entities are not material. On this basis, the Group concluded that goodwill remains recoverable at 31 December 2010. However, if conditions in Hong Kong and the banking industry deteriorate and turn out to be significantly worse than anticipated in the Group's performance forecast, the goodwill may be further impaired in future periods.

27 PROPERTIES AND OTHER FIXED ASSETS

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

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

	The Group	
In $ millions	2010	2009
Minimum lease receivable		
Not later than 1 year	**13**	15
Later than 1 year but not later than 5 years	**18**	18
Total	**31**	33

In $ millions	Investment property	The 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)
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**	**–**	**–**	**–**
2009					
Cost					
Balance at 1 January	350	1,122	848	1,970	2,320
Additions	–	4	175	179	179
Disposals	(6)	(12)	(105)	(117)	(123)
Transfer	158	(158)	–	(158)	–
Exchange differences	–	(12)	1	(11)	(11)
Balance at 31 December	502	944	919	1,863	2,365
Less: Accumulated depreciation					
Balance at 1 January	57	188	399	587	644
Depreciation charge	6	24	165	189	195
Disposals	–	(5)	(74)	(79)	(79)
Transfer	41	(41)	–	(41)	–
Exchange differences	–	(2)	1	(1)	(1)
Balance at 31 December	104	164	491	655	759
Less: Allowances for impairment	–	74	–	74	74
Net book value at 31 December	398	706	428	1,134	1,532
Market value at 31 December	509	1,106	–	–	–

(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	The Group 2010	2009
Balance at 1 January	**74**	72
(Write-back)/Charge to income statement	**(2)**	2
Exchange and other movements	**(4)**	–
Balance at 31 December	**68**	74

27.1 The net book value of PWC Building, being property held both for the purpose of generating rental income and for owner occupancy, was $416 million as at 31 December 2010 (2009: $423 million). Its fair value was independently appraised at $560 million (2009: $542 million).

28 DEFERRED TAX ASSETS/LIABILITIES

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

In $ millions	The Group 2010	2009
Deferred tax assets	**102**	144
Deferred tax liabilities	**(40)**	(54)
Total	**62**	90

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

In $ millions — **The Group 2010**

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

Deferred income tax liabilities	Accelerated tax depreciation	Available-for-sale investments	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		The Group 2009	
Deferred income tax assets	**Allowances for losses**	**Other temporary differences**	**Total**
Balance at 1 January	98	62	160
Credit/(Charge) to income statement	75	(18)	57
Balance at 31 December	173	44	217

Deferred income tax liabilities	Accelerated tax depreciation	Available-for-sale investments	Other temporary differences	Total
Balance at 1 January	(124)	91	(1)	(34)
Credit/(Charge) to income statement	17	–	(10)	7
Charge to equity	–	(100)	–	(100)
Balance at 31 December	(107)	(9)	(11)	(127)

29 OTHER ASSETS

In $ millions	The Group 2010	2009
Accrued interest receivable	**713**	855
Deposits and prepayments	**277**	183
Clients' monies receivable from securities business	**798**	783
Sundry debtors and others	**4,591**	4,190
Total	**6,379**	6,011

30 DUE TO NON-BANK CUSTOMERS

In $ millions	The Group 2010	2009
Analysed by currency		
Singapore dollar	**108,791**	99,608
US dollar	**29,900**	28,939
Hong Kong dollar	**23,162**	23,543
Others	**25,842**	26,358
Total	**187,695**	178,448
Analysed by product		
Savings accounts	**88,789**	82,751
Current accounts	**30,114**	27,705
Fixed deposits	**65,534**	64,124
Other deposits	**3,258**	3,868
Total	**187,695**	178,448

31 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

In $ millions	The Group 2010	2009
Trading		
Other debt securities in issue (Note 31.1)	**1,909**	1,622
Due to non-bank customers		
– structured investments	**3,387**	3,426
– others	**151**	853
Payable in respect of short sale of securities	**1,706**	1,356
Other financial liabilities	**43**	212
Sub-total	**7,196**	7,469
Fair value designated[(a)]		
Due to non-bank customers		
– structured investments	**2,459**	705
Other debt securities in issue (Note 31.2)	**573**	1,043
Sub-total	**3,032**	1,748
Total	**10,228**	9,217

(a) Changes in fair value arising from changes in credit risks are determined as the amount of change in fair value that is not attributable to changes in market conditions that give rise to market risk. Changes in market conditions that give rise to market risk include changes in benchmark interest rate, foreign exchange rate or index of prices or rates. Change in fair value arising from change in credit risks is not significant. Net unrealised loss for the fair value designated liabilities amount to $13 million at 31 December 2010 (2009: $13 million gain)

31.1 Other debt securities in issue (Trading)

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

In $ millions Type	Issue Date	Maturity Date	The Group 2010	2009
Issued by the Bank and other subsidiaries				
Equity linked notes	6 Jun 2006 to 31 Dec 2010	3 Jan 2011 to 20 Jan 2015	**694**	644
Credit linked notes	27 Aug 2004 to 18 Aug 2010	7 Mar 2011 to 20 Jun 2016	**596**	846
Interest linked notes	19 Sep 2008 to 16 Nov 2010	25 May 2011 to 26 Nov 2040	**569**	58
Foreign exchange linked notes	29 Jul 2010 to 31 Dec 2010	3 Jan 2011 to 29 Mar 2011	**50**	74
Total			**1,909**	1,622
Due within 1 year			**998**	934
Due after 1 year			**911**	688
Total			**1,909**	1,622

31.2 Other debt securities in issue (Fair value designated)

In $ millions	The Group 2010	2009
Negotiable certificates of deposit	**54**	–
Other debt securities	**519**	1,043
Total	**573**	1,043
Due within 1 year	**423**	892
Due after 1 year	**150**	151
Total	**573**	1,043

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

In $ millions Face Value	Interest Rate and Repayment Terms	Issue Date	Maturity Date	The Group 2010	2009
Issued by other subsidiaries					
HK$307.5m	3M HIBOR* + 0.4% to 0.7%, payable quarterly	12 Apr 2010 to 12 May 2010	29 Apr 2011 to 12 Apr 2013	**51**	–
US$2.2m	3M LIBOR** + 0.4%, payable quarterly	14 Apr 2010	14 Oct 2011	**3**	–
Total				**54**	–

* *HIBOR: Hong Kong Interbank Offer Rate*

** *LIBOR: London Interbank Offer Rate*

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

In $ millions Type	Issue Date	Maturity Date	The Group 2010	2009
Issued by the Bank				
Credit linked notes	28 Feb 2010 to 21 Dec 2010	11 Jan 2011 to 23 Dec 2015	**386**	726
Issued by other subsidiaries				
Equity linked notes	10 Nov 2006	10 Nov 2011	**21**	90
Credit linked notes	8 Feb 2006 to 5 Sep 2007	8 Feb 2011 to 5 Sep 2014	**112**	227
Total			**519**	1,043

32 OTHER LIABILITIES

In $ millions	The Group 2010	2009
Sundry creditors	**3,985**	4,028
Cash collaterals received in respect of derivative portfolios	**483**	336
Interest payable	**229**	291
Provision for loss in respect of off-balance sheet credit exposures	**218**	199
Clients' monies payable in respect of securities business	**708**	640
Other payable	**951**	995
Total	**6,574**	6,489

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

In $ millions	Balance at 1 January	Charge to income statement	Exchange and other movements	Balance at 31 December
2010				
Contingent liabilities and commitments	**199**	**36**	**(17)**	**218**
2009				
Contingent liabilities and commitments	177	4	18	199

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

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

		2009		
In $ millions	Balance at 1 January	Charge/ (Write-back) to income statement	Exchange and other movements	Balance at 31 December
Off-balance sheet credit exposures				
Manufacturing	31	–	3	34
Building and construction	12	(1)	1	12
Housing loans	1	–	–	1
General commerce	26	(4)	2	24
Transportation, storage and communications	12	(3)	1	10
Financial institutions, investment and holding companies	45	(16)	3	32
Professionals and private individuals (except housing loans)	21	31	5	57
Others	29	(3)	3	29
Total	177	4	18	199

33 OTHER DEBT SECURITIES IN ISSUE

In $ millions	The Group 2010	2009
Negotiable certificates of deposit	**964**	281
Other debt securities	**1,196**	132
Total	**2,160**	413
Due within 1 year	**505**	44
Due after 1 year	**1,655**	369
Total	**2,160**	413

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

In $ millions Face Value	Interest Rate and Repayment Terms	Issue Date	Maturity Date	The Group 2010	2009
Issued by other subsidiaries					
HK$2,282m	0.61% to 4.22%, payable quarterly	22 Aug 2008 to 16 Nov 2010	3 Jun 2011 to 21 Jan 2020	**386**	141
HK$1,280m	3M HIBOR + 0.2% to 0.3%, payable quarterly	1 Apr 2010 to 4 Aug 2010	1 Jun 2011 to 2 Apr 2013	**212**	–
HK$1,894m	0.56% to 4.20%, payable yearly	31 Aug 2008 to 14 Oct 2010	21 Apr 2011 to 28 Aug 2018	**320**	140
HK$280m	Zero Coupon Certificate of Deposit, payable on maturity	18 Nov 2010	18 Nov 2011	**46**	–
Total				**964**	281

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

In $ millions Face Value	Interest Rate and Repayment Terms	Issue Date	Maturity Date	The Group 2010	2009
Issued by the Bank					
US$1,000m Medium term notes	2.375%, payable half yearly	14 Sep 2010	14 Sep 2015	**1,194**	–
Type					
Issued by other subsidiaries/joint ventures					
Notes issued		30 Nov 2010 to 21 Dec 2010	5 Jan 2011 to 19 Jan 2011	**2**	2
Redeemable non-convertible debentures [a]				**–**	130
Total				**1,196**	132

(a) These notes comprised fixed rate notes issued by Cholamandalam DBS Finance Limited, a joint venture company, which was disposed in 2010.

34 SUBORDINATED TERM DEBTS

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

In $ millions Face Value		Issue Date	Maturity Date	The Group 2010	 2009
Issued by the Bank					
US$500m	7.88% Subordinated Notes (Note 34.1)	15 Apr 2000	15 Apr 2010	**–**	715
US$850m	7.13% Subordinated Notes (Note 34.2)	15 May 2001	15 May 2011	**1,116**	1,274
US$750m	5.00% Subordinated Notes callable with step-up in 2014 (Note 34.3)	1 Oct 2004	15 Nov 2019	**1,014**	1,089
US$900m	Floating Rate Subordinated Notes callable with step-up in 2016 (Note 34.4)	16 Jun 2006	15 Jul 2021	**1,158**	1,264
S$500m	4.47% Subordinated Notes callable with step-up in 2016 (Note 34.5)	11 Jul 2006	15 Jul 2021	**500**	500
US$500m	5.13% Subordinated Notes callable with step-up in 2012 (Note 34.6)	15 May 2007	16 May 2017	**680**	753
US$1,500m	Floating Rate Subordinated Notes callable with step-up in 2012 (Note 34.7)	15 May 2007	16 May 2017	**1,930**	2,107
Total				**6,398**	7,702
Due within 1 year				**1,116**	715
Due after 1 year				**5,282**	6,987
Total				**6,398**	7,702

34.1 Interest is payable semi-annually on 15 April and 15 October commencing 15 October 2000. The fixed rate funding has been converted to floating rate at six-month LIBOR + 0.96% via interest rate swaps. In computing the Group's capital adequacy ratio, these notes qualify as Tier 2 capital, the eligible amount being dependent on regulatory amortisation rules. The notes expired in 2010.

34.2 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 Group's capital adequacy ratio, these notes qualify as Tier 2 capital, the eligible amount being dependent on regulatory amortisation rules.

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

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

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

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

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

35 SHARE CAPITAL AND TREASURY SHARES

During the financial year, pursuant to the DBSH Share Option Plan, the Company issued 1,362,039 (2009: 1,011,601) ordinary shares, fully paid in cash upon the exercise of the options granted. The newly issued shares rank pari passu in all respects with the previously issued shares. The movements in number of ordinary shares and Convertible Preference Shares (CPS) are as follows:

	The Company	
Number of shares (millions)	**2010**	**2009**
Balance at 1 January	**2,382**	1,587
Issue of shares pursuant to Scrip Dividend Scheme	**25**	–
Issue of rights shares	**–**	794
Issue of shares upon exercise of share options	**2**	1
Balance at 31 December	**2,409**	2,382
The balance includes the following:		
2,308,790,261 (2009: 2,282,452,288) ordinary shares[(a)]	**2,309**	2,282
180,654 (2009: 180,654) non-voting CPS	**#**	#
99,713,061 (2009: 99,713,061) non-voting redeemable CPS	**100**	100
Total	**2,409**	2,382

(a) The ordinary shares are fully paid-up and do not have par value
 # Amount under 500,000

The non-voting CPS and non-voting redeemable CPS enjoy the same dividend rate paid on ordinary shares except that the dividend payable is subject to maximum of $0.30 per annum (non-cumulative). The CPS do not carry voting rights, except in certain instances e.g. where any relevant dividend due is not paid up in full or where a resolution is proposed varying the rights of the preference shares. Subject to the terms set out in the Company's Articles of Association, each CPS may be converted into one fully paid ordinary share at the option of the holder. The Company may also redeem the non-voting redeemable CPS in accordance with the Articles of Association.

Movements in carrying amount of share capital and treasury shares are as follows:

	The Group	
In $ millions	**Issued share capital**	**Treasury shares**
Balance at 1 January 2010	**8,435**	**(114)**
Issue of shares pursuant to Scrip Dividend Scheme	**327**	**–**
Draw-down of reserves upon vesting of performance shares	**–**	**30**
Issue of shares upon exercise of share options	**16**	**–**
Reclassification of reserves upon exercise of share options	**2**	**–**
Balance at 31 December 2010	**8,780**	**(84)**
Balance at 1 January 2009	4,215	(154)
Issue of rights shares	4,210	–
Draw-down of reserves upon vesting of performance shares	–	61
Issue of shares upon exercise of share options	11	–
Share issue expenses	(2)	–
Purchase of treasury shares	–	(21)
Reclassification of reserves upon exercise of share options	1	–
Balance at 31 December 2009	8,435	(114)

As at 31 December 2010, the number of treasury shares held by the Group is 5,762,894 (2009: 7,784,454), which is 0.24% (2009: 0.33%) of the total number of issued shares excluding treasury shares.

Movements in the number of treasury shares are as follows:

Number of shares	The Company 2010	The Company 2009
Balance at 1 January	**7,784,454**	8,112,401
Purchase of treasury shares	**–**	3,871,658
Vesting of performance shares	**(2,021,560)**	(4,199,605)
Balance at 31 December	**5,762,894**	7,784,454

36 OTHER RESERVES AND REVENUE RESERVES
36.1 Other reserves

In $ millions	The Group 2010	The Group 2009	The Company 2010	The Company 2009
Available-for-sale revaluation reserves	**387**	132	**–**	–
General reserves	**2,453**	2,453	**–**	–
Capital reserves	**(106)**	(48)	**–**	–
Share option and share plan reserves	**79**	71	**79**	71
Others	**4,271**	4,271	**–**	–
Total	**7,084**	6,879	**79**	71

Movements in other reserves during the year are as follows:

In $ millions	The Group Available-for-sale revaluation reserves	General reserves[a]	Capital reserves[b]	Share option and share plan reserves	Other reserves[c]	Total
Balance at 1 January 2010	**132**	**2,453**	**(48)**	**71**	**4,271**	**6,879**
Net exchange translation adjustments	**–**	**–**	**(70)**	**–**	**–**	**(70)**
Share of associates' capital reserves	**–**	**–**	**12**	**–**	**–**	**12**
Cost of share-based payments	**–**	**–**	**–**	**40**	**–**	**40**
Reclassification of reserves upon exercise of share options	**–**	**–**	**–**	**(2)**	**–**	**(2)**
Draw-down of reserves upon vesting of performance shares	**–**	**–**	**–**	**(30)**	**–**	**(30)**
Available-for-sale:						
– net valuation taken to equity	**598**	**–**	**–**	**–**	**–**	**598**
– transferred to income statement on sale	**(315)**	**–**	**–**	**–**	**–**	**(315)**
– tax on items taken directly to or transferred from equity	**(28)**	**–**	**–**	**–**	**–**	**(28)**
Balance at 31 December 2010	**387**	**2,453**	**(106)**	**79**	**4,271**	**7,084**

	The Group					
In $ millions	Available-for-sale revaluation reserves	General reserves[(a)]	Capital reserves[(b)]	Share option and share plan reserves	Other reserves[(c)]	Total
Balance at 1 January 2009	(388)	2,453	(103)	89	4,271	6,322
Net exchange translation adjustments	–	–	37	–	–	37
Share of associates' capital reserves	–	–	18	–	–	18
Cost of share-based payments	–	–	–	44	–	44
Reclassification of reserves upon exercise of share options	–	–	–	(1)	–	(1)
Draw-down of reserves upon vesting of performance shares	–	–	–	(61)	–	(61)
Available-for-sale:						
– net valuation taken to equity	932	–	–	–	–	932
– transferred to income statement on sale	(312)	–	–	–	–	(312)
– tax on items taken directly to or transferred from equity	(100)	–	–	–	–	(100)
Balance at 31 December 2009	132	2,453	(48)	71	4,271	6,879

(a) General reserves are maintained in accordance with the provisions of applicable laws and regulations. These reserves are non distributable unless otherwise approved by the relevant authorities. Under the Banking (Reserve Fund) (Transitional Provision) regulations 2007, which came into effect on 11 June 2007, the Bank may distribute or utilise its statutory reserves provided that the amount distributed or utilised for each financial year does not exceed 20% of the reserves as at 30 March 2007

(b) Capital reserves include net exchange translation adjustments arising from translation differences on net investments in foreign subsidiaries, joint ventures, associates and branches, and the related foreign currency financial instruments designated as a hedge

(c) Other reserves relate to the share premium of the Bank prior to the restructuring of the Bank under a financial services holding company, DBSH, pursuant to a scheme of arrangement under Section 210 of the Singapore Companies Act on 26 June 1999

	The Company
In $ millions	Share option and share plan reserves
Balance at 1 January 2010	**71**
Cost of share-based payments	**40**
Reclassification of reserves upon exercise of share options	**(2)**
Draw-down of reserves upon vesting of performance shares	**(30)**
Balance at 31 December 2010	**79**
Balance at 1 January 2009	89
Cost of share-based payments	44
Reclassification of reserves upon exercise of share options	(1)
Draw-down of reserves upon vesting of performance shares	(61)
Balance at 31 December 2009	71

36.2 Revenue reserves

In $ millions	The Group 2010	2009
Balance at 1 January	**10,173**	9,436
Net profit attributable to shareholders	**1,632**	2,041
Amount available for distribution	**11,805**	11,477
Less: Final dividend on ordinary shares of $0.14 (one-tier tax-exempt) paid for the previous financial year (2009: $0.14 one-tier tax-exempt)	**320**	319
Interim dividends on ordinary shares of $0.28 (one-tier tax-exempt) paid for the current financial year (2009: $0.42 one-tier tax-exempt)	**638**	955
Interim dividends on non-voting CPS and non-voting redeemable CPS of $0.28 (one-tier tax-exempt) paid for the current financial year (2009: $0.30 one-tier tax-exempt)	**28**	30
Balance at 31 December	**10,819**	10,173

36.3 Proposed dividend

Proposed final one-tier tax-exempt dividends on ordinary shares of $0.28 per share and on DBSH non-voting convertible preference share ("CPS") and DBSH non-voting redeemable CPS of $0.02 per share will not be accounted for in the financial statements for the year ended 31 December 2010 until they are approved at the Annual General Meeting on 28 April 2011.

37 NON-CONTROLLING INTERESTS

In $ millions	The Group 2010	2009
Preference shares issued by the Bank (Note 37.1)	**1,100**	1,100
Preference shares issued by the Bank (Note 37.2)	**1,700**	–
Preference shares issued by the Bank (Note 37.3)	**800**	–
Preference shares issued by DBS Capital Funding Corporation (Note 37.4)	**1,033**	1,118
Preference shares issued by DBS Capital Funding II Corporation (Note 37.5)	**1,500**	1,500
Other subsidiaries	**370**	408
Total	**6,503**	4,126

37.1 $1,100 million 6% non-cumulative non-convertible perpetual preference shares and a liquidation preference of $100 each, was issued on 28 May 2001 by the Bank, a subsidiary of the Company, to third parties. They qualify as Tier 1 capital for the calculation of the Group's capital adequacy ratios. Dividends, if declared by the Board of Directors of the Bank, are payable semi-annually on 15 May and 15 November at a fixed rate of 6% of the liquidation preference per annum, ending on or prior to 15 May 2011, and thereafter on 15 February, 15 May, 15 August and 15 November in each year at a floating rate per annum equal to the three-month Singapore Swap Offer Rate + 2.28%.

37.2 $1,700 million 4.7% non-cumulative non-convertible perpetual preference shares and a liquidation preference of $250,000 each, was issued on 22 October 2010 by the Bank, a subsidiary of the Company, to third parties. They qualify as Tier 1 capital for the calculation of the Group's capital adequacy ratios. Dividends, if declared by the Board of Directors of the Bank, are payable semi-annually on 22 April and 22 October at a fixed rate of 4.7% of the liquidation preference per annum.

37.3 $800 million 4.7% non-cumulative non-convertible perpetual preference shares and a liquidation preference of $100 each, was issued on 22 November 2010 by the Bank, a subsidiary of the Company, to third parties. They qualify as Tier 1 capital for the calculation of the Group's capital adequacy ratios. Dividends, if declared by the Board of Directors of the Bank, are payable semi-annually on 22 May and 22 November at a fixed rate of 4.7% of the liquidation preference per annum.

37.4 US$725 million 7.66% non-cumulative guaranteed preference shares, Series A, each with a liquidation preference of US$1,000 and $100 million 5.35% non-cumulative guaranteed preference shares, Series B, each with a liquidation preference of $10,000 were issued on 21 March 2001 by DBS Capital Funding Corporation, a subsidiary of the Bank. Dividends, when declared by the Board of Directors of DBS Capital Funding Corporation, are payable in arrears on 15 March and 15 September each year at a fixed rate of 7.66% per annum (Series A) and 5.35% per annum (Series B), up to 15 March 2011. 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 Group's capital adequacy ratio, these guaranteed preference shares qualify as Tier 1 capital.

37.5 $1,500 million 5.75% non-cumulative non-convertible non-voting guaranteed preference shares, with a liquidation preference of $250,000 was issued on 27 May 2008 by DBS Capital Funding II Corporation, a subsidiary of the Bank. Dividends, when declared by the Board of Directors of DBS Capital Funding II Corporation, are payable in arrears on 15 June and 15 December each year at a fixed rate of 5.75% per annum up to 15 June 2018. 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 Group's capital adequacy ratio, these guaranteed preference shares qualify as Tier 1 capital.

38 CONTINGENT LIABILITIES AND COMMITMENTS

The Group conducts business involving guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

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

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

	The Group	
In $ millions	**2010**	**2009**
Guarantees on account of customers	**9,876**	10,465
Endorsements and other obligations on account of customers		
– Letters of credit	**5,343**	4,616
– Others	**777**	595
Other contingent items (Note 38.2)	**35**	35
Undrawn loan commitments[(a)]	**94,752**	81,419
Undisbursed commitments in securities	**204**	108
Sub-total	**110,987**	97,238
Operating lease commitments (Note 38.3)	**921**	920
Capital commitments	**41**	49
Total	**111,949**	98,207

	The Group	
In $ millions	**2010**	**2009**
Analysed by industry (except for operating lease commitments and capital commitments)		
Manufacturing	**19,605**	16,872
Building and construction	**7,163**	5,811
Housing loans	**5,207**	5,010
General commerce	**14,743**	11,579
Transportation, storage and communications	**6,396**	5,006
Government	**372**	189
Financial institutions, investment and holding companies	**15,271**	15,633
Professionals and private individuals (except housing loans)	**24,515**	22,856
Others	**17,715**	14,282
Total	**110,987**	97,238

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

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

38.2 Included in "Other contingent items" at 31 December 2010, is an amount of $35 million (2009: $35 million), representing the termination fee payable by the Bank should a distribution agreement be terminated prematurely prior to December 2010. Under the terms of the agreement, the termination fee payable reduces by $7 million each year until the expiry of the agreement in December 2015.

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

39 FINANCIAL DERIVATIVES

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

Interest rate contracts

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

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

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

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

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

Exchange rate contracts

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

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

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

Equity-related contracts

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

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

Credit-related contracts

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

Commodity-related contracts

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

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

39.1 Trading derivatives

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

39.2 Hedging derivatives

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

Fair value hedges

The Group's fair value hedges consist principally of interest rate swaps used for managing interest rate gaps. For the year ended 31 December 2010, the loss on hedging instruments was $96 million (2009: loss of $4 million). The total gain on hedged items attributable to the hedged risk amounted to $102 million (2009: gain of $8 million).

Net investment hedges

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

In $ millions	Net investments in foreign operations[(a)]	Financial instruments which hedge the net investments[(b)]	Remaining unhedged currency exposures
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**
2009			
Hong Kong dollar	4,218	4,152	66
US dollar	695	697	(2)
Others	3,359	2,481	878
Total	8,272	7,330	942

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

(b) Include forwards, non-deliverable forwards and borrowings used to hedge the investments

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

In the financial statements, trading derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected as assets (Positive fair values for financial derivatives) or liabilities (Negative fair values for financial derivatives). Derivative assets and liabilities arising from different transactions are only offset if the transactions are done with the same counterparty, a legal right of offset exists, and the parties intend to settle the cash flows on a net basis. There was no offset of derivative assets and liabilities in 2010 and 2009.

In $ millions	2010 Underlying notional	2010 Year-end positive fair values	2010 Year-end negative fair values	2009 Underlying notional	2009 Year-end positive fair values	2009 Year-end negative fair values
Derivatives held for trading						
Interest rate derivatives						
Forward rate agreements bought	**6,453**	**–**	**13**	22,067	1	33
Forward rate agreements sold	**3,108**	**7**	**–**	18,599	27	1
Interest rate swaps	**671,379**	**7,022**	**7,608**	658,889	7,146	7,420
Financial futures bought	**7,587**	**1**	**2**	27,378	10	4
Financial futures sold	**3,310**	**6**	**1**	11,536	12	6
Interest rate options bought	**3,845**	**37**	**–**	2,201	32	–
Interest rate options sold	**4,541**	**–**	**50**	2,761	–	31
Interest rate futures options bought	**2,484**	**1**	**–**	7,022	1	–
Interest rate futures options sold	**1,737**	**–**	**2**	7,748	–	1
Interest rate caps/floors bought	**7,301**	**168**	**–**	10,409	99	–
Interest rate caps/floors sold	**10,137**	**–**	**246**	9,214	–	113
Sub-total	**721,882**	**7,242**	**7,922**	777,824	7,328	7,609
Foreign exchange (FX) derivatives						
FX contracts	**315,484**	**3,238**	**3,051**	305,666	2,967	2,716
Currency swaps	**79,190**	**3,907**	**3,603**	84,521	3,029	3,162
Currency options bought	**65,952**	**1,449**	**–**	58,232	1,203	–
Currency options sold	**73,467**	**–**	**1,384**	59,714	–	999
Sub-total	**534,093**	**8,594**	**8,038**	508,133	7,199	6,877
Equity derivatives						
Equity options bought	**1,599**	**135**	**–**	1,177	13	–
Equity options sold	**1,513**	**–**	**101**	633	–	15
Equity swaps	**2,280**	**18**	**21**	2,421	35	47
Sub-total	**5,392**	**153**	**122**	4,231	48	62
Credit derivatives						
Credit default swaps and others	**75,327**	**572**	**822**	94,970	1,180	1,593
Sub-total	**75,327**	**572**	**822**	94,970	1,180	1,593
Commodity derivatives						
Commodity contracts	**181**	**–**	**3**	216	1	1
Commodity options bought	**67**	**2**	**–**	39	1	–
Commodity options sold	**42**	**–**	**–**	5	–	–
Sub-total	**290**	**2**	**3**	260	2	1
Total derivatives held for trading	**1,336,984**	**16,563**	**16,907**	1,385,418	15,757	16,142
Derivatives held for hedging						
Interest rate swaps held for fair value hedge	**6,651**	**150**	**270**	6,406	222	224
FX contracts held for fair value hedge	**348**	**10**	**3**	185	2	1
FX contracts held for hedge of net investment	**1,815**	**44**	**13**	2,261	34	22
Currency swaps held for hedge of net investment	**1,724**	**–**	**29**	2,585	–	17
Total derivatives held for hedging	**10,538**	**204**	**315**	11,437	258	264
Total derivatives	**1,347,522**	**16,767**	**17,222**	1,396,855	16,015	16,406
Impact of netting arrangements recognised for computation of Capital Adequacy Ratio (CAR)		**(8,496)**	**(8,496)**		(8,569)	(8,569)
		8,271	**8,726**		7,446	7,837

The contractual or underlying principal amounts of derivative financial instruments of bank and non-bank counterparties amounted to $1,142 billion (2009: $1,024 billion) and $206 billion (2009: $373 billion) respectively. These positions are mainly booked in Singapore. For purpose of managing its credit exposures, the Group maintains collateral agreements and enters into master netting agreements with most of these counterparties. For those arrangements that comply with the regulatory requirements as set out in MAS Notice 637, the Group recognises the netting arrangements in the computation of its Capital Adequacy Ratios.

40 CASH AND CASH EQUIVALENTS

In $ millions	The Group 2010	2009
Cash on hand (Note 17)	**1,369**	1,388
Non-restricted balances with central banks (Note 17)	**23,743**	17,893
Total	**25,112**	19,281

41 SHARE-BASED COMPENSATION PLANS

41.1 DBSH Share Ownership Scheme

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

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

	Ordinary shares			
	Number		Market value (In $ millions)	
	2010	2009	2010	2009
Balance at 1 January	**5,355,157**	3,522,570	**82**	30
Balance at 31 December	**5,473,697**	5,335,157	**78**	82

41.2 DBSH Share Option Plan

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

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

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

The DBSH Share Option Plan expired on 19 June 2009 and the Plan was neither extended nor replaced. The termination of this Plan will, however, not affect the rights of holders of any outstanding existing Options.

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

	2010		2009	
	Unissued number of ordinary shares under outstanding options	Weighted average exercise price ($)	Unissued number of ordinary shares under outstanding options	Weighted average exercise price ($)[a]
Balance at 1 January	**14,920,398**	**13.26**	14,373,192	13.15
Movements during the year:				
– Issue of rights	**–**	**–**	2,537,599	13.15
– Exercised	**(1,362,039)**	**11.66**	(1,011,601)	11.63
– Forfeited/ Expired	**(2,140,540)**	**17.91**	(978,792)	13.00
Balance at 31 December	**11,417,819**	**12.58**	14,920,398	13.26
Additional information:				
Outstanding options exercisable at 31 December	**11,417,819**	**12.58**	14,920,398	13.26
Weighted average remaining contractual life of options outstanding at 31 December	**1.77 years**		2.5 years	
Range of exercise price of options outstanding at 31 December	**$8.84 to $15.05**		$8.84 to $18.99	

(a) Adjusted for effects of rights issue in January 2009

In 2010, 1,362,039 options (2009: 1,011,601) were exercised at their contractual exercise prices. During the year, the corresponding weighted average market price of the Company's shares was $14.36 (2009: $12.80).

DBSH Options	Number of unissued ordinary shares 1 January 2010	Exercised	During the year Forfeited/ Expired	Number of unissued ordinary shares 31 December 2010	Exercise price per share [a]	Expiry date
March 2000 [b]	1,036,318	–	1,036,318	–	$17.75	06 March 2010
July 2000 [b]	875,153	–	875,153	–	$18.99	27 July 2010
March 2001	3,486,521	24,444	195,270	3,266,807	$15.05	15 March 2011
August 2001	153,395	33,408	–	119,987	$11.00	01 August 2011
March 2002	2,865,806	397,116	–	2,468,690	$12.53	28 March 2012
August 2002	149,272	9,410	3,529	136,333	$10.43	16 August 2012
December 2002	11,763	–	–	11,763	$9.75	18 December 2012
February 2003	2,371,584	332,987	8,233	2,030,364	$8.84	24 February 2013
March 2004	2,652,353	370,731	16,704	2,264,918	$12.53	02 March 2014
March 2005	1,318,233	193,943	5,333	1,118,957	$12.81	01 March 2015
	14,920,398	1,362,039	2,140,540	11,417,819		

(a) Adjusted for effects of rights issue in January 2009
(b) Expired in 2010

41.3 DBSH Share Plan

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

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

A time-based award comprises two elements, namely, the main award and the "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 Group revises its estimates of the number of shares expected to vest based on non-market vesting conditions and the corresponding adjustments are made to the income statement and Share Plan reserves.

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

Number of shares	2010 grant	2009 grant
Balance at 1 January 2010	**Not applicable**	4,115,463
Granted in 2010	**4,367,999**	Not applicable
Vested in 2010	**(31,468)**	–
Forfeited in 2010	**(204,884)**	(170,803)
Balance at 31 December 2010	**4,131,647**	3,944,660
Weighted average fair value per share at grant date	**$14.28**	$8.18

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

41.4 DBSH Employee Share Plan

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

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

Time-based awards were granted in the current and previous financial years. The time-based awards will only vest after the satisfactory completion of time-based service conditions. Similar to the DBSH Share Plan, effective from the 2010 grant, shares will vest at thirty-three percent two years after the date of grant. A further thirty-three percent will vest three years after the date of grant and the remainder thirty-four percent four years after the date of grant. For grants in 2009, the vesting period was over 3-year period with fifty percent of the shares granted vesting two years after the date of grant and the remainder fifty percent of the shares vesting three years after the date of grant. The fair value of the shares awarded are computed based on the market price of the ordinary shares at the time of the award and is amortised through the income statement over the vesting period. At each balance sheet date, the Group revises its estimates of the number of shares expected to vest based on non-market vesting conditions and the corresponding adjustments are made to the income statement and Share Plan reserves.

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

Number of shares	2010 grant	2009 grant
Balance at 1 January 2010	**Not applicable**	177,000
Granted in 2010	**389,900**	Not applicable
Forfeited in 2010	**(47,700)**	(21,400)
Balance at 31 December 2010	**342,200**	155,600
Weighted average fair value per share at grant date	**$14.26**	$8.05

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

42 RELATED PARTY TRANSACTIONS

42.1 Transactions between the Company and its subsidiaries, including consolidated special purpose entities, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this Note.

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

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

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

	The Group	
In $ millions	**2010**	**2009**
Short-term benefits	**37**	31
Post-employment benefits	**#**	#
Share-based payments	**11**	13
Total [b]	**48**	44

\# *Amount under $500,000*

(a) *Includes Company Directors and members of the Management Committee who have authority and responsibility in planning the activities and direction of the Group*

(b) *Includes cash bonus based on amount accrued during the year, to be paid in the following year*

43 FAIR VALUE OF FINANCIAL INSTRUMENTS

43.1 Fair value measurements

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

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

	The Group			
In $ millions	**Level 1**	**Level 2**	**Level 3**	**Total**
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** [(d)]	**7,746**
Negative fair values for financial derivatives	**7**	**17,180**	**35**	**17,222**

In $ millions	Level 1	The Group Level 2	Level 3	Total
2009				
Assets				
Singapore Government securities and treasury bills	15,960	–	–	15,960
Financial assets at fair value through profit or loss[(a)]				
– Debt securities	6,755	859	763	8,377
– Equity securities	272	10	2	284
– Other financial assets	–	2,596	–	2,596
Available-for-sale financial investments				
– Debt securities	16,439	2,632	589	19,660
– Equity securities[(b)]	559	182	141	882
Securities pledged	784	–	–	784
Positive fair values for financial derivatives	24	15,923	68	16,015
Liabilities				
Financial liabilities at fair value through profit or loss[(c)]				
– Other debt securities in issue	–	2,424	241	2,665
– Other financial liabilities	332	3,880	2,340 [(d)]	6,552
Negative fair values for financial derivatives	12	16,309	85	16,406

(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 $125 million (2009: $134 million)

(c) Includes debt securities in issue, due to non-bank customers (structured investments) and other financial liabilities at fair value through profit or loss

(d) Comprises deposits with variable returns linked to performance of foreign exchange, equities, interest rates or other market drivers. Principal amounts totalling $82 million (2009: $2,317 million) are included within the $82 million (2009: $2,340 million) fair value figures for structured investments. Unrealised loss for the structured investments is not significant (2009: $23 million)

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

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

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

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

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

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

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

In $ millions	Opening balance	Gains or losses		Purchases	Issues	Settlement	Transfer in	Transfer out	Closing balance
		Profit or loss	Other comprehensive income						
2010									
Assets									
Financial assets at fair value through profit or loss									
– Debt securities	**763**	**(44)**	**–**	**96**	**–**	**(326)**	**50**[(b)]	**(50)**[(d)]	**489**
– Equity securities	**2**	**–**	**–**	**3**	**–**	**(5)**	**–**	**–**	**–**
Available-for-sale financial investments									
– Debt securities	**589**	**1**	**2**	**3**	**–**	**(165)**	**68**[(b)]	**(268)**[(d)]	**230**
– Equity securities	**141**	**(12)**	**–**	**19**	**–**	**(13)**	**2**	**–**	**137**
Positive fair values for financial derivatives	**68**	**6**	**–**	**–**	**–**	**(1)**	**18**[(c)]	**(66)**[(e)]	**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)**[(f)]	**82**[(a)]
Negative fair values for financial derivatives	**85**	**–**	**–**	**–**	**–**	**(1)**	**28**	**(77)**	**35**

In $ millions	Opening balance	Gains or losses		Purchases	Settlement	Transfer in	Transfer out	Closing balance
		Profit or loss	Other compre-hensive income					
2009								
Assets								
Financial assets at fair value through profit or loss								
– Debt securities	1,194	31	–	24	(342)	277[(b)]	(421)[(d)]	763
– Equity securities	2	–	–	6	(6)	–	–	2
Available-for-sale financial investments								
– Debt securities	1,115	43	–	306	(417)	153[(b)]	(611)[(d)]	589
– Equity securities	116	–	25	–	–	–	–	141
Positive fair values for financial derivatives	135	(12)	–	–	(54)	1[(c)]	(2)[(e)]	68
Liabilities								
Financial liabilities at fair value through profit or loss								
– Other debt securities in issue	277	269	–	–	(305)	–	–	241
– Other financial liabilities	2,483	(143)	–	–	–	–	–	2,340[(a)]
Negative fair values for financial derivatives	359	(157)	–	–	(112)	–	(5)	85

(a) Principal amounts totalling $82 million (2009: $2,317 million) are included within the $82 million (2009: $2,340 million) fair value figures for structured investments

(b) Principally reflects transfers from Level 1 & 2 within the fair value hierarchy due to reduced price transparency or use of proxy pricing over different asset classes

(c) Principally reflects transfers from Level 2 within the fair value hierarchy for interest rate and credit derivatives due to reduced transparency of correlation inputs and credit spreads having significant impact on overall fair value of instrument

(d) Principally reflects transfers to Level 1 & 2 within the fair value hierarchy as recent improved liquidity conditions provided improved price transparency and/or due to the use of developed in-house models with significant observable inputs

(e) Principally reflects transfers to Level 2 within the fair value hierarchy for interest rate derivatives due to availability of in-house pricing model with significant observable inputs

(f) Principally reflects transfers to Level 2 within the fair value hierarchy for structured deposits with variable returns linked to performance of some asset class(es) due to availability of in-house pricing model with significant observable inputs

Total losses for the year included in profit or loss for Level 3 assets/(liabilities) held at the end of 2010	(51)
Total gains for the year included in profit or loss for Level 3 assets/(liabilities) held at the end of 2009	50

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

Effect of changes in significant unobservable assumptions to reasonably possible alternatives
As at 31 December 2010, financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) mainly include some of the following: private equity investments, corporate debt securities, equity, interest rate and credit derivatives and financial liabilities from structured product issuances.

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

For many of the Level 3 financial instruments considered, in particular derivatives, unobservable input parameters represent only a small portion of the total number of parameters required to value a financial instrument. The Group has assessed this as insignificant.

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

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

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

For unquoted equities not carried at fair value, fair values have been estimated by reference to the net tangible asset backing of the investee. Unquoted equities of $125 million as at 31 December 2010 (2009: $134 million) were stated at cost less accumulated impairment losses because the fair value cannot be reliably estimated using valuation techniques supported by observable market data. The Group intends to dispose of such instruments through trade sale.

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

44 CREDIT RISK

44.1 Maximum exposure to credit risk

The maximum exposure to credit risk at the balance sheet date is the amounts on the balance sheet as well as commitments to extend credit, without taking into account the fair value of any collateral and master netting arrangements. The table below shows the maximum exposure and average gross exposures to credit risk for the components of the balance sheet:

	The Group			
In $ millions	**Average 2010**	**Average 2009**	**2010**	**2009**
Cash and balances with central banks (excludes cash on hand)	**25,480**	17,939	**29,834**	21,127
Singapore Government securities and treasury bills	**13,753**	15,378	**11,546**	15,960
Due from banks	**21,254**	21,335	**20,306**	22,203
Financial assets at fair value through profit or loss (excludes equity securities)				
Other government securities and treasury bills	**3,381**	3,022	**2,845**	3,918
Corporate debt securities	**4,030**	4,553	**3,601**	4,459
Loans and advances to customers	**503**	626	**395**	610
Other financial assets	**2,489**	1,839	**2,992**	1,986
Positive fair values for financial derivatives	**16,391**	24,172	**16,767**	16,015
Loans and advances to customers	**140,835**	127,907	**151,698**	129,973
Financial investments (excludes equity securities)				
Other government securities and treasury bills	**8,079**	6,117	**8,473**	7,685
Corporate debt securities	**16,982**	17,060	**16,934**	17,030
Securities pledged				
Singapore Government securities and treasury bills	**235**	120	**414**	55
Other government securities and treasury bills	**1,129**	754	**1,556**	702
Corporate debt securities	**20**	16	**12**	27
Other assets	**6,195**	6,049	**6,379**	6,011
Credit exposure	**260,756**	246,887	**273,752**	247,761
Contingent liabilities and commitments (excludes operating lease and capital commitments)	**104,113**	94,370	**110,987**	97,238
Total credit exposure	**364,869**	341,257	**384,739**	344,999

The geographic distribution[c] of credit exposures are as follows:

The Group 2010						
In $ millions	**Singapore**	**Hong Kong**	**Rest of Greater China**	**South and Southeast Asia**	**Rest of the World**	**Total**
Cash and balances with central banks (excludes cash on hand)	**26,016**	**159**	**3,338**	**317**	**4**	**29,834**
Due from banks	**11,080**	**4,699**	**3,353**	**419**	**755**	**20,306**
Financial assets at fair value through profit or loss (excludes equity securities)	**7,242**	**308**	**179**	**1,964**	**140**	**9,833**
Other securities[b] (excludes equity securities)	**26,509**	**5,966**	**932**	**1,033**	**4,495**	**38,935**
Loans and advances to customers	**89,098**	**35,715**	**11,962**	**8,957**	**5,966**	**151,698**
Other assets[a]	**15,916**	**4,882**	**976**	**922**	**450**	**23,146**
Credit exposure	**175,861**	**51,729**	**20,740**	**13,612**	**11,810**	**273,752**
Contingent liabilities and commitments (excludes operating lease and capital commitments)	**62,614**	**25,154**	**8,257**	**6,015**	**8,947**	**110,987**
Total credit exposure	**238,475**	**76,883**	**28,997**	**19,627**	**20,757**	**384,739**

The Group 2009						
In $ millions	**Singapore**	**Hong Kong**	**Rest of Greater China**	**South and Southeast Asia**	**Rest of the World**	**Total**
Cash and balances with central banks (excludes cash on hand)	19,109	158	1,644	212	4	21,127
Due from banks	16,822	2,519	1,172	542	1,148	22,203
Financial assets at fair value through profit or loss (excludes equity securities)	7,599	392	411	2,147	424	10,973
Other securities[b] (excludes equity securities)	28,773	7,467	452	1,087	3,680	41,459
Loans and advances to customers	72,961	32,818	9,979	7,874	6,341	129,973
Other assets[a]	16,325	3,953	478	771	499	22,026
Credit exposure	161,589	47,307	14,136	12,633	12,096	247,761
Contingent liabilities and commitments (excludes operating lease and capital commitments)	51,853	26,195	5,432	5,682	8,076	97,238
Total credit exposure	213,442	73,502	19,568	18,315	20,172	344,999

(a) Other assets include positive fair values for financial derivatives and other assets

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

(c) Based on the country in which the transactions are booked

The industry distribution of credit exposures are as follows:

In $ millions	Manufac-turing	Building and construc-tion	General commerce	Transpor-tation, storage and communic-ations	Financial institutions, investment and holding companies	Government	Housing loans	Professional and private individuals (excluding housing loans)	Others	Total
	The Group 2010									
Cash and balances with central banks (excludes cash on hand)	–	–	–	–	**29,834**	–	–	–	–	**29,834**
Due from banks	–	–	–	–	**20,306**	–	–	–	–	**20,306**
Financial assets at fair value through profit or loss (excludes equity securities)	**412**	**162**	**110**	**310**	**4,993**	**2,845**	–	–	**1,001**	**9,833**
Other securities[b] (excludes equity securities)	**581**	**929**	**602**	**1,761**	**9,107**	**21,989**	–	–	**3,966**	**38,935**
Loans and advances to customers	**18,638**	**21,068**	**16,402**	**14,025**	**17,908**	–	**38,612**	**10,938**	**14,107**	**151,698**
Other assets[a]	**543**	**190**	**438**	**970**	**13,448**	–	–	**133**	**7,424**	**23,146**
Credit exposure	**20,174**	**22,349**	**17,552**	**17,066**	**95,596**	**24,834**	**38,612**	**11,071**	**26,498**	**273,752**
Contingent liabilities and commitments (excludes operating lease and capital commitments)	**19,605**	**7,163**	**14,743**	**6,396**	**15,271**	**372**	**5,207**	**24,515**	**17,715**	**110,987**
Total credit exposure	**39,779**	**29,512**	**32,295**	**23,462**	**110,867**	**25,206**	**43,819**	**35,586**	**44,213**	**384,739**

(a) Other assets include positive fair values for financial derivatives and other assets

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

	The Group 2009									
In $ millions	**Manufac-turing**	**Building and construc-tion**	**General commerce**	**Transpor-tation, storage and communic-ations**	**Financial institutions, investment and holding companies**	**Government**	**Housing loans**	**Professional and private individuals (excluding housing loans)**	**Others**	**Total**
Cash and balances with central banks (excludes cash on hand)	–	–	–	–	21,127	–	–	–	–	21,127
Due from banks	–	–	–	–	22,203	–	–	–	–	22,203
Financial assets at fair value through profit or loss (excludes equity securities)	524	199	81	341	4,762	3,918	–	–	1,148	10,973
Other securities[b] (excludes equity securities)	554	580	571	1,252	10,011	24,402	–	–	4,089	41,459
Loans and advances to customers	15,553	18,171	12,911	12,026	15,881	–	33,036	10,648	11,747	129,973
Other assets[a]	653	166	127	683	13,909	–	–	11	6,477	22,026
Credit exposure	17,284	19,116	13,690	14,302	87,893	28,320	33,036	10,659	23,461	247,761
Contingent liabilities and commitments (excludes operating lease and capital commitments)	16,872	5,811	11,579	5,006	15,633	189	5,010	22,856	14,282	97,238
Total credit exposure	34,156	24,927	25,269	19,308	103,526	28,509	38,046	33,515	37,743	344,999

(a) Other assets include positive fair values for financial derivatives and other assets

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

44.2 Loans and advances to customers

Loans and advances to customers are summarised as follows:

In $ millions	**The Group 2010**	**2009**
Loans and advances to customers		
Performing Loans		
– Neither past due nor impaired (i)	**150,980**	128,253
– Past due but not impaired (ii)	**528**	774
Non-Performing Loans		
– Impaired (iii)	**2,818**	3,783
Total gross loans (Note 20)	**154,326**	132,810

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

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

	The Group		
In $ millions	**Pass**	**Special mention**	**Total**
2010			
Manufacturing	**16,887**	**1,748**	**18,635**
Building and construction	**20,577**	**581**	**21,158**
Housing loans	**38,086**	**335**	**38,421**
General commerce	**15,062**	**1,347**	**16,409**
Transportation, storage and communications	**13,122**	**553**	**13,675**
Financial institutions, investments and holding companies	**17,238**	**327**	**17,565**
Professionals and private individuals (except housing loans)	**10,855**	**43**	**10,898**
Others	**13,614**	**605**	**14,219**
Total	**145,441**	**5,539**	**150,980**

	The Group		
In $ millions	**Pass**	**Special mention**	**Total**
2009			
Manufacturing	13,544	1,731	15,275
Building and construction	17,916	319	18,235
Housing loans	32,539	256	32,795
General commerce	12,145	559	12,704
Transportation, storage and communications	11,112	782	11,894
Financial institutions, investments and holding companies	14,255	709	14,964
Professionals and private individuals (except housing loans)	10,498	62	10,560
Others	11,193	633	11,826
Total	123,202	5,051	128,253

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

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

	The Group			
In $ millions	**Up to 30 days past due**	**30-59 days past due**	**60-90 days past due**	**Total**
2009				
Manufacturing	109	11	7	127
Building and construction	99	1	2	102
Housing loans	128	4	8	140
General commerce	129	6	2	137
Transportation, storage and communications	109	3	8	120
Financial institutions, investment and holding companies	2	–	–	2
Professionals and private individuals (except housing loans)	89	6	8	103
Others	16	27	–	43
Total	681	58	35	774

(iii) Non-performing assets

Non-performing assets by loan grading and industry

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

In $ millions	The Group NPAs[(a)] Sub-standard	Doubtful	Loss	Total	Specific allowances[(a)] Sub-standard	Doubtful	Loss	Total
2009								
Customer loans								
Manufacturing	384	185	166	735	36	180	170	386
Building and construction	64	18	7	89	1	14	7	22
Housing loans	166	3	19	188	9	3	18	30
General commerce	231	86	155	472	21	62	155	238
Transportation, storage and communications	155	104	5	264	11	81	5	97
Financial institutions, investment and holding companies	846	764	128	1,738	86	407	128	621
Professional and private individuals (except housing loans)	140	22	72	234	20	21	72	113
Others	67	17	72	156	9	17	72	98
Total customer loans	2,053	1,199	624	3,876	193	785	627	1,605
Debt securities	52	102	6	160	2	98	6	106
Contingent items and others	50	130	3	183	–	94	3	97
Total	2,155	1,431	633	4,219	195	977	636	1,808

(a) NPAs and specific allowances for customer loans each includes $60 million (2009: $93 million) in interest receivables

Non-performing assets by region

In $ millions	The Group NPAs	Specific allowances	General allowances
2010			
Singapore	**675**	**223**	**774**
Hong Kong	**362**	**214**	**398**
Rest of Greater China	**252**	**166**	**161**
South and Southeast Asia	**336**	**164**	**220**
Rest of the World	**1,588**	**578**	**299**
Total	**3,213**	**1,345**	**1,852**
2009			
Singapore	754	215	741
Hong Kong	567	330	349
Rest of Greater China	353	213	130
South and Southeast Asia	207	99	193
Rest of the World	2,338	951	259
Total	4,219	1,808	1,672

Non-performing assets by past due period

In $ millions	The Group 2010	2009
Not overdue	**1,294**	1,802
< 90 days past due	**225**	358
91-180 days past due	**124**	113
> 180 days past due	**1,570**	1,946
Total past due assets	**1,919**	2,417
Total	**3,213**	4,219

Collateral value for non-performing assets

In $ millions	The Group 2010	2009
Properties	**250**	540
Shares and debentures	**85**	124
Fixed deposits	**38**	22
Others	**317**	300
Total	**690**	986

The Group does not disclose the fair value of collateral held as security on assets past due but not impaired as it is not practicable to do so.

Past due assets by industry

In $ millions	The Group 2010	2009
Manufacturing	**328**	454
Building and construction	**84**	28
Housing loans	**114**	167
General commerce	**147**	366
Transportation, storage and communications	**18**	24
Financial institutions, investment and holding companies	**861**	987
Professional and private individuals (except housing loans)	**126**	149
Others	**105**	127
Sub-total	**1,783**	2,302
Debt securities and contingent items	**136**	115
Total	**1,919**	2,417

Past due assets by region

In $ millions	The Group 2010	2009
Singapore	**345**	416
Hong Kong	**282**	446
Rest of Greater China	**149**	216
South and Southeast Asia	**99**	98
Rest of the World	**908**	1,126
Sub-total	**1,783**	2,302
Debt securities and contingent items	**136**	115
Total	**1,919**	2,417

Restructured non-performing assets

In $ millions	The Group NPAs	Specific allowances
2010		
Substandard	**443**	**47**
Doubtful	**145**	**128**
Loss	**28**	**28**
Total	**616**	**203**
2009		
Substandard	389	51
Doubtful	90	73
Loss	54	54
Total	533	178

Restructured assets returned to the performing status but are still under concessions as at 31 December 2010 and 31 December 2009 are not material.

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

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

	Financial assets at fair value through profit or loss						Financial investments			
In $ millions External rating	Singapore Government securities and treasury bills	Other government securities and treasury bills	Corporate debt securities	Loans and advances to customer	Other financial assets (due from banks) [(b)]	Total	Other government securities and treasury bills	Corporate debt securities	Total	Securities pledged
	(1)	(2)	(3)	(4)	(5)	(6)=(2+3+4+5)	(7)	(8)	(9)=(7+8)	(10)
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**
2009										
AAA	15,960	452	296	–	–	748	3,607	1,843	5,450	55
AA- to AA+	–	463	336	–	–	799	1,134	3,199	4,333	505
A- to A+	–	993	2,267	–	–	3,260	2,046	5,584	7,630	13
Lower than A-	–	2,010	1,337	–	–	3,347	898	2,439	3,337	211
Unrated	–	–	223	610	1,986	2,819	–	3,965	3,965	–
Total	15,960	3,918	4,459	610	1,986	10,973	7,685	17,030	24,715	784

(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"

Cross-border exposures

At 31 December 2010, the Group had exposures to various countries where net exposure exceeded 1% of the Group's total assets. The exposures are determined based on the location of the credit risk of the customers and counterparties regardless of where the transactions are booked.

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

In $ millions Assets in	Loans and debt securities Banks	 Central banks and Government securities	 Non-banks[(a)]	 Investments	Total exposure Amount	 As a % of Total assets
	(1)	(2)	(3)	(4)	(5)=(1+2+3+4)	(6)
2010						
Top 10 countries						
(Net exposure >1% of Total assets)						
Hong Kong	**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**
2009						
Top 10 countries						
(Net exposure >1% of Total assets)						
Hong Kong	1,240	1,667	34,084	116	37,107	14.3
India	3,413	1,048	5,838	194	10,493	4.1
China	1,446	784	7,434	211	9,875	3.8
South Korea	4,161	2,291	3,065	–	9,517	3.7
United Kingdom	4,199	543	2,529	7	7,278	2.8
United States	1,998	2,227	2,840	184	7,249	2.8
Indonesia	49	1,869	3,827	2	5,747	2.2
Taiwan	516	1,192	3,988	17	5,713	2.2
Australia	3,305	19	1,524	75	4,923	1.9
Japan	2,073	–	1,946	–	4,019	1.6
Total	22,400	11,640	67,075	806	101,921	39.4

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

45 MARKET RISK

45.1 Market risk

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

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

In $ millions	As at 31 Dec 2009	The Group 1 Jan 2009 to 31 Dec 2009* Average	 High	 Low
Total	22	33	52	21

* *Using a two-year historical observation period up to 31 May 2009, and using a one-year historical observation period from 1 June 2009.*

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

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

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

		The Group 28 Feb 2009 to 31 Dec 2009*		
In $ millions	**As at 31 Dec 2009**	**Average**	**High**	**Low**
Total	81	76	94	58

* *Using a two-year historical observation period up to 31 May 2009, and using a one-year historical observation period from 1 June 2009.*

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 $465 million. The corresponding simulated economic value change for a 200 basis point downward shock is positive $499 million.

45.2 Interest rate repricing gaps

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

In $ millions	**Less than 7 days**	**1 week to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 3 years**	**Over 3 years**	**Non-interest bearing**	**Total**
2010								
Cash and balances with central banks	**3,624**	**7,064**	**12,818**	**1,168**	**–**	**–**	**6,529**	**31,203**
Due from banks	**3,460**	**5,583**	**4,509**	**3,572**	**–**	**–**	**3,182**	**20,306**
Financial assets at fair value through profit or loss	**500**	**1,920**	**1,627**	**2,894**	**1,171**	**1,721**	**346**	**10,179**
Other securities[(a)]	**372**	**1,776**	**7,895**	**5,146**	**9,170**	**14,577**	**1,142**	**40,078**
Loans and advances to customers	**25,538**	**47,572**	**35,957**	**19,575**	**14,440**	**6,995**	**1,621**	**151,698**
Other assets[(b)]	**–**	**–**	**–**	**–**	**–**	**–**	**30,246**	**30,246**
Total assets	**33,494**	**63,915**	**62,806**	**32,355**	**24,781**	**23,293**	**43,066**	**283,710**
Due to banks	**5,208**	**9,377**	**2,981**	**753**	**–**	**–**	**492**	**18,811**
Due to non-bank customers	**129,670**	**21,085**	**19,201**	**14,486**	**1,497**	**1,756**	**–**	**187,695**
Financial liabilities at fair value through profit or loss	**788**	**1,119**	**1,510**	**2,969**	**2,177**	**1,648**	**17**	**10,228**
Other liabilities[(c)]	**1,509**	**251**	**244**	**531**	**388**	**1,541**	**23,012**	**27,476**
Subordinated term debts	**–**	**1,158**	**1,930**	**1,116**	**680**	**1,514**	**–**	**6,398**
Total liabilities	**137,175**	**32,990**	**25,866**	**19,855**	**4,742**	**6,459**	**23,521**	**250,608**
Non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**6,503**	**6,503**
Shareholders' funds	**–**	**–**	**–**	**–**	**–**	**–**	**26,599**	**26,599**
Total equity	**–**	**–**	**–**	**–**	**–**	**–**	**33,102**	**33,102**
On-balance sheet interest rate gap	**(103,681)**	**30,925**	**36,940**	**12,500**	**20,039**	**16,834**	**(13,557)**	**–**
Off-balance sheet interest rate gap – Financial derivatives[(d)]	**8,326**	**9,522**	**(5,684)**	**(4,670)**	**(4,205)**	**(3,289)**	**–**	**–**

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
2009								
Cash and balances with central banks	2,443	8,706	7,254	–	–	–	4,112	22,515
Due from banks	5,999	6,298	5,178	3,887	70	43	728	22,203
Financial assets at fair value through profit or loss	554	2,275	2,265	3,219	1,289	1,371	284	11,257
Other securities[(a)]	1,157	3,371	9,348	6,465	10,040	11,054	1,040	42,475
Loans and advances to customers	27,404	42,809	24,052	21,077	6,593	6,910	1,128	129,973
Other assets[(b)]	–	–	–	–	–	–	30,221	30,221
Total assets	37,557	63,459	48,097	34,648	17,992	19,378	37,513	258,644
Due to banks	4,828	2,413	1,144	516	–	–	207	9,108
Due to non-bank customers	120,650	25,785	15,804	14,315	987	907	–	178,448
Financial liabilities at fair value through profit or loss	386	1,474	949	1,596	3,371	1,428	13	9,217
Other liabilities[(c)]	789	21	39	70	366	612	22,773	24,670
Subordinated term debts	–	1,264	2,107	715	2,027	1,589	–	7,702
Total liabilities	126,653	30,957	20,043	17,212	6,751	4,536	22,993	229,145
Non-controlling interests	–	–	–	–	–	–	4,126	4,126
Shareholders' funds	–	–	–	–	–	–	25,373	25,373
Total equity	–	–	–	–	–	–	29,499	29,499
On-balance sheet interest rate gap	(89,096)	32,502	28,054	17,436	11,241	14,842	(14,979)	–
Off-balance sheet interest rate gap – Financial derivatives[(d)]	5,064	(151)	(414)	2,852	(3,388)	(3,963)	–	–

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

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

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

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

46 LIQUIDITY RISK

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

In $ millions	2010 Up to 1 year	2010 More than 1 year	2010 Total	2009 Up to 1 year	2009 More than 1 year	2009 Total
Cash and balances with central banks	**31,203**	**–**	**31,203**	22,515	–	22,515
Singapore Government securities and treasury bills	**3,329**	**8,217**	**11,546**	5,822	10,138	15,960
Due from banks	**18,362**	**1,944**	**20,306**	19,652	2,551	22,203
Financial assets at fair value through profit or loss	**6,615**	**3,564**	**10,179**	7,319	3,938	11,257
Positive fair values for financial derivatives	**16,767**	**–**	**16,767**	16,015	–	16,015
Loans and advances to customers	**55,955**	**95,743**	**151,698**	44,471	85,502	129,973
Financial investments	**7,655**	**18,895**	**26,550**	6,910	18,821	25,731
Securities pledged	**940**	**1,042**	**1,982**	505	279	784
Investments in associates	**–**	**813**	**813**	–	672	672
Goodwill on consolidation	**–**	**4,802**	**4,802**	–	5,847	5,847
Properties and other fixed assets	**–**	**1,025**	**1,025**	–	1,134	1,134
Investment properties	**–**	**358**	**358**	–	398	398
Deferred tax assets	**–**	**102**	**102**	–	144	144
Other assets	**5,465**	**914**	**6,379**	5,640	371	6,011
Total assets	**146,291**	**137,419**	**283,710**	128,849	129,795	258,644
Due to banks	**18,425**	**386**	**18,811**	9,108	–	9,108
Due to non-bank customers	**184,442**	**3,253**	**187,695**	176,554	1,894	178,448
Financial liabilities at fair value through profit or loss	**5,677**	**4,551**	**10,228**	4,087	5,130	9,217
Negative fair values for financial derivatives	**17,222**	**–**	**17,222**	16,406	–	16,406
Bills payable	**601**	**–**	**601**	501	–	501
Current tax liabilities	**879**	**–**	**879**	807	–	807
Deferred tax liabilities	**–**	**40**	**40**	–	54	54
Other liabilities	**5,392**	**1,182**	**6,574**	5,413	1,076	6,489
Other debt securities in issue	**505**	**1,655**	**2,160**	44	369	413
Subordinated term debts	**1,116**	**5,282**	**6,398**	715	6,987	7,702
Total liabilities	**234,259**	**16,349**	**250,608**	213,635	15,510	229,145
Non-controlling interests	**–**	**6,503**	**6,503**	–	4,126	4,126
Shareholders' funds	**–**	**26,599**	**26,599**	–	25,373	25,373
Total equity	**–**	**33,102**	**33,102**	–	29,499	29,499

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

In $ millions	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	More than 1 year	No specific maturity	Total
2010							
Cash and balances with central banks	**10,154**	**7,069**	**12,832**	**1,168**	**–**	**–**	**31,223**
Due from banks	**6,018**	**5,552**	**4,110**	**2,694**	**1,982**	**–**	**20,356**
Financial assets at fair value through profit or loss	**381**	**1,850**	**1,147**	**3,118**	**4,106**	**346**	**10,948**
Other securities[(a)]	**179**	**529**	**4,193**	**6,700**	**31,931**	**1,143**	**44,675**
Loans and advances to customers	**10,850**	**12,226**	**13,758**	**21,146**	**104,635**	**–**	**162,615**
Other assets[(b)]	**1,435**	**115**	**319**	**89**	**914**	**10,141**	**13,013**
Total assets	**29,017**	**27,341**	**36,359**	**34,915**	**143,568**	**11,630**	**282,830**
Due to banks	**5,701**	**9,380**	**2,599**	**755**	**386**	**–**	**18,821**
Due to non-bank customers	**129,678**	**21,112**	**19,239**	**14,569**	**3,332**	**–**	**187,930**
Financial liabilities at fair value through profit or loss	**754**	**797**	**1,059**	**3,091**	**4,538**	**17**	**10,256**
Other liabilities[(c)]	**3,277**	**876**	**363**	**1,021**	**3,042**	**1,812**	**10,391**
Subordinated term debts	**–**	**14**	**2**	**1,238**	**5,651**	**–**	**6,905**
Total liabilities	**139,410**	**32,179**	**23,262**	**20,674**	**16,949**	**1,829**	**234,303**
Non-controlling interests	**–**	**–**	**–**	**–**	**–**	**6,503**	**6,503**
Shareholders' funds	**–**	**–**	**–**	**–**	**–**	**26,599**	**26,599**
Total equity	**–**	**–**	**–**	**–**	**–**	**33,102**	**33,102**
Derivatives settled on a net basis[(d)]	**(284)**	**1**	**(66)**	**26**	**(485)**	**–**	**(808)**
Net liquidity gap	**(110,677)**	**(4,837)**	**13,031**	**14,267**	**126,134**	**(23,301)**	**14,617**
2009							
Cash and balances with central banks	5,479	8,109	7,257	–	–	1,683	22,528
Due from banks	6,506	6,032	5,310	1,930	2,570	53	22,401
Financial assets at fair value through profit or loss	435	2,135	1,302	3,505	4,008	284	11,669
Other securities[(a)]	728	1,922	4,067	7,171	31,403	1,038	46,329
Loans and advances to customers	8,297	12,252	10,824	14,508	94,106	–	139,987
Other assets[(b)]	1,211	53	265	56	321	11,603	13,509
Total assets	22,656	30,503	29,025	27,170	132,408	14,661	256,423
Due to banks	5,162	2,415	1,143	516	–	–	9,236
Due to non-bank customers	120,659	25,820	15,837	14,387	1,900	–	178,603
Financial liabilities at fair value through profit or loss	385	1,298	522	1,955	5,478	13	9,651
Other liabilities[(c)]	2,766	294	770	203	1,107	3,287	8,427
Subordinated term debts	–	14	3	918	7,498	–	8,433
Total liabilities	128,972	29,841	18,275	17,979	15,983	3,300	214,350
Non-controlling interests	–	–	–	–	–	4,126	4,126
Shareholders' funds	–	–	–	–	–	25,373	25,373
Total equity	–	–	–	–	–	29,499	29,499
Derivatives settled on a net basis[(d)]	(601)	(326)	(322)	(621)	(397)	(36)	(2,303)
Net liquidity gap	(106,917)	336	10,428	8,570	116,028	(18,174)	10,271

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

(b) Other assets include investments in associates, goodwill on consolidation, properties and other fixed assets, investment properties, deferred tax assets and other assets

(c) Other liabilities include bills payable, other debt securities in issue, current and deferred tax liabilities and other liabilities

(d) Positive indicates inflow and negative indicates outflow of funds

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

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

46.1 Derivatives settled on a gross basis

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

In $ millions	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	More than 1 year	Total
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**
2009						
Foreign exchange derivatives						
– outflow	47,713	52,740	58,622	96,563	47,510	303,148
– inflow	47,617	52,060	58,806	96,724	47,464	302,671

46.2 Contingent liabilities and commitments

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

In $ millions	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
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**
2009					
Guarantees, endorsements and other contingent items	15,711	–	–	–	15,711
Undrawn loan commitments[(a)] and other facilities	75,768	4,785	769	205	81,527
Operating lease commitments	127	218	178	397	920
Capital commitments	41	8	–	–	49
Total	91,647	5,011	947	602	98,207

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

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

46.3 Behavioural profiling

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

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

In $ millions[(a)]	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year
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**
2009					
Net liquidity mismatch	23,111	13,349	9,793	(492)	555
Cumulative mismatch	23,111	36,460	46,253	45,761	46,316

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

As the behavioural assumptions used to determine the maturity mismatch between assets and liabilities are updated from time to time, the information presented above is not directly comparable across past balance sheet dates.

47 CAPITAL MANAGEMENT

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

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

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

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

In $ millions	**2010**	**2009**
Tier 1 Capital		
Share capital	**8,780**	8,435
Disclosed reserves and others	**23,927**	20,928
Less: Tier 1 Deductions	**5,064**	6,098
Eligible Tier 1 Capital	**27,643**	23,265
Tier 2 Capital		
Loan allowances admitted as Tier 2	**696**	434
Subordinated debts	**5,281**	5,970
Revaluation surplus from equity securities	**149**	87
Less: Tier 2 Deductions	**142**	128
Total eligible capital	**33,627**	29,628
Risk-weighted assets	**182,694**	177,222
Capital Adequacy Ratio (%)		
Core Tier 1 ratio	**11.8**	11.0
Tier 1 ratio	**15.1**	13.1
Tier 2 ratio	**3.3**	3.6
Total (Tier 1 and 2) ratio	**18.4**	16.7

48 SEGMENT REPORTING

48.1 Business segment reporting

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

The presentation of the business segment results in the financial statements has been revised in 2010 to better reflect internal management reporting. In addition, the Group adopted a revised capital benefit and fund transfer policy with effect from 1 January 2010. Comparative figures have been restated to conform to the current presentation.

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 non bank financial institutions, government linked companies, large corporates and small and medium-sized businesses. The business focus is to broaden and deepen the financial relationship with clients. The products and services available to customers include long and short term credit facilities ranging from specialised lending such as asset financing, project financing and real estate financing to overdraft, trade, receivables financing and structured trade; cash management and deposit; treasury and markets; corporate finance and advisory banking services for mergers and acquisitions, capital raising through debt and equity markets, capital restructuring, syndicated finance, securities and fiduciary services and private equity. Institutional Banking also provides equity services through DBS Vickers Securities (DBSV). DBSV offers a wide range of services to retail and corporate customers including research, sales and trading, share placement, nominees and securities custodian services and distribution of primary and secondary 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 Group's asset and liability interest rate positions and management of the investment of the Group's excess liquidity and shareholders' funds.

Others

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

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

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

In $ millions	Consumer/ Private Banking	Institutional Banking	Treasury	Others[(a)]	Total
2010					
Net interest income	**1,398**	**1,995**	**840**	**85**	**4,318**
Non-interest income	**667**	**1,518**	**393**	**170**	**2,748**
Total income	**2,065**	**3,513**	**1,233**	**255**	**7,066**
Expenses	**1,471**	**1,119**	**368**	**(33)**	**2,925**
Goodwill 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**	**(699)**	**2,314**
Income tax expense	**81**	**274**	**134**	**(35)**	**454**
Net profit	**458**	**1,360**	**733**	**(919)**	**1,632**
Total assets before goodwill	**51,328**	**118,572**	**98,735**	**10,273**	**278,908**
Goodwill on consolidation					**4,802**
Total assets					**283,710**
Total liabilities	**117,529**	**80,559**	**42,584**	**9,936**	**250,608**
Capital expenditure	**45**	**28**	**10**	**93**	**176**
Depreciation [(b)]	**46**	**20**	**10**	**117**	**193**
2009					
Net interest income	1,399	1,844	1,223	(11)	4,455
Non-interest income	609	1,328	26	185	2,148
Total income	2,008	3,172	1,249	174	6,603
Expenses	1,245	964	324	71	2,604
Allowances for credit and other losses	82	1,118	7	345	1,552
Share of profits of associates	–	28	–	38	66
Profit before tax	681	1,118	918	(204)	2,513
Income tax expense	109	197	195	(216)	285
Net profit	572	974	723	(228)	2,041
Total assets before goodwill	45,094	100,649	97,959	9,095	252,797
Goodwill on consolidation					5,847
Total assets					258,644
Total liabilities	115,194	69,084	31,262	13,605	229,145
Capital expenditure	28	22	11	118	179
Depreciation [(b)]	50	24	7	114	195

(a) 2009 includes one-time impairment charge for a Thailand investment of $23 million

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

48.2 Geographical segment reporting

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

	The Group					
In $ millions	**Singapore**	**Hong Kong**	**Rest of Greater China[c]**	**South and Southeast Asia[d]**	**Rest of the World[e]**	**Total**
2010						
Total income	**4,426**	**1,465**	**426**	**457**	**292**	**7,066**
Net profit	**670[a]**	**579**	**47**	**203**	**133**	**1,632**
Total assets before goodwill	**179,813**	**52,489**	**21,033**	**13,710**	**11,863**	**278,908**
Goodwill on consolidation	**4,802**	**–**	**–**	**–**	**–**	**4,802**
Total assets	**184,615**	**52,489**	**21,033**	**13,710**	**11,863**	**283,710**
Non-current assets[f]	**1,623**	**406**	**129**	**36**	**2**	**2,196**
2009						
Total income	3,991	1,366	409	501	336	6,603
Net profit	1,163[b]	464	68	226	120	2,041
Total assets before goodwill	165,652	47,653	14,362	12,743	12,387	252,797
Goodwill on consolidation	5,847	–	–	–	–	5,847
Total assets	171,499	47,653	14,362	12,743	12,387	258,644
Non-current assets[f]	1,485	530	142	46	1	2,204

(a) Includes goodwill charges of $1,018 million in 2010
(b) Includes one-time impairment charge for a Thailand investment of $23 million in 2009
(c) Rest of Greater China includes branch, subsidiary and associate operations in Mainland China and Taiwan
(d) South and Southeast Asia includes branch, subsidiary, joint venture and associate operations in India, Indonesia, Malaysia and the Philippines
(e) Rest of the World includes branch operations in South Korea, Japan, United States of America and United Kingdom
(f) Includes investment in associates, properties and other fixed assets, and investment properties

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

The significant operating subsidiaries in the Group are listed below:

	Name of subsidiary	Principal activities	Country of incorporation	Share capital Currency	Share capital In millions	Effective shareholding % 2010	Effective shareholding % 2009
	Held by the Company						
1.	DBS Bank Ltd	Retail, corporate and investment banking services	Singapore	SGD	15,946	**100**	100
	Held by the Bank						
2.	DBS Asset Management Ltd	Investment management services	Singapore	SGD	64	**100**	100
3.	DBS China Square Ltd	Property investment holding	Singapore	SGD	229	**70**	70
4.	DBS Trustee Ltd	Trustee services	Singapore	SGD	3	**100**	100
5.	DBS Vickers Securities Holdings Pte Ltd	Investment holding	Singapore	SGD	403	**100**	100
6.	The Islamic Bank of Asia Limited	Provision of Shariah compliant direct investment and capital market services	Singapore	USD	500	**50**	50
7.	DBS Nominees Pte Ltd	Nominee services	Singapore	SGD	#	**100**	100
8.	DBSN Services Pte Ltd	Nominee services	Singapore	SGD	#	**100**	100
9.	Primefield Company Pte Ltd	Investment holding	Singapore	SGD	12	**100**	100
10.	DBS Capital Investments Ltd	Venture capital investment holding	Singapore	SGD	2	**100**	100
11.	DBS Diamond Holdings Ltd	Investment holding	Bermuda	USD	3,694	**100**	100
12.	DBS Group Holdings (Hong Kong) Ltd	Investment holding	Bermuda	HKD	2,619	**100**	100
13.	DBS Capital Funding Corporation**	Capital funding	Cayman Islands	USD	#	**100**	100
14.	DBS Capital Funding II Corporation**	Capital funding	Cayman Islands	USD	#	**100**	100
15.	DBS Bank (China) Limited*	Retail, small and medium-sized enterprise and corporate banking services	China	CNY	4,000	**100**	100
16.	DBS Private Equity Enterprise[(a)] *	Investment holding	China	USD	15	**99**	99
17.	DBS Asia Capital Limited*	Corporate finance and advisory services	Hong Kong	HKD	92	**100**	100
18.	PT Bank DBS Indonesia*	Commercial banking and financial services	Indonesia	IDR	2,225,000	**99**	99
19.	DBSAM Funds*	Collective investment scheme	Luxembourg	USD	10	**100**	100
20.	DBS Insurance Agency (Taiwan) Limited*	Provision of insurance agency services	Republic of Taiwan	NTD	3	**100**	100
	Held by other subsidiaries						
21.	AXS Infocomm Pte Ltd[(b)]	Development and operation of multimedia transactional pay phone kiosks	Singapore	SGD	19	**86.2**	86.2
22.	DBS Vickers Securities (Singapore) Pte Ltd	Securities and futures broker	Singapore	SGD	50	**100**	100
23.	DBS Vickers Securities Online Holdings Pte Ltd	Investment holding	Singapore	SGD	35	**100**	100
24.	DBS Vickers Research (Singapore) Pte Ltd	Market research consultants	Singapore	SGD	1	**100**	100
25.	Vickers Ballas Asset Management Pte Ltd	Marketing, distributing and managing investment funds	Singapore	SGD	1	**100**	100

Name of subsidiary	Principal activities	Country of incorporation	Share capital Currency	In millions	Effective shareholding % 2010	2009
26. DBS Vickers Securities Nominees (Singapore) Pte Ltd	Nominee services	Singapore	SGD	#	**100**	100
27. DBS Asset Management (United States) Pte Ltd	Investment management services	Singapore	SGD	#	**100**	100
28. DBS Asset Management (Hong Kong) Ltd*	Investment management services	Hong Kong	HKD	13	**100**	100
29. DBS Bank (Hong Kong) Limited*	Retail, corporate and investment banking services	Hong Kong	HKD	7,000	**100**	100
30. DBS Corporate Services (Hong Kong) Limited*	Investment holding and corporate services	Hong Kong	HKD	1	**100**	100
31. DHB Limited*	Investment holding	Hong Kong	HKD	2,300	**100**	100
32. DBS Vickers (Hong Kong) Limited*	Securities and futures broker	Hong Kong	HKD	150	**100**	100
33. DBS Vickers Securities Nominees (Hong Kong) Limited*	Nominee services	Hong Kong	HKD	#	**100**	100
34. DBS Vickers Securities (Hong Kong) Limited*	Investment holding	Hong Kong	HKD	8	**100**	100
Held by other subsidiaries						
35. Kenson Asia Limited*	Corporate services	Hong Kong	HKD	#	**100**	100
36. Kingly Management Limited*	Corporate services	Hong Kong	HKD	#	**100**	100
37. Ting Hong Nominees Limited*	Nominee services	Hong Kong	HKD	#	**100**	100
38. Hang Lung Bank (Nominees) Limited*	Nominee services	Hong Kong	HKD	#	**100**	100
39. DBS Kwong On (Nominees) Limited*	Nominee services	Hong Kong	HKD	#	**100**	100
40. Overseas Trust Bank Nominees Limited*	Nominee services	Hong Kong	HKD	#	**100**	100
41. Worldson Services Limited*	Corporate services	Hong Kong	HKD	#	**100**	100
42. DBS Trustee (Hong Kong) Limited*	Trustee services	Hong Kong	HKD	3	**100**	100
43. PT DBS Vickers Securities (Indonesia)*	Securities broker	Indonesia	IDR	55,000	**99**	99
44. DBS Vickers Securities (Thailand) Co. Ltd*	Securities broker	Thailand	THB	690	**100**	100
45. DHJ Management Limited**	Corporate services	British Virgin Islands	USD	#	**100**	100
46. JT Administration Limited**	Corporate services	British Virgin Islands	USD	#	**100**	100
47. Market Success Limited**	Corporate services	British Virgin Islands	USD	#	**100**	100
48. Kendrick Services Limited**	Corporate directorship services	British Virgin Islands	USD	#	**100**	100
49. Lushington Investment Limited**	Corporate shareholding services	British Virgin Islands	USD	#	**100**	100
50. Quickway Limited**	Corporate directorship services	British Virgin Islands	USD	#	**100**	100
51. DBS Group (HK) Limited*	Investment holding	Bermuda	USD	588	**100**	100
52. DBS Vickers Securities (UK) Ltd*	Securities broker	United Kingdom	GBP	#	**100**	100
53. DBS Vickers Securities (USA), Inc***	Securities broker	United States	USD	3	**100**	100
54. DBS Trustee H.K. (Jersey) Limited*	Trustee services	Jersey	GBP	#	**100**	100
55. DBS Trustee H.K. (New Zealand) Limited*	Trustee services	New Zealand	NZD	#	**100**	100

Name of subsidiary	Principal activities	Country of incorporation	Share capital Currency	Share capital In millions	Effective shareholding % 2010	Effective shareholding % 2009
56. DNZ Limited**	Nominee services	Samoa	USD	#	**100**	100
57. Asian Islamic Investment Management Sdn Bhd[(c)]*	Investment management services	Malaysia	RM	10	**51**	51
58. DBS Investment & Financial Advisory Co. Ltd***	Corporate finance and advisory services	China	USD	1	**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% (2009: 1%) held through DBS Capital Investments Ltd*
(b) *Shareholding includes 26.4% (2009: 26.4%) held through the Bank. In addition, there is an indirect shareholding of 10.6% (2009: 10.6%) held through Network for Electronic Transfers (Singapore) Pte Ltd*
(c) *In addition to the effective shareholding of 51%, there is an indirect shareholding of 13.6% (2009: 13.6%) held through Hwang-DBS (Malaysia) Bhd*

The significant joint ventures in the Group are listed below:

Name of joint venture	Principal activities	Country of incorporation	Share capital Currency	Share capital In millions	Effective shareholding % 2010	Effective shareholding % 2009
Held by the Bank						
1. Ayala DBS Holdings Inc.***	Investment holding	The Philippines	PHP	3,340	**40.0**	40.0
2. Cholamandalam DBS Finance Limited***	Consumer Finance	India	INR	1,193	**–**	37.5
Held by other subsidiaries						
3. 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 significant associates in the Group are listed below:

Name of associate	Principal activities	Country of incorporation	Share capital Currency	Share capital In millions	Effective shareholding % 2010	Effective shareholding % 2009
Quoted - Held by the Bank						
1. Bank of the Philippine Islands***	Commercial banking and financial services	The Philippines	PHP	35,561	**20.3**	20.3
Quoted - Held by other subsidiaries						
2. Hwang-DBS (Malaysia) Bhd[(a)] *	Investment holding	Malaysia	RM	266	**27.7**	27.7

	Name of associate	Principal activities	Country of incorporation	Share capital Currency	Share capital In millions	Effective shareholding % 2010	Effective shareholding % 2009
	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	331	**12.0**	–
	Unquoted - Held by other subsidiaries						
10.	Hwang-DBS Investment Management Berhad*	Investment management services	Malaysia	RM	10	**30.0**	30.0
11.	Hwang-DBS Vickers Research (Malaysia) Sdn Bhd[(b)]*	Investment management	Malaysia	RM	3	**49.0**	49.0
12.	Singapore Consortium Investment Management Ltd	Investment management services	Singapore	SGD	1	**33.3**	33.3
13.	Changsheng Fund Management Company***	Establishment and management of investment	China	RMB	150	**33.0**	33.0

\# *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% (2009: 14.1%) held through Hwang-DBS (Malaysia) Bhd. There is no control over indirect shareholding, thus consolidation was not applied*

The significant operating special purpose entities controlled and consolidated by the Group are listed below:

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

50 ASSETS HELD FOR SALE

On 6 December 2010, DBS Bank Ltd ("DBS") entered into an agreement with The Sumitomo Trust & Banking Co. and Nikko Asset Management Co., Ltd ("Nikko AM") to combine DBS Asset Management Ltd ("DBSAM") and Nikko AM.

Nikko AM, through its indirectly held 100% owned subsidiary Nikko Asset Management Singapore Limited, will acquire DBS' 100% owned subsidiary, DBSAM, for $137 million (US$104 million), and DBS will use proceeds to acquire a 7.25% interest in Nikko AM, thus allowing the Group to participate in the future growth of the combined business.

Shares in Changsheng Fund Management Company, an associate 33% owned by DBSAM, will not form part of the transaction and will be transferred to DBS upon regulatory approvals.

As part of the transaction, DBS and Nikko AM will enter into a non-exclusive distribution agreement through which Nikko AM's portfolio of investment products can be distributed through DBS' network of core markets in the region.

As at 31 December 2010, the assets, liabilities and reserves of DBSAM were consolidated and not classified as a held for sale as the amounts were not material. The transaction is subject to regulatory approvals and is expected to be completed in the first half of 2011.

51 SUBSEQUENT EVENT

On 15 December 2010, DBS Bank Ltd entered into a business migration agreement with The Royal Bank of Scotland N.V and the Royal Bank of Scotland (China) Co. Ltd (RBS China) to transfer certain RBS China's retail and commercial banking customers, business portfolios and related employees in Shanghai, Beijing and Shenzhen to DBS Bank (China) Limited. Subject to customers' consent, up to US$898 million worth of deposits could be transferred to DBS Bank (China) Limited. The business migration is expected to be completed by the second quarter of 2011.

DBS BANK LTD

Income Statement

for the year ended 31 December 2010

In $ millions	Note	2010	2009
Income			
Interest income		**4,256**	4,530
Interest expense		**1,126**	1,419
Net interest income		**3,130**	3,111
Net fee and commission income		**910**	952
Net trading income		**1,022**	287
Net (loss)/income from financial instruments designated at fair value		**(1)**	114
Net income from financial investments	2	**386**	364
Other income		**23**	9
Total income		**5,470**	4,837
Expenses			
Employee benefits		**906**	808
Depreciation of properties and other fixed assets		**113**	119
Other expenses		**791**	743
Allowances for credit and other losses		**757**	1,199
Total expenses		**2,567**	2,869
Profit before tax		**2,903**	1,968
Income tax expense		**357**	199
Net profit for the year		**2,546**	1,769

(see notes on pages 161 to 162, which form part of these financial statements)

Statement of Comprehensive Income

for the year ended 31 December 2010

In $ millions	2010	2009
Net profit for the year	**2,546**	1,769
Other comprehensive income:		
Available-for-sale financial assets		
Net valuation taken to equity	**577**	774
Transferred to income statement on sale	**(292)**	(323)
Tax on items taken directly to or transferred from equity	**(30)**	(71)
Other comprehensive income for the year, net of tax	**255**	380
Total comprehensive income	**2,801**	2,149

(see notes on pages 161 to 162, which form part of these financial statements)

DBS BANK LTD

Balance Sheet

at 31 December 2010

In $ millions	Note	2010	2009
Assets			
Cash and balances with central banks		**29,217**	21,415
Singapore Government securities and treasury bills		**11,546**	15,960
Due from banks		**14,200**	19,086
Financial assets at fair value through profit or loss		**9,304**	9,976
Positive fair values for financial derivatives		**16,632**	16,212
Loans and advances to customers		**117,747**	97,074
Financial investments		**21,633**	18,774
Securities pledged		**712**	279
Subsidiaries	3	**11,880**	11,920
Due from special purpose entities		**–**	67
Investments in joint ventures		**1**	93
Investments in associates		**988**	884
Properties and other fixed assets		**451**	473
Investment properties		**54**	31
Deferred tax assets		**50**	77
Other assets		**4,057**	3,758
Total assets		**238,472**	216,079
Liabilities			
Due to banks		**17,548**	8,297
Due to non-bank customers		**147,763**	138,004
Financial liabilities at fair value through profit or loss		**6,612**	7,502
Negative fair values for financial derivatives		**16,903**	16,550
Bills payable		**560**	468
Current tax liabilities		**782**	672
Other liabilities		**3,554**	3,514
Other debt securities in issue		**1,194**	–
Due to holding company		**2,362**	2,970
Due to subsidiaries	4	**7,549**	8,293
Due to special purpose entities		**130**	224
Subordinated term debts		**6,398**	7,702
Total liabilities		**211,355**	194,196
Net assets		**27,117**	21,883
Equity			
Share capital	5	**15,945**	12,096
Other reserves	6	**2,740**	2,485
Revenue reserves	6	**8,432**	7,302
Shareholders' funds		**27,117**	21,883
Total equity		**27,117**	21,883
Off-balance sheet items			
Contingent liabilities and commitments		**87,762**	76,595
Financial derivatives		**1,322,421**	1,388,961

(see notes on pages 161 to 162, which form part of these financial statements)

Notes to the Supplementary Financial Statements

for the year ended 31 December 2010

The supplementary financial statements of DBS Bank Ltd (the Bank) are extracted from the Audited Statutory Financial Statements of DBS Bank Ltd and its subsidiaries (the Bank Group) for the financial year ended 31 December 2010. The statutory financial statements of the Bank and the Bank Group which contained an unqualified audit report, will be delivered to the Accounting & Corporate Regulatory Authority in accordance with the Singapore Companies Act.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Bank and the Bank Group are consistent with those applied by the Group as disclosed in Note 2 of the "Notes to the Financial Statements" (Notes) in the Group's Consolidated Financial Statements.

2 NET INCOME FROM FINANCIAL INVESTMENTS

Net income from financial investments includes the following:

In $ millions	2010	2009
Dividends from subsidiaries	**81**	66
Dividends from joint ventures/associates	**37**	41
Total	**118**	107

3 SUBSIDIARIES

In $ millions	2010	2009
Unquoted equity shares [(a)]	**10,786**	10,810
Less: impairment allowances	**819**	806
Sub-total	**9,967**	10,004
Due from subsidiaries	**1,913**	1,916
Total	**11,880**	11,920

(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	2010	2009
Balance at 1 January	**806**	768
Charge to income statement	**13**	38
Balance at 31 December	**819**	806

4 DUE TO SUBSIDIARIES

In $ millions	2010	2009
Subordinated term debts issued to DBS Capital Funding Corporation (Note 4.1)	**1,033**	1,118
Subordinated term debts issued to DBS Capital Funding II Corporation (Note 4.2)	**1,500**	1,500
Due to subsidiaries	**5,016**	5,675
Total	**7,549**	8,293

4.1 The subordinated term debts were issued by the Bank to DBS Capital Funding Corporation, both wholly-owned subsidiaries of the Group, on 21 March 2001 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).

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

5 SHARE CAPITAL

Issued and fully paid up	2010	2009
2,056,642,320 (2009: 1,962,302,697) ordinary shares	**2,057**	1,962
11,000,000 6% non-cumulative non-convertible perpetual preference shares	**11**	11
6,800 4.7% non-cumulative non-convertible perpetual preference shares	**#**	–
8,000,000 4.7% non-cumulative non-convertible perpetual preference shares	**8**	–
Total number of shares (millions)	**2,076**	1,973
Total Share Capital (in $ millions)	**15,945**	12,096

 # Amount under 500,000

6 OTHER RESERVES

6.1 Other reserves

In $ millions	2010	2009
Available-for-sale revaluation reserves	**380**	125
General reserves	**2,360**	2,360
Total	**2,740**	2,485

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

In $ millions	Available-for-sale revaluation reserves	General reserves[(a)]	Total
Balance at 1 January 2010	**125**	**2,360**	**2,485**
Available-for-sale:			
– 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**
Balance at 1 January 2009	(255)	2,360	2,105
Available-for-sale:			
– net valuation taken to equity	774	–	774
– transferred to income statement on sale	(323)	–	(323)
– tax on items taken directly to or transferred from equity	(71)	–	(71)
Balance at 31 December 2009	125	2,360	2,485

(a) The General reserves are maintained in accordance with the provisions of applicable laws and regulations. These reserves are non distributable unless otherwise approved by the relevant authorities. Under the Banking (Reserve Fund) (Transitional Provision) regulations 2007, which came into effect on 11 June 2007, the Bank may distribute or utilise its statutory reserves provided that the amount distributed or utilised for each financial year does not exceed 20% of the reserves as at 30 March 2007

6.2 REVENUE RESERVES

In $ millions	2010	2009
Balance at 1 January	**7,302**	5,599
Net profit attributable to shareholders	**2,546**	1,769
Amount available for distribution	**9,848**	7,368
Less: Special dividend (2009: Nil)	**1,350**	–
6% tax exempt preference dividends (2009: 6% tax exempt)	**66**	66
Balance at 31 December	**8,432**	7,302

Directors' Report

The Directors are pleased to submit their report to the Members together with the audited consolidated financial statements of DBS Group Holdings Ltd (the Company) and its subsidiaries (the Group) and the balance sheet of the Company for the financial year ended 31 December 2010, 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 (Appointed Chairman 1 May 2010)
Piyush Gupta	–	Chief Executive Officer
Ang Kong Hua		
Andrew Robert Fowell Buxton		
Bart Joseph Broadman		
Christopher Cheng Wai Chee		
Euleen Goh Yiu Kiang		
Kwa Chong Seng		
John Alan Ross		
Ambat Ravi Shankar Menon		
Danny Teoh Leong Kay	–	(Appointed 1 October 2010)

Messrs Euleen Goh, Bart Broadman and Christopher Cheng will retire in accordance with article 95 of the Company's Articles of Association at the forthcoming annual general meeting (AGM). Messrs Euleen Goh, Bart Broadman and Christopher Cheng will offer themselves for re-election.

Mr Danny Teoh will retire in accordance with article 101 of the Company's Articles of Association at the forthcoming AGM. Mr Teoh will offer himself for re-election.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTEREST IN SHARES OR DEBENTURES

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

	Holdings in which Directors have a direct interest		Holdings in which Directors are deemed to have an interest	
	As at 31 Dec 2010	As at 31 Dec 2009 (or date of appointment if later)	As at 31 Dec 2010	As at 31 Dec 2009 (or date of appointment if later)
DBS Group Holdings Ltd (DBSH) ordinary shares				
Peter Seah Lim Huat	15,322	15,000	–	–
Piyush Gupta	157,161	79,113	–	–
Ang Kong Hua	–	–	–	–
Andrew Robert Fowell Buxton	9,000	9,000	–	–
Bart Joseph Broadman	10,000	10,000	–	–
Christopher Cheng Wai Chee	–	–	–	–
Euleen Goh Yiu Kiang	4,185	4,185	–	–
Kwa Chong Seng	67,102	65,000	154,856	150,000
John Alan Ross	30,000	30,000	–	–
Ambat Ravi Shankar Menon	–	–	–	–
Danny Teoh Leong Kay	6,000	–	–	6,000

	Holdings in which Directors have a direct interest		Holdings in which Directors are deemed to have an interest	
	As at 31 Dec 2010	As at 31 Dec 2009 (or date of appointment if later)	As at 31 Dec 2010	As at 31 Dec 2009 (or date of appointment if later)
DBS Bank 4.7% non-cumulative non-convertible perpetual preference shares (callable 22 November 2020)				
Euleen Goh Yiu Kiang	3,000	–	–	–
Danny Teoh Leong Kay	2,000	–	–	–
DBS Bank 6% non-cumulative non-convertible perpetual preference shares				
Euleen Goh Yiu Kiang	500	500	–	–
Danny Teoh Leong Kay	1,000	–	–	1,000
DBS Capital Funding II Corporation 5.75% non-cumulative non-convertible non-voting guaranteed preference shares				
Kwa Chong Seng	2	2	–	–

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2011.

DIRECTORS' CONTRACTUAL BENEFITS

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

DBSH SHARE OPTION PLAN

Particulars of the share options granted under the Option Plan in 2000, 2001, 2002, 2003, 2004 and 2005 have been set out in the Directors' Reports for the years ended 31 December 2000, 2001, 2002, 2003, 2004 and 2005 respectively. No grants were made under the Option Plan since 2006.

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

DBSH Options	Number of unissued ordinary shares 1 January 2010	During the year Exercised	During the year Forfeited/ Expired	Number of unissued ordinary shares 31 December 2010	Exercise price per share[a]	Expiry date
March 2000 [b]	1,036,318	–	1,036,318	–	$17.75	06 March 2010
July 2000 [b]	875,153	–	875,153	–	$18.99	27 July 2010
March 2001	3,486,521	24,444	195,270	3,266,807	$15.05	15 March 2011
August 2001	153,395	33,408	–	119,987	$11.00	01 August 2011
March 2002	2,865,806	397,116	–	2,468,690	$12.53	28 March 2012
August 2002	149,272	9,410	3,529	136,333	$10.43	16 August 2012
December 2002	11,763	–	–	11,763	$9.75	18 December 2012
February 2003	2,371,584	332,987	8,233	2,030,364	$8.84	24 February 2013
March 2004	2,652,353	370,731	16,704	2,264,918	$12.53	02 March 2014
March 2005	1,318,233	193,943	5,333	1,118,957	$12.81	01 March 2015
	14,920,398	1,362,039	2,140,540	11,417,819		

(a) Adjusted for effects of rights issue in January 2009

(b) Expired in 2010

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

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

DBSH SHARE PLAN

During the financial year, time-based awards in respect of an aggregate of 4,367,999 ordinary shares were granted pursuant to the DBSH Share Plan, to selected employees of the DBSH Group. This included 227,054 ordinary shares comprised in awards granted to directors Mr Piyush Gupta and Mr Koh Boon Hwee (stepped down as Chairman of DBSH on 1 May 2010).

Information on the DBSH Share Plan is as follows:

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

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

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

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

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

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

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

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

AUDIT COMMITTEE

The Audit Committee comprised non-executive directors Mr Ang Kong Hua (Chairman), Mr Christopher Cheng Wai Chee, Mr Ambat Ravi Shankar Menon, Ms Euleen Goh Yiu Kiang, Mr Peter Seah Lim Huat and Mr Danny Teoh Leong Kay. As part of its functions, it assists the Board in discharging its responsibilities for the Group's financial announcements, internal control issues and regulatory compliance as well as to oversee the objectivity and effectiveness of the internal and external auditors.

In its review of the audited financial statements for the financial year ended 31 December 2010, the Audit Committee has discussed with management and the external auditor the accounting principles that were applied and their judgement on the items that might affect the financials. Based on the review and discussions with management and the external auditor, the Audit Committee is of the view that the financial statements are fairly presented in conformity with generally accepted accounting principles in all material aspects.

The Audit Committee has received the requisite information from PricewaterhouseCoopers LLP (PwC) and has considered the financial, business and professional relationship between PwC and the Group. It is of the view that such relationship is compatible with maintaining PwC's independence.

The Audit Committee recommends to the Board of Directors the re-appointment of PwC as independent external auditor at the forthcoming Annual General Meeting of the Company on 28 April 2011.

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

10 February 2011
Singapore

Statement by the Directors

We, Peter Seah Lim Huat and Piyush Gupta, being two of the Directors of DBS Group Holdings Ltd (the Company), state that, in the opinion of the Directors, the consolidated financial statements of the Group, consisting of the Company and its subsidiaries and the balance sheet of the Company, together with the notes thereon, as set out on pages 80 to 157, are drawn up so as to give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2010, and the results, changes in equity and cash flows of the Group for the financial year ended on that date and there are reasonable grounds to believe that the Company and the Group will be able to pay their debts as and when they fall due.

On behalf of the Directors

Peter Seah Lim Huat

Piyush Gupta

10 February 2011
Singapore

Independent Auditor's Report

TO THE MEMBERS OF DBS GROUP HOLDINGS LTD (INCORPORATED IN SINGAPORE)

Report on the Financial Statements

We have audited the accompanying financial statements of DBS Group Holdings Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 80 to 157, which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (Cap.50) (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 that 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 controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards, including the modification of the requirements of FRS 39 financial Instruments: Recognition and Measurement in respect of loan loss provisioning by Notice to Banks No. 612 "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore, so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Report on other Legal and Regulatory Requirements

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

PricewaterhouseCoopers LLP
Public Accountants and Certified Public Accountants

Singapore, 10 February 2011

Further Information on Directors

MR PETER SEAH LIM HUAT

Academic and Professional Qualifications

– Bachelor of Business Administration (Honours)
  National University of Singapore

Date of Last Re-election as a Director of DBS Group Holdings Ltd
30 April 2010

Current Directorships

Listed companies

1.	DBS Group Holdings Ltd	Chairman
2.	CapitaLand Limited	Deputy Chairman
3.	Singapore Technologies Engineering Ltd	Chairman
4.	Starhub Ltd.	Director
5.	STATS ChipPac Ltd	Director

Others

1.	DBS Bank Ltd	Chairman
2.	DBS Bank (Hong Kong) Limited	Chairman
3.	Fullerton Financial Holdings Pte. Ltd.	Deputy Chairman
4.	Government of Singapore Investment Corporation Private Limited	Director
5.	Singapore Health Services Pte Ltd	Chairman
6.	STT Communications Ltd	Deputy Chairman

Major Appointments (other than Directorships)

1.	Defence Science & Technology Agency	Member

Directorships/Major Appointments in the past 3 years

1.	Alliance Bank Malaysia Berhad	Director
2.	Bank of China Limited	Director
3.	Chartered Semiconductor Manufacturing Ltd	Director
4.	Chinese Chamber Realty Private Limited	Director
5.	EDB Investments Pte Ltd	Director
6.	PT Indosat Tbk	President Commissioner
7.	SembCorp Industries Ltd	Chairman
8.	SCS Computer Systems Pte. Ltd.	Chairman
9.	Singapore Technologies Telemedia Pte Ltd	Deputy Chairman

MR PIYUSH GUPTA

Academic and Professional Qualifications

– Post Graduate Diploma in Management
  Indian Institute of Management, Ahmedabad, India
– Bachelor of Arts, Economics
  University of Delhi, India

Date of Last Re-election as a Director of DBS Group Holdings Ltd
30 April 2010

Current Directorships

Listed companies

1.	DBS Group Holdings Ltd	Chief Executive Officer
2.	MasterCard Asia/Pacific, Middle East and Africa Regional Advisory Board	Director

Others

1.	DBS Bank Ltd	Chief Executive Officer
2.	DBS Bank (Hong Kong) Limited	Vice Chairman
3.	Dr Goh Keng Swee Scholarship Fund	Director
4.	The Islamic Bank of Asia Limited	Vice Chairman

Major Appointments (other than Directorships)

1.	Global Indian Foundation	Member, Governing Board
2.	Human Capital Leadership Institute	Member, Governing Council
3.	Indian Businessleaders Roundtable under Singapore Indian Development Association (SINDA)	Member, Managing Council
4.	Institute of International Finance – Emerging Markets Advisory Council	Member
5.	Sim Kee Boon Institute for Financial Economics	Member, Advisory Board
6.	The Association of Banks in Singapore	Council Member
7.	The Institute of Banking & Finance	Council Member

Directorships/Major Appointments in the past 3 years

1.	The American Chamber of Commerce in Singapore	Member, Board of Governors

Further Information on Directors

MR ANG KONG HUA

Academic and Professional Qualifications

– Bachelor of Science in Economics (2nd Class Upper Hons)
  University of Hull

Date of Last Re-election as a Director of DBS Group Holdings Ltd
30 April 2010

Current Directorships

Listed companies

1.	DBS Group Holdings Ltd	Director
2.	Global Logistic Properties Limited	Chairman
3.	SembCorp Industries Ltd	Chairman

Others

1.	DBS Bank Ltd	Director
2.	GIC Special Investments Private Limited	Director
3.	Government of Singapore Investment Corporation Private Limited	Director

Major Appointments (other than Directorships)

Nil

Directorships/Major Appointments in the past 3 years

1.	Neptune Orient Lines Ltd	Vice Chairman
2.	NSL Ltd	Executive Director
3.	Yantai Raffles Shipyard Limited	Director

DR BART JOSEPH BROADMAN

Academic and Professional Qualifications

– Bachelor of Science in Agricultural and Management
  University of California at Davis
– MBA in Financial Economics
  University of Southern California, Graduate School of Business
– Ph.D in Financial Economics
  University of Southern California, Graduate School of Business

Date of Last Re-election as a Director of DBS Group Holdings Ltd
8 April 2009

Current Directorships

Listed companies

1.	DBS Group Holdings Ltd	Director

Others

1.	DBS Bank Ltd	Director
2.	Alphadyne Asset Management Pte Ltd	Director
3.	Central Provident Fund Board	Director
4.	Singapore American School	Director

Major Appointments (other than Directorships)

1.	Monetary Authority of Singapore	Chairman, Financial Research Council
2.	Nanyang Technological University	Member, Investment Committee

Directorships/Major Appointments in the past 3 years

Nil

MR ANDREW ROBERT FOWELL BUXTON

Academic and Professional Qualifications

– Honorary Doctorate of Science
  City University, London
– Master of Arts, Politics, Philosophy, Economics
  Oxford University (Pembroke College)
– Fellow, Institute of Bankers

Date of Last Re-appointment as a Director of DBS Group Holdings Ltd
30 April 2010

Current Directorships

Listed companies

1.	DBS Group Holdings Ltd	Director

Others

1.	DBS Bank Ltd	Director
2.	The Islamic Bank of Asia Limited	Director
3.	Validata Holdings Ltd	Chairman

Major Appointments (other than Directorships)

Nil

Directorships/Major Appointments in the past 3 years

Nil

MR CHRISTOPHER CHENG WAI CHEE

Academic and Professional Qualifications

– Bachelor of Business Administration
  University of Notre Dame
– Master of Business Administration
  Columbia University
– Doctor of Social Sciences *honoris causa*
  The University of Hong Kong

Date of Last Re-election as a Director of DBS Group Holdings Ltd
8 April 2009

Current Directorships
Listed companies

1.	DBS Group Holdings Ltd	Director
2.	Kingboard Chemical Holdings Ltd	Director
3.	New World China Land Ltd	Director
4.	NWS Holdings Ltd	Director
5.	Wing Tai Properties Limited	Chairman
6.	Winsor Properties Holdings Limited	Chairman

Others

1.	DBS Bank Ltd	Director
2.	DBS Bank (China) Limited	Director
3.	Temasek Foundation CLG Ltd.	Director
4.	The Hong Kong Jockey Club	Steward

Major Appointments (other than Directorships)

1.	Columbia Business School	Member, Board of Overseers
2.	Exchange Fund Advisory Committee (Hong Kong Monetary Authority)	Chairman, Governance Committee
3.	Hong Kong Polytechnic University	Member, International Advisory Board
4.	University of Hong Kong	Council Member
5.	Yale University	Member, President's Council on International Activities

Directorships/Major Appointments in the past 3 years

1.	DBS Bank (Hong Kong) Ltd	Director
2.	PICC Property and Casualty Company Ltd.	Director
3.	Securities and Futures Commission	Director
4.	Standing Committee on Judicial Salaries & Conditions of Services	Chairman

MS EULEEN GOH YIU KIANG
Academic and Professional Qualifications

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

Date of Last Re-election as a Director of DBS Group Holdings Ltd
8 April 2009

Current Directorships
Listed companies

1.	DBS Group Holdings Ltd	Director
2.	Aviva PLC	Director
3.	Singapore Airlines Limited	Director
4.	Singapore Exchange Limited	Director

Others

1.	DBS Bank Ltd	Director
2.	Accounting Standards Council	Chairperson

Major Appointments (other than Directorships)

1.	NUS Business School	Member, Management Advisory Board
2.	Singapore International Foundation	Chairperson, Board of Governors

Directorships/Major Appointments in the past 3 years

1.	CapitaLand Financial Limited	Deputy Chairperson
2.	Financial Industry Competency Standards Committee	Chairperson
3.	International Enterprise Singapore	Chairperson
4.	MediaCorp Pte Ltd	Director
5.	Standard Chartered Bank (Thai) Pcl	Director
6.	Standard Chartered Bank Malaysia Berhad	Director
7.	The Institute of Banking and Finance	Council Member

MR KWA CHONG SENG
Academic and Professional Qualifications

– Bachelor of Engineering
University of Singapore

Date of Last Re-election as a Director of DBS Group Holdings Ltd
30 April 2010

Current Directorships
Listed companies

1.	DBS Group Holdings Ltd	Director

Others

1.	DBS Bank Ltd	Director
2.	Esso China Inc.	Chairman
3.	ExxonMobil Asia Pacific Pte Ltd	Chairman
4.	Sinopec SenMei (Fujian) Petroleum Company Limited	Director
5.	Temasek Holdings (Private) Limited	Deputy Chairman

Major Appointments (other than Directorships)

1.	Public Service Commission	Member

Directorships/Major Appointments in the past 3 years

1.	DBS Bank (Hong Kong) Limited	Chairman

DBS GROUP HOLDINGS LTD & ITS SUBSIDIARIES

Further Information on Directors

MR AMBAT RAVI SHANKAR MENON

Academic and Professional Qualifications

- Master in Public Administration
  Havard University
- Bachelor of Social Science (Economics)
  National University of Singapore

Date of Last Re-election as a Director of DBS Group Holdings Ltd
30 April 2010

Current Directorships
Listed companies

1. DBS Group Holdings Ltd — Director

Others

1. DBS Bank Ltd — Director
2. National Research Foundation — Director
3. Singapore Cooperation Enterprise — Chairman
4. Singapore-India Partnership Foundation — Director & Member

Major Appointments (other than Directorships)

1. Institute of South Asian Studies — Member, Management Board
2. Raffles Institution — Member, Board of Governors
3. Singapore Indian Development Association — Member, Board of Trustees
4. The Centre for International Law — Member, Governing Board

Directorships/Major Appointments in the past 3 years

1. Central Provident Fund Board — Deputy Chairman
2. Civil Service College — Director

MR JOHN ALAN ROSS

Academic and Professional Qualifications

- Master of Business Administration
  The Wharton School of The University of Pennsylvania
- Bachelor of Arts
  Hobart & William Smith Colleges

Date of Last Re-election as a Director of DBS Group Holdings Ltd
30 April 2010

Current Directorships
Listed companies

1. DBS Group Holdings Ltd — Director

Others

1. DBS Bank Ltd — Director
2. DBS Bank (China) Limited — Chairman
3. TPG Specialty Lending, Inc. — Director

Major Appointments (other than Directorships)

Nil

Directorships/Major Appointments in the past 3 years

Nil

MR DANNY TEOH LEONG KAY

Academic and Professional Qualifications

- Institute of Chartered Accountants, England & Wales
  Associate Member
- Newcastle-upon-Tyne Polytechnic, England
  Diploma in Accounting

Date of Last Re-election as a Director of DBS Group Holdings Ltd
Not applicable

Current Directorships
Listed companies

1. DBS Group Holdings Ltd — Director
2. Keppel Corporation Limited — Director

Others

1. DBS Bank Ltd — Director
2. Changi Airport Group (Singapore) Pte Ltd — Director
3. JTC Corporation — Director
4. Singapore Olympic Foundation — Director

Major Appointments (other than Directorships)

Nil

Directorships/Major Appointments in the past 3 years

1. KPMG Advisory Services Pte. Ltd. — Director
2. KPMG Corporate Finance Pte Ltd — Director
3. KPMG Tax Services Pte. Ltd. — Director
4. Singapore Dance Theatre Limited — Director

Share Price

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Share Price ($) (1)										
High	18.02	12.67	13.18	14.28	14.28	19.21	21.17	17.55	15.40	15.58
Low	8.08	9.10	7.06	11.39	11.82	13.43	16.07	7.68	6.45	13.26
Close	11.73	9.35	12.50	13.69	14.03	19.21	17.60	8.42	15.40	14.32
Average	12.32	11.02	9.82	12.87	13.09	15.50	18.60	14.23	11.48	14.30
Per Ordinary Share ($)										
Gross dividend yield (2)	2.1	2.3	2.6	2.6	3.8	4.2	3.7	4.6	4.9	3.9
Price-to-earning ratio (number of times) (3)	20.4	15.0	11.6	11.7	14.0	12.7	13.4	12.5	12.6	12.4
Price-to-book ratio (number of times)	1.6	1.4	1.2	1.4	1.5	1.6	1.8	1.4	1.1	1.3

(1) Figures have been adjusted for a rights issue in 2008 (exercised in January 2009)
(2) Dividend amounts are on gross basis prior to Fourth Quarter 2007 and on one-tier tax-exempt basis thereafter. 2006 includes a special dividend of 4 cents
(3) Earnings exclude one-time items and goodwill charges

DBS GROUP HOLDINGS LTD & ITS SUBSIDIARIES

Shareholding Statistics

I. Class of Shares – Ordinary Shares
Voting Rights – One vote per share
Treasury Shares – Nil

As at 28 February 2011

Size of holdings	No. of Shareholders	%	No. of Shares	%
1 – 999	4,899	10.09	1,284,032	0.06
1,000 – 10,000	38,837	79.94	105,357,828	4.56
10,001 – 1,000,000	4,811	9.90	153,385,541	6.64
1,000,001 & above	35	0.07	2,048,903,593	88.74
Total	48,582	100.00	2,308,930,994	100.00
Location of Shareholders				
Singapore	45,985	94.65	2,287,496,297	99.07
Malaysia	1,526	3.14	11,350,337	0.49
Overseas	1,071	2.21	10,084,360	0.44
Total	48,582	100.00	2,308,930,994	100.00

Twenty Largest Shareholders (As shown in the Register of Members and Depository Register)

		No. of shareholdings	%
1	Citibank Nominees Singapore Pte Ltd	440,943,672	19.10
2	DBS Nominees Pte Ltd	369,754,143	16.01
3	Maju Holdings Pte Ltd	351,745,560	15.23
4	Temasek Holdings (Pte) Ltd	278,510,692	12.06
5	DBSN Services Pte Ltd	226,712,057	9.82
6	HSBC (Singapore) Nominees Pte Ltd	151,803,972	6.57
7	United Overseas Bank Nominees Pte Ltd	67,257,494	2.91
8	Raffles Nominees (Pte) Ltd	42,083,138	1.82
9	DB Nominees (S) Pte Ltd	16,636,028	0.72
10	Lee Pineapple Company Pte Ltd	12,900,000	0.56
11	Merrill Lynch (Singapore) Pte Ltd	10,804,560	0.47
12	BNP Paribas Securities Services Singapore Branch	10,174,815	0.44
13	Lee Foundation	9,122,187	0.40
14	BNP Paribas Nominees Singapore Pte Ltd	6,584,665	0.29
15	DBS Vickers Securities (S) Pte Ltd	5,974,249	0.26
16	Bank of Singapore Nominees Pte Ltd	4,553,279	0.20
17	UOB Kay Hian Pte Ltd	4,017,018	0.17
18	Royal Bank of Canada (Asia) Ltd	3,922,959	0.17
19	KEP Holdings Limited	3,871,457	0.17
20	Western Properties Pte Ltd	2,886,774	0.13
	Total	**2,020,258,719**	**87.50**

II. Class of Shares – Non-Voting Redeemable Convertible Preference Shares ("NVRCPS")
Voting Rights – Please see Article 6A of the Articles of Association.
Sole Shareholder of 99,713,061 NVRCPS: Maju Holdings Pte. Ltd.

III. Class of Shares – Non-Voting Convertible Preference Shares ("NVCPS")
Voting Rights – Please see Article 6 of the Articles of Association.
Sole Shareholder of 180,654 NVCPS: Maju Holdings Pte. Ltd.

Substantial ordinary shareholders (As shown in the Register of Substantial Shareholders as at 28 February 2011)

	Direct Interest No. of Shares	%	Deemed Interest No. of Shares	%
Maju Holdings Pte. Ltd.	351,745,560	15.23	0	0.00
Temasek Holdings (Private) Limited	278,510,692	12.06	358,172,639	15.51

1. Maju Holdings Pte. Ltd. (“Maju”) is a wholly-owned subsidiary of Temasek Holdings (Private) Limited (“Temasek”).

2. Temasek, a company wholly-owned by Minister for Finance, is deemed to be interested in 358,172,639 ordinary shares in which its subsidiaries and associated companies have or are deemed to have interests. The breakdown is as follows:

   a. Maju – 351,745,560 shares (15.23%).
   b. DBS Group Holdings Ltd (DBSH) – 1,830,622 shares (0.08%), in which subsidiaries in DBSH group is deemed to have an interest.
   c. Fullerton Fund Management Company Ltd. – 725,000 shares (0.03%), a subsidiary of Temasek.
   d. Keppel Corporation Limited – 3,871,457 shares (0.17%) held by Kep Holdings Ltd, a subsidiary of Keppel Corporation Limited (“KCL”). KCL is an associated company of Temasek.

3. Percentage shareholding is based on issued share capital as at 28 February 2011.

As at 28 February 2011, approximately 72.34% of DBSH’s issued ordinary shares is held by the public and, therefore, Rule 723 of the SGX Listing Manual is complied with.

DBS GROUP HOLDINGS LTD

Financial Calendar

8 July 2010	Payment date of 2009 Final Dividend on Ordinary Shares
8 July 2010	Payment date of 2010 first quarter Dividend on Ordinary Shares, Non-Voting Convertible Preference Shares and Non-Voting Redeemable Convertible Preference Shares
13 October 2010	Payment date of 2010 second quarter Dividend on Ordinary Shares, Non-Voting Convertible Preference Shares and Non-Voting Redeemable Convertible Preference Shares
5 July 2011*	Proposed payment date of 2010 Final Dividend on Ordinary Shares, Non-Voting Convertible Preference Shares and Non-Voting Redeemable Convertible Preference Shares
31 December 2010	Financial Year End
7 May 2010	Announcement of first quarter results for 2010
30 July 2010	Announcement of half year results for 2010
4 November 2010	Announcement of third quarter results for 2010
11 February 2011	Announcement of full year results for 2010
28 April 2011	Annual General Meeting
April 2011	Announcement of first quarter results for 2011
July 2011	Announcement of half year results for 2011
November 2011	Announcement of third quarter results for 2011
February 2012	Announcement of full year results for 2011

* *With effect from the second half of 2010, DBS has reverted to semi-annual dividend payments.*

International Banking Offices

Greater China

CHINA

DBS Bank (China) Limited
18th Floor DBS Bank Tower
1318 Lu Jia Zui Ring Road
Pudong
Shanghai 200120
People's Republic of China
Tel: (86 21) 3896 8888
Fax: (86 21) 3896 8989

Total of 9 branches & 8 sub-branches across China

HONG KONG

DBS Bank (Hong Kong) Limited
11/F, The Center
99 Queen's Road Central
Central
Hong Kong
Tel: (852) 3668 0808
Fax: (852) 2167 8222

Total of 49 branches, 6 Enterprise Banking centres and 5 Finance centres across Hong Kong

TAIWAN

DBS Bank Nanjing East Road Branch
5F, 161 Sec 5
Nanjing E Road
Songshan District
Taipei City 105 R.O.C.
Tel: (886 2) 6612 9888
Fax: (886 2) 6612 9285

Total of 40 branches across Taiwan

India

DBS Bank India
Fort House, 3rd Floor
221, Dr. D.N. Road, Fort
Mumbai 400001, India
Tel. No: (91 22) 6638 8888
Fax No: (91 22) 6638 8899

Total of 12 branches across India

Indonesia

PT Bank DBS Indonesia
Plaza Permata
Jl. M H Thamrin Kav.57
Jakarta 10350
Tel: (62 21) 390 3366/390 3368
Fax: (62 21) 390 8222/390 3383

Total of 40 branches & sub-branches and 5 loan centres across Indonesia

Others

HONG KONG

DBS Bank Hong Kong Branch
18th Floor, The Center
99 Queen's Road Central
Hong Kong
Tel: (852) 3668 1900
Fax: (852) 2596 0577

JAPAN

DBS Bank Tokyo Branch
508 Yurakucho Denki Building
7-1 Yurakucho 1-chome
Chiyoda-ku
Tokyo 1000006, Japan
Tel: (813) 3213 4411
Fax: (813) 3213 4415

DBS GROUP HOLDINGS LTD

International Banking Offices

KOREA

DBS Bank Seoul Branch
18th Floor, Seoul Finance
Center Building
84-1, 1-ka Taepyungro
Chung-ku, Seoul
Republic of Korea
Tel: (822) 6322 2660
Fax: (822) 732 7953

MALAYSIA

DBS Bank Kuala Lumpur
Representative Office
#08-01, Menara Keck Seng
203 Jalan Bukit Bintang
55100 Kuala Lumpur, Malaysia
Tel: (603) 2148 8338
Fax: (603) 2148 8083

DBS Bank Labuan Branch
Level 10 (A) Main Office Tower
Financial Park Labuan
Jalan Merdeka
87000 W.P. Labuan, Malaysia
Tel: (6 087) 595 500
Fax: (6 087) 423 376

THAILAND

DBS Bank Bangkok
Representative Office
Level 33 Interchange 21
399 Sukhumvit Road, North Klongtoey
Wattana Bangkok 10110, Thailand
Tel: (662) 660 3781
Fax: (662) 660 3718

THE PHILIPPINES

DBS Bank Manila
Representative Office
18th Floor, BPI Building
Ayala Avenue corner
Paseo de Roxas
Makati City, The Philippines
Tel: (632) 845 5112
Fax: (632) 750 2144

UNITED ARAB EMIRATES

DBS Bank Dubai Branch
Suite 5, 3rd Floor, Building 3
Gate Precinct, DIFC
P.O. Box 506538
Dubai, UAE
Tel: (97 1) 4364 1800
Fax: (97 1) 4364 1801

UNITED KINGDOM

DBS Bank London Branch
4th Floor, Paternoster House
65 St Paul's Churchyard
London EC4M 8AB, UK
Tel: (44 207) 489 6550
Fax: (44 207) 489 5850

UNITED STATES OF AMERICA

DBS Bank Los Angeles Agency
725 South Figueroa Street
Suite 2000, Los Angeles
CA 90017, USA
Tel: (1 213) 627 0222
Fax: (1 213) 627 0228

VIETNAM

DBS Bank Hanoi
Representative Office
Room 1404
14th Floor, Pacific Place
83B Ly Thuong Kiet Street
Hanoi, Vietnam
Tel: (84 4) 3946 1688
Fax: (84 4) 3946 1689

DBS Bank Ho Chi Minh City Branch
11th floor, Saigon Center
65 Le Loi Boulevard, District 1
Ho Chi Minh City, Vietnam
Tel: (84 8) 3914 7888
Fax: (84 8) 3914 4488

For an updated listing of our network,
please visit our website www.dbs.com

Main Subsidiaries & Associated Companies

DBS Bank Ltd ("DBS Bank")
6 Shenton Way
DBS Building Tower One
Singapore 068809
Tel: (65) 6878 8888
100% owned by DBS Group Holdings Ltd

AXS Pte Ltd
19 Leng Kee Road
Singapore 159093
Tel: (65) 6560 2727
Fax: (65) 6479 8203
26.41% owned by DBS Bank and 59.77% owned through wholly-owned subsidiaries of DBS Bank

Bank of the Philippine Islands
6768 Ayala Avenue
Makati City 1226
Philippines
Tel: (632) 818 5541-48
Fax: (632) 845 5409
20.32% owned by DBS Bank

Changsheng Fund Management Company Limited
21F Building A, Chengjian Plaza
18 Beitaipingzhuang Road
Haidian District, Beijing 100088
People's Republic of China
Tel: (86 10) 8225 5818
Fax: (86 10) 8225 5988
33% owned by DBS Asset Management Ltd, a wholly-owned subsidiary of DBS Bank

DBS Asia Capital Limited
22nd Floor, The Center
99 Queen's Road Central
Hong Kong
Tel: (852) 3668 1148
Fax: (852) 2868 0250
100% owned by DBS Bank

DBS Asset Management Ltd
8 Cross Street
#08-01
PWC Building
Singapore 048424
Tel: (65) 6878 7801
Fax: (65) 6534 5183
100% owned by DBS Bank

DBS Bank (China) Limited
18th Floor DBS Bank Tower
1318 Lu Jia Zui Ring Road
Pudong, Shanghai 200120
People's Republic of China
Tel: (86 21) 3896 8888
Fax: (86 21) 3896 8799
100% owned by DBS Bank

DBS Bank (Hong Kong) Limited
11th Floor, The Center
99 Queen's Road Central
Hong Kong
Tel: (852) 3668 0808
Fax: (852) 2167 8222
100% owned by DBS Diamond Holdings Ltd, a wholly-owned subsidiary of DBS Bank

DBS Nominees (Private) Limited
6 Shenton Way
DBS Building Tower One
Singapore 068809
Tel: (65) 6878 8888
Fax: (65) 6338 8936
100% owned by DBS Bank

DBS Trustee Limited
6 Shenton Way
DBS Building Tower One
Singapore 068809
Tel: (65) 6878 8888
Fax: (65) 6878 3977
100% owned by DBS Bank

DBS Vickers Securities (Singapore) Pte Ltd
8 Cross Street
PWC Building #02-01
Singapore 048424
Tel: (65) 6533 9688
Fax: (65) 6538 6276
100% owned by DBS Bank

DBS Vickers Securities (Singapore) Pte Ltd is the main operating entity in Singapore of the DBS Vickers Group, which has operations of varying scope and complexity in other jurisdictions including Hong Kong, Malaysia, Thailand and Indonesia.

Main Subsidiaries & Associated Companies

DBSN Services Pte. Ltd.
6 Shenton Way
DBS Building Tower One
Singapore 068809
Tel: (65) 6878 8888
Fax: (65) 6338 8936
100% owned by DBS Bank

Hutchison DBS Card Limited
22/F, Hutchison House
10 Harcourt Road
Hong Kong
Tel: (852) 2128 1188
Fax: (852) 2128 1705
50% owned by DBS Bank (Hong Kong) Limited

Hwang-DBS (Malaysia) Bhd
Level 2,3,4,7 & 8, Wisma Sri Pinang
60 Green Hall
10200 Penang
Malaysia
Tel: (604) 263 6996
Fax: (604) 263 9597
4.15% owned by DBS Bank and 23.51% owned by DBS Vickers Securities Malaysia Pte Ltd, an indirect wholly-owned subsidiary of DBS Bank

Network For Electronic Transfers (Singapore) Pte Ltd
298 Tiong Bahru Road, #04-01/06
Central Plaza
Singapore 168730
Tel: (65) 6272 0533
Fax: (65) 6272 2334
33.33% owned by DBS Bank

PT Bank DBS Indonesia
Plaza Permata
Jalan M. H. Thamrin Kav.57
Jakarta 10350
Indonesia
Tel: (62 21) 390 3366/3368
Fax: (62 21) 390 8222/3383
99% owned by DBS Bank

The Islamic Bank of Asia Limited
6 Shenton Way
DBS Building Tower One #01-01/02
Singapore 068809
Tel: (65) 6878 5522
Fax: (65) 6878 5500
50% owned by DBS Bank

Awards & Accolades

21st Century News Group

- Corporate Bank Award

Alpha Southeast Asia

- Most Innovative Deal/Most Innovative Islamic Finance Deal of the Year in Southeast Asia: Danga Capital (Khazanah Nasional) SGD 1.5 billion 5-year & 10-year Sukuk, Bookrunner & Joint Lead Manager
- Best Local Currency Bond Deal of the Year in Southeast Asia: Temasek Holdings SGD 1 billion 40-year bonds, Joint Lead Manager & Joint Bookrunner
- Best Asset/Liability Management Solution of the Year in Southeast Asia: RM 1.03 billion disposal of Starhill Gallery & Lot 10 Property to Starhill Global REIT, Sole Financial Adviser
- Best Structured Loan Deal of the Year in Southeast Asia: Tower Bersama Group's USD 2 billion Debt Programme, Mandated Lead Arranger
- Best Structured & Commodity Trade Solution of the Year in Southeast Asia
- Best Online Trade Facilitation Platform in Southeast Asia
- Best Investment Bank in Singapore
- Best Bond House in Singapore
- Best Equity House in Singapore
- Best M&A House in Singapore
- Best Trade Finance Bank in Singapore
- Best Cash Management Bank in Singapore

Asia Risk

- Regional House of the Year
- Singapore House of the Year
- Top 10 Local Banks in Asia (ex-Japan)
- Top Regional Banks in Asia (ex-Japan)

Asiamoney

- Best Project Financing: SportsHub SGD 1.76 billion project financing, Bookrunner
- Indonesia Deal of the Year: Indosat Palapa's USD 650 million 7.375% bonds, Bookrunner
- Singapore Deal of the Year: Temasek Holdings SGD 1 billion 40-year bonds
- Best Domestic Equity House in Singapore
- Best Domestic Debt House in Singapore
- Best Syndicated Loan in Australia: Woodside Finance USD 1.1 billion-equivalent loan, Bookrunner
- Best Private Bank in China, as voted by HNWI with AUM of >USD 25 million: Ranked 2nd
- Best Domestic Private Bank in Singapore
- Best Global Private Bank in Asia, as voted by HNWIs with AUM of USD 1-5 million: Ranked 10th
- Best overall cross-border cash management services in Singapore – Ranked 1st by large corporates
- Best Domestic Provider of FX Services in Singapore as voted by corporates & financial institutions

Asian Banker

- Award for Investor Relations in the Financial Services Industry
- Award for Treasury and ALM Products and Services
- Achievement Award for Trade Finance in Singapore

AsiaOne

- Best Bank
- Best Card: POSB Everyday Card

The Asset

- Best Quasi-Sovereign Bond/ Best Local Currency Bond in Asia: Temasek Holdings SGD 1 billion 40-year bonds
- Best Project Finance in Asia: SportsHub SGD 1.76 billion project financing
- Best Syndicated Loan in Asia: Galaxy Entertainment Group HKD 9 billion loan, Joint Bookrunner & Joint Mandated Lead Manager
- Best Domestic Investment Bank in Singapore
- Best Domestic Bond House in Singapore
- Best Islamic Structured Financing in Asia: Qatar Airways USD 150 million Islamic facility, DBS & IB Asia as Arranger
- Best Trade Finance Bank in Singapore
- Best Foreign Trade Finance Bank in Indonesia
- Best Structured Trade Solution in Indonesia
- Best Transaction Bank in Singapore
- Best Cash Management Bank in Singapore
- Best E-Commerce Bank in Singapore
- Rising Star Cash Management Bank in Indonesia
- Rising Star Cash Management Bank in India
- Best Derivatives House in Singapore

The Banker

- Loan Deal of the Year in APAC: Noble Group syndicated loan, Joint Bookrunner & Mandated Lead Arranger
- Loan Deal of the Year in the Middle East: Qatar Telecom USD 2 billion syndicated loan, Bookrunner & Mandated Lead Arranger
- Top Bank Brands: Ranked 1st in Singapore
- Top World Banks: Ranked 1st in Singapore, 10th in Asia (ex-Japan)

Awards & Accolades

Brand Finance

- Ranked 1st in Singapore

Business Times/Starmine

- Ranked 1st for Recommendations, DBS Vickers
- Ranked 2nd for Earnings Forecast, DBS Vickers

Business Today

- India's Fastest Growing Small Bank
- India's Best Small Bank

Business World/PWC

- Fastest Growing Small Bank in India

China UnionPay

- Innovative Award Winner: DBS Octopus ATM Card in Hong Kong

Community Chest

- Community Chest Gold Award: POSB

Contact Centre Association of Singapore

- Best Contact Centre of the Year over 100 seats, Silver Award

Corporate Governance Asia

- Best Investor Relations by a Singapore company

DP Information Group

- Singapore 1000 Net Profit Excellence Award: Finance category
- Singapore 1000 Sales/Turnover Excellence Award: Finance category

Euromoney

- Best Bank in Singapore
- Best Debt House in Singapore
- Best Equity House in Singapore
- Best Local Private Bank in Singapore

Euroweek

- Best Arranger of Singapore Loans
- Best Southeast Asian Deal of the Year: San Miguel Corporation
- Asia Pacific Syndicated Loan of the Year: Noble Group syndicated loan
- Best High Yield Bond in Asia: Indosat USD 650 million 10-year notes
- Best Asian Domestic Currency Bond Issue: Temasek Holdings SGD 1 billion 40-year bonds

FinanceAsia

- Best Singapore Deal: Temasek Holdings SGD 1 billion 40-year bonds
- Best Mid-Cap Equity Deal in Asia: Tiger Airways USD 178 million IPO
- Best High-Yield Bond in Asia: Indosat's USD 650 million 10-year notes
- Best Bank in Singapore
- Best Investment Bank in Singapore
- Best Broker in Singapore, DBS Vickers
- Best Equity House in Singapore
- Best Bond House in Singapore
- Best Foreign Exchange Bank in Singapore
- Best Cash Management Bank in Singapore
- Ranked 1st as Asia's Most Professional Financial Institution Borrower (Investment Grade)
- Ranked 2nd as Asia's Best Borrower

Financial Times/Starmine

- Top Brokers in Asia: Ranked 3rd, DBS Vickers

Global Custodian

- Leading Top Rated in Singapore: DBS Securities & Fiduciary Services

Global Finance

- Safest bank in Asia
- Best Bank in Singapore
- Best Trade Finance Bank in Singapore
- Best Foreign Exchange Provider in Singapore
- Best Sub-Custodian in Singapore
- Best Islamic Finance Bank in Singapore, IB Asia

Hong Kong Association for Customer Service Excellence

- Counter Service Individual Award: Gold & Silver Award

Hong Kong Chamber of Small and Medium Business

- Best SME Partner

IFR Asia

- Singapore Bond House of the Year
- Singapore Capital Markets Deal: Temasek Holdings SGD 1 billion 40-year bonds

IR Magazine

- Best Investor Relations Website

Islamic Finance News

- Corporate Finance Deal of the Year: Danga Capital (Khazanah), DBS & IB Asia
- Singapore Deal of the Year: Danga Capital (Khazanah), DBS & IB Asia

MasterCard

- Winner, Best Creative Execution: POSB Everyday MasterCard Re-launch
- Finalist, Most Innovative Card Marketing Program: POSB Multi-tude MasterCard Launch

Professional Wealth Management/ The Banker

- Best Private Bank in Singapore

Project Finance Magazine

- APAC Water Deal of the Year: Aquasure
- APAC Power Deal of the Year: Senoko

PublicAffairsAsia

- The Gold Standard in Crisis Communications

Reader's Digest

- GOLD award: Bank category, DBS & POSB
- GOLD award: Credit Card Issuing Bank category, DBS

Rizvi Institute

- Best Practices in Employee Care in India

Securities Investors Association (Singapore)

- Most Transparent Company Award, Finance category: Runner-up

Shanghai State Administration of Foreign Exchange

- Star of Balance of Payments Reporting
- First prize for Balance of Payments reporting
- First prize for Foreign Currencies Exchange reporting
- Best reporting

Singapore Police Force

- Safety and Security Watch Group, Award winner

Sterling Commerce

- Winner: for faster on-boarding of corporate customers with business integration

TMT Finance

- Telecom Deal of the Year in the Middle East: Qtel USD 1.5 billion fixed rate notes transaction, Joint Lead Manager and Joint Bookrunner

Visa

- Highest Authorisation Approval Rate, Credit Consumer Issuer category
- Highest Copy Fulfillment Rate, Acquirers category

Yazhou Zhoukan

- Asian Brand Excellence Award: DBS Octopus ATM Card in Hong Kong

DBS GROUP HOLDINGS LTD

Notice of Annual General Meeting

DBS Group Holdings Ltd (Incorporated in the Republic of Singapore)
Company Registration No.: 199901152M

Informal Briefing on DBS' 2010 Results
Chief Financial Officer Chng Sok Hui will present DBS 2010 Results at 9.00am, immediately preceding the formal commencement of the Annual General Meeting.

To: All Shareholders

NOTICE IS HEREBY GIVEN that the Twelfth Annual General Meeting of the shareholders of the Company will be held in the Auditorium, 3rd Storey, DBS Building Tower One, 6 Shenton Way, Singapore 068809 on Thursday, 28 April 2011 at 10.00am to transact the following business:

ORDINARY BUSINESS

1 To receive and consider the Directors' Report and Audited Accounts for the year ended 31 December 2010 and the Auditors' Report thereon.

2A To declare a one-tier tax exempt Final Dividend of 28 cents per ordinary share, for the year ended 31 December 2010. [2009: Final Dividend of 14 cents per ordinary share, one-tier tax exempt]

2B To declare a one-tier tax exempt Final Dividend of 2 cents per Non-Voting Convertible Preference Share, for the year ended 31 December 2010. [2009: Nil]

2C To declare a one-tier tax exempt Final Dividend of 2 cents per Non-Voting Redeemable Convertible Preference Share, for the year ended 31 December 2010. [2009: Nil]

3 To sanction the amount of SGD2,842,442 proposed as Directors' Fees for 2010. [2009: SGD1,594,877]

4 To re-appoint Messrs PricewaterhouseCoopers LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.

5 To re-elect the following Directors, who are retiring under Article 95 of the Company's Articles of Association:

(a) Dr Bart Joseph Broadman
(b) Ms Euleen Goh Yiu Kiang
(c) Mr Christopher Cheng Wai Chee

Further information on Dr Broadman, Ms Goh and Mr Cheng can be found at pages 170 to 171 of the 2010 Annual Report.

Mr Andrew Robert Fowell Buxton, Mr Ang Kong Hua and Mr John Alan Ross wish to step down effective 28 April 2011.

6 To re-elect Mr Danny Teoh Leong Kay, who is retiring under Article 101 of the Company's Articles of Association.

Further information on Mr Teoh can be found at page 172 of the 2010 Annual Report.

SPECIAL BUSINESS

As Special Business
To consider and, if thought fit, to pass the following Resolutions as ORDINARY RESOLUTIONS:

ORDINARY RESOLUTIONS

7A That the Board of Directors of the Company be and is hereby authorised to:

(a) allot and issue from time to time such number of ordinary shares in the capital of the Company ("DBSH Ordinary Shares") as may be required to be issued pursuant to the exercise of options under the DBSH Share Option Plan; and

(b) offer and grant awards in accordance with the provisions of the DBSH Share Plan and to allot and issue from time to time such number of DBSH Ordinary Shares as may be required to be issued pursuant to the vesting of awards under the DBSH Share Plan,

PROVIDED ALWAYS THAT:

(1) the aggregate number of new DBSH Ordinary Shares to be issued pursuant to the exercise of options granted under the DBSH Share Option Plan and the vesting of awards granted or to be granted under the DBSH Share Plan shall not exceed 7.5 per cent of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time; and

(2) the aggregate number of new DBSH Ordinary Shares under awards to be granted pursuant to the DBSH Share Plan during the period commencing from the date of this Annual General Meeting of the Company and ending on the date of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, shall not exceed 2 per

cent of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

7B That authority be and is hereby given to the Directors of the Company to:

(a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 10 per cent of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with paragraph (2) below);

(2) (subject to such manner of calculation and adjustments as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

7C That authority be and is hereby given to the Directors of the Company to allot and issue from time to time such number of new ordinary shares, new non-voting non-redeemable preference shares and new non-voting redeemable preference shares in the capital of the Company as may be required to be allotted and issued pursuant to the DBSH Scrip Dividend Scheme.

By Order of The Board

Linda Hoon (Ms)
Group Secretary
DBS Group Holdings Ltd
31 March 2011
Singapore

NOTES:
A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and to vote in his stead. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf.

A proxy need not be a member of the Company.

The instrument appointing a proxy must be deposited at the Company's Office at 6 Shenton Way, DBS Building Tower One #39-02, Singapore 068809, at least 48 hours before the time for holding the Meeting.

Notice of Annual General Meeting

DBS Group Holdings Ltd (Incorporated in the Republic of Singapore)
Company Registration No.: 199901152M

EXPLANATORY NOTES

Ordinary Business

Ordinary Business Item 3: Directors' Fees for 2010
Ordinary business item 3 is to sanction the payment of an aggregate amount of SGD 2,842,442 as Directors' fees for the non-executive Directors of the Company for 2010. If approved, each of the non-executive Directors will (with the exception of Mr Ang Kong Hua, Mr John Alan Ross and Mr Andrew Robert Fowell Buxton, who are stepping down at the close of the forthcoming Annual General Meeting, Mr Koh Boon Hwee, who retired as Chairman of the Company at the 2010 AGM, and Mr Ambat Ravi Shankar Menon, who is from the public service sector) receive 70% of his Directors' fees in cash and 30% of his Directors' fees in the form of time-based restricted share awards pursuant to the DBSH Share Plan. The release of the restricted shares will be staggered over a period of 4 years. The number of shares to be awarded will be determined by reference to the volume-weighted average price of a share on the SGX-ST over the 10 trading days immediately following the date of the forthcoming Annual General Meeting. Each of Mr Ang Kong Hua, Mr John Alan Ross, Mr Andrew Robert Fowell Buxton and Mr Koh Boon Hwee will receive all of their Directors' fees in cash. Mr Ambat Ravi Shankar Menon's Directors' fees will be paid, in cash, to a government agency, the Directorship & Consultancy Appointments Council.

Ordinary Business Item 5: Re-election of Directors retiring under Article 95

(a) Dr Broadman, upon re-election as a Director of the Company, will remain as a member of the Compensation and Management Development Committee and the Board Risk Management Committee, and will be considered independent.

(b) Ms Goh, upon re-election as a Director of the Company, will remain as Chairman of the Board Risk Management Committee and as a member of the Nominating Committee, Compensation and Management Development Committee and Executive Committee, and will be considered independent.

(c) Mr Cheng, upon re-election as a Director of the Company, will remain as a member of the Compensation and Management Development Committee and the Audit Committee, and will be considered independent.

Ordinary Business Item 6: Re-election of Director retiring under Article 101
Mr Teoh, upon re-election as a Director of the Company, will remain as Chairman of the Audit Committee and as a member of the Board Risk Management Committee, and will be considered independent.

Special Business

Special Business Item 7A: DBSH Share Option Plan and DBSH Share Plan
Resolution 7A is to empower the Directors to issue ordinary shares in the capital of the Company pursuant to the exercise of options under the DBSH Share Option Plan and to offer and grant awards and to issue ordinary shares in the capital of the Company pursuant to the DBSH Share Plan, provided that: (a) the maximum number of ordinary shares which may be issued under the DBSH Share Option Plan and the DBSH Share Plan is limited to 7.5 per cent of the total number of issued shares in the capital of the Company (excluding treasury shares) from time to time and (b) the aggregate number of new ordinary shares under awards which may be granted pursuant to the DBSH Share Plan from this Annual General Meeting to the next Annual General Meeting shall not exceed 2 per cent of the total number of issued shares in the capital of the Company (excluding treasury shares) from time to time.

Special Business Item 7B: Share Issue Mandate
Resolution 7B is to empower the Directors to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding in total 50 per cent of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 10 per cent of the total number of issued shares (excluding treasury shares) may be issued other than on a pro rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time that Resolution 7B is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 7B is passed, and (b) any subsequent bonus issue, consolidation or subdivision of shares.

Special Business Item 7C: DBSH Scrip Dividend Scheme
Resolution 7C is to empower the Directors to issue ordinary shares, non-voting non-redeemable preference shares and non-voting redeemable preference shares in the capital of the Company pursuant to the DBSH Scrip Dividend Scheme to eligible members who, in respect of a qualifying dividend, have elected to receive scrip in lieu of the cash amount of that qualifying dividend.

PROXY FORM

DBS GROUP HOLDINGS LTD
(Incorporated in the Republic of Singapore)
Company Registration Number: 199901152M

IMPORTANT:
1. For investors who have used their CPF monies to buy DBS Group Holdings Ltd shares, the annual report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. For holders of Non-Voting Convertible Preference Shares (NVCPS), the annual report is forwarded to them solely FOR INFORMATION ONLY.
3. For holders of Non-Voting Redeemable Convertible Preference Shares (NVRCPS), the annual report is forwarded to them solely FOR INFORMATION ONLY.
4. This Proxy Form is not valid for use by CPF Investors, NVCPS and NVRCPS holders and shall be ineffective for all intents and purposes if used or purported to be used by them.

*I/We ______________________ NRIC / Passport No. ______________

of ______________________

being an Ordinary Shareholder(s) of DBS Group Holdings Ltd hereby appoint *Mr/Mrs/Ms

NAME	ADDRESS	NRIC/PASSPORT NUMBER	PROPORTION OF SHAREHOLDINGS (%)

*and/or

or failing *him/her, the Chairman of the Meeting or such person as he may nominate, as *my/our proxy/proxies, to vote for *me/us and on *my/our behalf and, if necessary, to demand a poll, at the Twelfth Annual General Meeting of the Company, to be held at the Auditorium, 3rd Storey, DBS Building Tower One, 6 Shenton Way, Singapore 068809 on Thursday, 28 April 2011 at 10.00 am and at any adjournment thereof as indicated below:

NO.	RESOLUTIONS	FOR	AGAINST
	Ordinary Business		
1	Adoption of Report and Accounts		
2A	Declaration of Final Dividend on Ordinary Shares		
2B	Declaration of Final Dividend on Non-Voting Convertible Preference Shares		
2C	Declaration of Final Dividend on Non-Voting Redeemable Convertible Preference Shares		
3	Sanction of proposed Directors' Fees of SGD2,842,442 for 2010		
4	Re-appointment of PricewaterhouseCoopers LLP as Auditors		
5	Re-election of the following Directors retiring under Article 95:		
	(a) Dr Bart Joseph Broadman		
	(b) Ms Euleen Goh Yiu Kiang		
	(c) Mr Christopher Cheng Wai Chee		
6	Re-election of Mr Danny Teoh Leong Kay, who is retiring under Article 101		
	Special Business		
7A	Authority to issue shares under the DBSH Share Option Plan, and to grant awards and issue shares under the DBSH Share Plan		
7B	General authority to issue shares subject to limits		
7C	Authority to issue shares pursuant to the DBSH Scrip Dividend Scheme		

If you wish to exercise all your votes **For** or **Against**, please tick with "✓". Alternatively, please indicate the number of votes **For** or **Against** each resolution.

On any other matter arising at the Annual General Meeting, and where no direction as to voting is given, the proxy shall vote or abstain as the proxy deems fit.

As witness *my/our hand(s) this __________ day of __________ 2011.

No. of Ordinary Shares held	

Signature or Common Seal of Shareholder

IMPORTANT PLEASE READ NOTES OVERLEAF.

** delete as appropriate*

NOTES:

1. *Please insert the total number of Ordinary Shares held by you. If you have Ordinary Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Ordinary Shares. If you have Ordinary Shares registered in your name in the Register of Members, you should insert that number of Ordinary Shares. If you have Ordinary Shares entered against your name in the Depository Register and Ordinary Shares registered in your name in the Register of Members, you should insert the aggregate number of Ordinary Shares entered against your name in the Depository Register and registered in your name in the Register of Members.*

2. *A Member entitled to attend and vote at a Meeting of the Company is entitled to appoint one or two proxies to attend and vote instead of him.*

3. *Where a Member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.*

4. *The Instrument appointing a proxy must be deposited at the office of the Company at* ***6 Shenton Way, DBS Building Tower One #39-02, Singapore 068809****, not less than 48 hours before the time appointed for the Annual General Meeting.*

5. *The Instrument appointing the proxy or proxies must be under the hand of the appointer or of his attorney duly authorised in writing. Where the Instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.*

6. *A corporation which is a Member may, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting.*

7. *The Company shall be entitled to reject the Instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in the Instrument appointing a proxy or proxies. In addition, in the case of Members whose Ordinary Shares are entered against their names in the Depository Register, the Company may reject any Instrument appointing a proxy or proxies lodged if such Members are not shown to have Ordinary Shares entered against their names in the Depository Register 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.*

Corporate Information

BOARD OF DIRECTORS

Peter Seah
– Chairman
(appointed 1 May 2010)

Piyush Gupta
– Chief Executive Officer

Ang Kong Hua

Bart Broadman

Andrew Buxton

Christopher Cheng

Euleen Goh

Kwa Chong Seng

Ravi Menon

John Ross

Danny Teoh
(appointed 1 October 2010)

Koh Boon Hwee
(stepped down 30 April 2010)

AUDIT COMMITTEE

Danny Teoh
– Chairman

Ang Kong Hua

Christopher Cheng

Ravi Menon

Peter Seah

NOMINATING COMMITTEE

John Ross
– Chairman

Ang Kong Hua

Euleen Goh

Ravi Menon

Peter Seah

BOARD RISK MANAGEMENT COMMITTEE

Euleen Goh
– Chairman

Bart Broadman

Andrew Buxton

John Ross

Peter Seah

Danny Teoh

BOARD EXECUTIVE COMMITTEE

Peter Seah
– Chairman

Euleen Goh

Piyush Gupta

COMPENSATION AND MANAGEMENT DEVELOPMENT COMMITTEE

Kwa Chong Seng
– Chairman

Bart Broadman

Christopher Cheng

Euleen Goh

Peter Seah

GROUP SECRETARY

Linda Hoon

GROUP EXECUTIVE COMMITTEE

Piyush Gupta
– Chief Executive Officer

Chng Sok Hui
– Chief Financial Officer

David Gledhill
– Group Technology & Operations

Andrew Ng
– Treasury & Markets

Elbert Pattijn
– Chief Risk Officer

Tan Kong Khoon
– Consumer Banking Group

Jeanette Wong
– Institutional Banking Group & International

GROUP MANAGEMENT COMMITTEE

Includes the Group Executive Committee and the following:

Eric Ang
– Capital Markets

Sanjiv Bhasin
– DBS India

Jerry Chen
– DBS Taiwan

Kenneth Fagan
– Group Legal, Compliance & Secretariat

Edwin Khoo
– Enterprise Banking, Institutional Banking Group

Lim Him Chuan
– Group Audit

Sim S Lim
– DBS Singapore

Karen Ngui
– Group Strategic Marketing & Communications

Sebastian Paredes
– DBS Hong Kong

Theresa Soikkeli
– Group Human Resources

Bernard Tan
– DBS Indonesia

Tan Su Shan
– Wealth Management

Melvin Teo
– DBS China

REGISTRAR

Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte. Ltd.)

8 Cross Street
#11-00 PWC Building
Singapore 048424
Tel: (65) 6236 3333
Fax: (65) 6236 4399

AUDITORS

PricewaterhouseCoopers LLP
Certified Public Accountants
8 Cross Street #17-00
PwC Building
Singapore 048424

PARTNER IN CHARGE OF THE AUDIT

Dominic Nixon
Appointed on
2 April 2008
(DBS Group Holdings Ltd)
and 1 April 2008
(DBS Bank Ltd)

REGISTERED OFFICE

6 Shenton Way
DBS Building Tower One
Singapore 068809
Tel: (65) 6878 8888
Website: www.dbs.com

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

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Co. Reg. No. 199901152M