

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL

The consolidated financial statements of DBS Group Holdings Ltd ("DBSH") for the year ended December 31, 2004 were approved and authorised for issue by the Board of Directors on February 18, 2005.

The consolidated financial statements are expressed in Singapore dollars. DBSH is incorporated and domiciled in Singapore. It is an investment holding company. The principal activities of the subsidiary companies of DBSH are disclosed in Notes 29.2 and 29.3.

The registered office of DBSH is located at 6 Shenton Way, DBS Building Tower One, Singapore 068809.

Key details of DBS Bank Ltd ("DBS Bank")'s financial statements are included as supplementary information to these financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies applied by DBSH and its subsidiary companies ("DBSH Group") and, except where noted, are consistent with those applied in the previous financial year. The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

2.1 BASIS OF PRESENTATION

- 2.1.1** These financial statements of DBSH Group are prepared in accordance with the historical cost convention, modified by the revaluation of certain treasury instruments to market value.

The financial statements comply with Singapore Financial Reporting Standards ("FRS") including related Interpretations promulgated by the Council on Corporate Disclosure and Governance ("CCDG").

- 2.1.2** In July 2004, CCDG adopted the revised FRS 39, "Financial Instruments: Recognition and Measurement" but the Standard will be effective from January 1, 2005. The implementation of FRS 39 is expected to have a significant impact on certain financial assets and liabilities. An opening adjustment will be required, representing unrealised gains or losses on certain financial assets and financial liabilities including derivatives to be measured at fair value on January 1, 2005. The differences between carrying amount and fair value will be adjusted to retained earnings.

- 2.1.3** FRS 102, "Share-based Payment" has been adopted by the CCDG during the financial year but the Standard will be effective from January 1, 2005. The Standard requires an expense to be recognised where DBSH Group buys goods or services in exchange for shares or other equity instruments (equity-settled transactions), or in exchange for other assets equivalent in value to a given number of shares or other equity instruments (cash-settled transactions). The main impact of FRS 102 on DBSH Group will be the expensing of such share-based incentives awarded to employees and directors.

- 2.1.4** FRS 103, "Business Combinations" has been adopted by the CCDG during the financial year and it applies to business combinations for annual periods beginning on or after July 1, 2004. The effect of the adoption of FRS 103 is that upon acquisition of subsidiaries or business undertakings, DBSH Group will include items like intangible assets and contingent liabilities as part of the identifiable assets and liabilities acquired, at their fair values as at the acquisition date.

Additionally, the adoption of FRS 103 will require DBSH Group to cease charging of goodwill amortisation to the profit and loss account. DBSH Group will also need to review the goodwill balance for impairment annually (unless an event occurs during the year which requires the goodwill to be tested more frequently) in accordance with FRS 36, "Impairment of Assets" (revised in 2004), from January 1, 2005 onwards.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of DBSH and its subsidiary companies. These subsidiary companies are companies in which DBSH, directly or indirectly through its subsidiaries, has an interest of more than 50% in the issued share capital at balance sheet date or other entities (including Special Purpose Entities ("SPEs")) in which DBSH Group, directly or indirectly, has power to govern the financial and operating policies. The names of these SPEs are disclosed in Note 29.4. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether DBSH Group controls another entity.

The results of subsidiary companies acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal. All significant intercompany balances and transactions are eliminated on consolidation. Where necessary, accounting policies for subsidiary companies have been changed to ensure consistency with the policies adopted by DBSH.

2.3 SUBSIDIARY COMPANIES

Investments in subsidiary companies (as defined in Note 2.2) are stated in the financial statements of DBSH and its subsidiary companies at cost less impairment losses.

2.4 ASSOCIATED AND JOINT VENTURE COMPANIES

Associated companies are companies in which DBSH Group has an equity interest of between 20% and 50% and over whose financial decisions and operating policies DBSH Group exercises significant influence. A joint venture is a contractual arrangement whereby DBSH Group and its joint venture partners undertake an economic activity, which is subject to joint control, and none of the parties involved unilaterally have control over the economic activity.

Investments in associated and joint venture companies are stated in the financial statements of DBSH and its subsidiary companies at cost less impairment losses. At DBSH Group, these are accounted for by the equity method of accounting. DBSH Group's share of the results of its associated and joint venture companies are included in the consolidated profit and loss account. DBSH Group's share of the post acquisition reserves of its associated and joint venture companies are included in the carrying value of its investments in associated and joint venture companies in the consolidated balance sheet. The results of the associated and joint venture companies are taken from the latest audited accounts or unaudited management accounts of the associated and joint venture companies concerned, prepared at dates not more than three months prior to the end of the financial year of DBSH Group.

Unrealised gains on transactions between DBSH Group and its associated and joint venture companies are eliminated to the extent of DBSH Group's interest in these companies; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Equity accounting is discontinued when the carrying amount of the investment in an associated and joint venture company reaches zero, unless DBSH Group has incurred obligations or guaranteed obligations in respect of these companies.

2.5 GOODWILL

Goodwill may arise on the acquisition of subsidiary companies or business undertakings. It represents the excess of the cost of an acquisition over the fair value of DBSH Group's share of the identifiable net assets of the acquired subsidiary companies or business undertakings at the date of acquisition. Goodwill on the acquisition of subsidiary companies or business undertakings occurring on or after January 1, 2001 is reported in the balance sheet as an intangible asset and is amortised using a straight-line method over its estimated useful life, subject to a maximum of 20 years. Goodwill on acquisitions of subsidiary companies or business undertakings that occurred prior to January 1, 2001 was charged in full to reserve in shareholders' equity; such goodwill has not been retroactively capitalised and amortised.

On the acquisition of a foreign subsidiary company, goodwill arising is determined initially in the applicable foreign currency and is translated into Singapore dollars at the exchange rate prevailing at the date of acquisition. The goodwill in Singapore dollars determined at the date of acquisition is its carrying value, which will be subsequently amortised.

The carrying value of goodwill is reviewed periodically or when circumstances or events indicate that there may be uncertainty over the carrying amount. Goodwill is written down for impairment when the net present value of the forecast future cash flows of the business are insufficient to support the carrying value.

2.6 FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated into Singapore dollars using the closing exchange rates at balance sheet date. Income and expenses are translated using exchange rates at the transaction date. All resulting changes are recognised in the profit and loss account.

The profit and loss account of foreign entities not reporting in Singapore dollars are translated at the average rates of exchange. Balance sheets are translated at closing rates. Exchange differences arising from the retranslation of opening foreign currency net investments and the related cost of hedging as well as exchange differences arising from retranslation of the result for the year from average rates to the year end rates are accounted for in reserve.

2.7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with the central banks.

2.8 LOANS AND ADVANCES

Loans and advances are carried at recoverable amounts i.e., outstanding balances after deduction of provisions for bad and doubtful debts.

Loans are classified in accordance with the Monetary Authority of Singapore's ("MAS") guidelines as well as internal loan grading policies. These classifications, and underlying collateral valuations, are used to determine the amount of provision required. MAS' guidelines require banks to classify their loan portfolios into five categories - two categories for performing loans (Pass and Special Mention) and three categories for classified, or non-performing loans (Substandard, Doubtful or Loss).

When concessions are granted to the original terms of the loan for reasons that related to the financial difficulties of the borrower, the loan is considered a Restructured Loan. A Restructured Loan is generally graded as Substandard or worse. Restructured Loans are not returned to performing status until specific conditions have been met, including there being no longer any reasonable doubt regarding the timely collection of principal and interest and there having been a reasonable period of sustained performance under the restructured terms.

2.9 PROVISION FOR LOAN LOSSES

Provision for loan losses comprise specific provisions against certain loans and advances and a general provision on total loans and advances.

A specific provision is made when a loan is classified as Substandard or worse and there is insufficient collateral security or other unencumbered assets available to repay the loan in full. Specific provisions are based on several factors including the loan amount, other commitments to the borrower, the borrower's payment history and business prospects, collateral value, and the estimated costs to obtain repayment. The actual percentage provided depends on management's judgement and whether the loan is graded Substandard, Doubtful, or Loss. Substandard loans will generally have a specific provision of 10% to 49% of the unsecured principal amount. Doubtful loans will typically have a specific provision of 50% to less than 100% of the unsecured principal amount, and Loss grade loans are provisioned at 100% of the unsecured principal amount. Interest on Substandard and worse loans is provisioned at 100% of the accrued amount.

General provisions are maintained for losses that can reasonably be expected to arise, based on historical experience, from the existing overall loan portfolio over its remaining life but which are not yet identifiable. In determining the level of general provision, reference is also made to country conditions, the composition of the portfolio and industry practices.

In the case of loans managed on an individual basis, bad debts are written off against provisions when recovery action has been instituted and the losses can be determined with reasonable certainty. For loans managed on a portfolio basis, unsecured bad debts are written off against provisions when amounts owing are 180 days past due while secured bad debts are written off to provisions when the collateral has been disposed of or sold. DBSH Group continues to make every effort to recover amounts owing, even after write-offs have been recorded.

2.10 DEBT SECURITIES AND EQUITIES

2.10.1 Singapore Government Securities and Treasury Bills

Singapore Government securities and treasury bills classified for trading purposes are recorded at fair value on the balance sheet, with changes in fair value recorded in "Other income" in the profit and loss account, while those classified for investment purposes are stated at cost less provision. Provision is made for the investment portfolio when there is deemed to be a permanent diminution in value and this is recognised as a charge to the profit and loss account as it arises. Interest income for Singapore Government securities and treasury bills, for both trading and investment purposes, are included in interest income.

2.10.2 Trading Securities

Trading securities are recorded at fair value on the balance sheet, with changes in fair value recorded in "Other income" in the profit and loss account. Where the market price may not be achievable as a result of operating in illiquid markets, appropriate adjustments to the market value are made. Interest earned and dividend received are included in interest and dividend income respectively.

2.10.3 Investment Securities

Investments in other government securities and treasury bills, equity securities and debt securities not classified as held for trading are classified as investment securities, and are stated at cost less provision. Specific provision is made for an individual investment when there has been a diminution in value, except where such diminution is temporary and is recognised as a charge to the profit and loss account as it arises. General provision is made for certain securities for possible losses that may arise, but which are not yet identifiable.

2.11 REPURCHASE AND REVERSE REPURCHASE AGREEMENTS (“REPOS” AND “REVERSE REPOS”)

Repos are treated as collateralised borrowing and the amount borrowed is shown as a liability. The securities sold under repos are treated as pledged assets and remain on the balance sheet as an asset, included in “Singapore Government securities and treasury bills” (Note 23), “Trading securities” (Note 24) and “Investment securities” (Note 27). Reverse repos are treated as collateralised lending and the amount lent is shown as an asset. The difference between the amount received and the amount paid under repos and reverse repos is amortised as interest expense and interest income respectively on a straight-line basis.

2.12 FORECLOSED PROPERTIES

Foreclosed properties are acquired in full or partial satisfaction of debts, and are accounted for at the lower of settlement or market value on an individual asset basis. The shortfall between the prevailing market value of the foreclosed asset and the related loan outstanding is recognised as a loss in the profit and loss account in the year the foreclosed properties are taken over in satisfaction of the debt. Market value is based on the appraised value of an independent appraiser less selling costs. The excess of the cost over the market value is recognised as a loss in the profit and loss account. Gains and losses on disposals of such properties are recognised in the profit and loss account at the date of disposal.

2.13 FIXED ASSETS, INCLUDING INVESTMENT PROPERTIES

Fixed assets are stated at historical cost less accumulated depreciation. The basis of depreciation is as follows:

2.13.1 Leasehold land, where the balance of the leasehold period is 100 years or less, is amortised over the remaining period of the lease. No amortisation is made on freehold land and on leasehold land where the unexpired lease period is more than 100 years.

2.13.2 Buildings, excluding equipment installed therein, are depreciated on a straight-line basis over their useful lives estimated at 50 years or over the period of the respective leases, whichever is shorter.

2.13.3 Other fixed assets are depreciated on a straight-line basis over their estimated useful lives, including:

Computer hardware and software	3 – 5 years
Office equipment	5 – 8 years
Furniture and fittings	1 – 10 years

The estimated useful lives of these fixed assets are assessed on a periodic basis to ensure that they continue to be appropriate.

Fixed assets are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposals of fixed assets are determined by reference to their carrying amount and are taken into account in determining operating profit.

2.14 TREASURY RELATED OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

The accounting treatment applied to treasury related off-balance sheet financial instruments, including forwards, swaps, futures and options, is based upon the intention for entering into the transactions as elaborated below.

2.14.1 Non-Trading Transactions

Derivatives may be used to hedge interest rate, exchange rate or other price exposures that are inherent in the assets and liabilities of DBSH Group.

The criteria required for a derivative instrument to be classified as a designated hedge are:

- (i) the derivative instrument must be reasonably expected to match or eliminate a significant proportion of the risk inherent in the assets, liabilities, other positions or cash flows being hedged; and
- (ii) there is adequate evidence of the intention to hedge. Linkage with the underlying risk inherent in the assets, liabilities, other positions or cash flows being hedged, must be established at the outset of the transaction.

Profits and losses on derivatives entered into for specifically designated hedging purposes against assets, liabilities, other positions or cash flows measured on an accrual accounting basis are included in the related category of income or expense in the profit and loss account on the same basis as that arising from the underlying hedging transactions.

Hedging transactions, which have been superseded, or ceased to be effective prior to the end of the life of the assets, liabilities, other positions or cash flows being hedged, are measured at fair value. Any profit or loss arising from the fair value measurement or on termination of hedging transaction is deferred and amortised as interest income or expense in the profit and loss account over the remaining life of the items previously being hedged.

When the underlying assets, liabilities, other positions or cash flows are terminated prior to the hedging transactions, or anticipated transactions are no longer likely to occur, the hedging transactions are measured at fair value prior to being transferred to the trading portfolio. The profit or loss arising from the fair value measurement prior to the transfer to the trading portfolio is included in the category of income and expense in the profit and loss account relating to the previously hedged transactions.

2.14.2 Trading Transactions

Transactions undertaken for trading purposes are stated at fair value. Quoted market prices, when available, are used to determine the fair values of derivatives held for trading. Where mid prices are used, a bid-offer spread adjustment will be made to ensure that all long positions are marked to bid prices and short positions to offer prices. Liquidity reserve is taken when a market price may not be achievable as a result of certain material positions held by DBSH Group. Methodology deficiency reserves address approximation uncertainties from modelling methods and numerical methods. When parameters are unobservable or stem from illiquid markets, uncertainty in their true (market implied) value arises and a parameter deficiency reserve is taken for the potential impact on mark to market valuations.

Resultant gains and losses from changes in fair value of trading transactions are recognised as "Other income" in the profit and loss account. Unrealised valuation gains or losses are included in "Other assets" or "Other liabilities" respectively.

2.15 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount 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 on a net basis, or realise the asset and settle the liability simultaneously.

2.16 INTEREST INCOME

Interest income is recognised on an accrual basis.

Interest earned but not received on non-performing loans is not recognised as income in the profit and loss account until receipt. All interest accrued previously and recognised in the profit and loss account is reversed from interest income once a loan is classified as non-performing.

Amortisation of premiums and discounts are recognised as interest expense or interest income on a straight-line basis over the life of the asset or liability.

2.17 FEE AND COMMISSION INCOME

Fee and commissions are recognised in the profit and loss account as and when the service is performed and when considered recoverable. Fee income relating to loans and guarantees is recognised over the period during which the related service is provided or credit risk is undertaken. Where a fee is charged in lieu of interest, such fee is amortised over the same period as the related income is recognised.

2.18 DIVIDEND INCOME

Dividends from equities are recognised when declared payable.

2.19 STAFF COSTS, EQUITY COMPENSATION AND SHARE OPTION PLANS

DBSH Group has adopted a total compensation package that consists of base pay, cash bonuses, other staff-related allowances and long-term incentive plans. These long-term incentives are the DBSH Share Ownership Scheme, the DBSH Share Option Plan, the DBSH Performance Share Plan and the DBSH Employee Share Plan. The details of these share schemes/plans are described in the Directors' Report and Note 14.

Remuneration expenses on base pay, cash bonuses, contributions to defined contribution plans, e.g., the Central Provident Fund, other staff-related allowances and contributions to the DBSH Share Ownership Scheme are recognised in the profit and loss account once 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, DBSH Group has no further payment obligations.

For the DBSH Performance Share Plan and the DBSH Employee Share Plan, a trust has been set up for each share plan. The shares purchased are recorded as "Other assets" in the balance sheet at cost less provision for diminution in value. When the shares are awarded, remuneration expenses are computed using the average purchase price (adjusted for provision for diminution in value) and recognised in the profit and loss account on a straight-line basis over the relevant performance period.

Options granted under the DBSH Share Option Plan are not recognised as remuneration expenses. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (par value) and share premium accounts.

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.

2.20 OPERATING LEASES

Operating leases are charged to the profit and loss account 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 required to be made to the lessor by way of penalty is recognised as an expense in the period when termination takes place.

2.21 TAXATION

The current taxation charged to the profit and loss account represents tax at the current rate based on taxable profits earned during the financial year. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

The principal temporary differences arise from depreciation of fixed assets, provision for loan losses, tax losses carried forward; and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

2.22 PROVISIONS AND OTHER LIABILITIES

Provisions are recognised when DBSH 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.

2.23 SHARE CAPITAL

Ordinary shares, non-voting convertible preference shares and non-voting redeemable convertible preference shares with discretionary dividends are classified as equity.

Incremental external costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes.

FRS 32, "Financial Instruments: Disclosures and Presentation", requires the issuer of a financial instrument to classify the instrument either as a liability or equity in accordance with the substance of the contractual arrangement on initial recognition. Preference shares which are highly likely to be redeemed are classified as liabilities.

2.24 DIVIDEND

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.

2.25 FIDUCIARY ACTIVITIES

Assets and income arising thereon together with related undertakings to return such assets to customers are excluded from the financial statements where DBSH Group acts in a fiduciary capacity such as nominee, trustee or agent.

2.26 BORROWINGS

Borrowings are recognised initially at "cost", being their issue proceeds (fair value of consideration received) net of transaction costs incurred.

2.27 DEPOSITS AND OTHER ACCOUNTS OF CUSTOMERS

Deposits and other accounts are recognised initially at cost.

2.28 PLACEMENTS WITH AND DEPOSITS OF BANKS

The balances due from and to banks are stated at the initial amount placed or deposited. Provision, if required, is made for any placements or loans considered to be doubtful of collection.

3. COMPARATIVES

Where necessary, certain comparative figures were adjusted in order to provide proper comparison with current year's presentation.

4. SEGMENTAL PRESENTATION

The business segment results are prepared based on information and data generated from DBSH Group's internal financial reporting systems and adjusted to reflect the organisation's management reporting structure. The activities of DBSH Group are highly integrated and accordingly, internal allocation has to be made in preparing the segment information. As a result, amounts for each business segment are shown after the allocation of certain centralised costs, funding income and the application of transfer pricing, where appropriate. Definitions of business segments have been refined and comparative figures were adjusted to provide proper comparison with current year's definitions. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

Unless otherwise stated, the analyses of geographical segments are generally based on the location of the office recording the transactions.

Descriptions of business and geographical segments are set out in Note 40.

5. NET INTEREST INCOME

Interest income comprises interest arising from various types of lending activities and includes interest on trading and investment debt securities.

Interest expense comprises interest incurred on deposits and borrowings from financial institutions and other sources, including interest on trading debt securities.

6. FEE AND COMMISSION INCOME

Fee and commission income comprises the following:

In \$ millions	DBSH Group	
	2004	2003
Stockbroking	198	169
Loan-related (include guarantee fees)	183	155
Wealth management (unit trust distribution and bancassurance)	132	90
Trade and remittances	128	111
Investment banking	104	83
Deposit-related	99	103
Credit card	87	89
Fund management	43	40
Others	39	44
Total	1,013	884

7. DIVIDEND INCOME

Dividend income includes gross dividend from trading and investment equity holdings.

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8. RENTAL INCOME

Rental income represents income on the tenanted areas of the buildings owned by DBSH's subsidiary companies.

9. OTHER INCOME

Other income comprises the following:

In \$ millions	DBSH Group	
	2004	2003
Net gain on treasury related activities, including structured investment products ^(a)	590	650
Net gain on investment securities ^(b)	644	185
Net gain on fixed assets	4	3
Others	6	14
Total	1,244	852

(a) Net gain on treasury related activities include gains and losses from market making, structuring and trading of financial products including foreign exchange, securities, and interest rate/credit/equity/foreign exchange derivatives, from proprietary and customer driven activities.

(b) Net gain on investment securities includes net gains and losses on debt securities, including Singapore Government securities, and equities in the investment portfolio. Included in 2004 were one-time gains of \$310 million from sale of a 59% stake in DBS Thai Danu Public Company Limited ("DTDB") and \$187 million from sale of a 10% stake in Wing Lung Bank.

10. OPERATING EXPENSES

Operating expenses comprises the following:

In \$ millions	DBSH Group	
	2004	2003
Staff costs	970	865
Other operating expenses	1,036	976
– Technology-related expenses	312	287
– Occupancy expenses	181	203
– Revenue-related expenses	202	183
– Other expenses	341	303
Goodwill amortisation (Note 31)	440	430
Total	2,446	2,271

10.1 Staff costs include salaries, bonuses, contributions to defined contribution plans, e.g., the Central Provident Fund, and all other staff-related expenses (Note 2.19). Contributions to defined contribution plans were \$52 million for 2004 (2003: \$58 million). At December 31, 2004, DBSH and its subsidiary companies employed 11,454 (2003: 12,144) staff.

10.2 Technology-related expenses include depreciation, hire and maintenance of computer hardware and software, fees for outsourcing certain technology-related functions, and other computer-related expenses.

Occupancy expenses include amounts incurred in the maintenance and service of buildings owned by DBSH's subsidiary companies, rental and depreciation expenses of office and branch premises, and other occupancy expenses.

Revenue-related expenses include commission and brokerage expenses, and other expenses directly related to revenue generation.

Other expenses include postage, printing & stationery, telecommunication, office equipment expenses, advertising, professional and consultancy fees, security guard expenses and other general expenses.

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10.3 Operating expenses include the following:

In \$ millions	DBSH Group	
	2004	2003
(1) Auditors' remuneration	6	6
Audit fees		
– E&Y Singapore ^(a)	3	2
– Other auditors, including associated firms of E&Y Singapore ^(a)	3	3
Fees for non-audit services ^(b)		
– E&Y Singapore ^(a)	#	1
– Other auditors, including associated firms of E&Y Singapore ^(a)	#	#
(2) Hire and maintenance of fixed assets, including building-related expenses	108	120
(3) Rental of premises	65	73
(4) Depreciation of fixed assets	147	168

Amount under \$500,000

(a) E&Y = Ernst & Young

(b) Fees are mainly for services provided for specific projects closely related to audit activities such as due diligence on merger and acquisition projects.

11. PROVISION FOR POSSIBLE LOAN LOSSES AND DIMINUTION IN VALUE OF OTHER ASSETS

The charge to the profit and loss account is analysed as follows:

In \$ millions	DBSH Group	
	2004	2003
Loans (Note 26)	(1)	382
– Specific provision	86	352
– General provision	(87)	30
Investment securities (Note 28)	133	99
– Specific provision	128	65
– General provision	5	34
Fixed assets and others (Note 28)	(85)	60
– Specific provision	(162)	35
– General provision	77	25
Total	47	541

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12. TAXATION

Taxation charge in respect of profit for the financial year is analysed as follows:

In \$ millions	DBSH Group	
	2004	2003
Current taxation		
– current year	421	358
– prior years' over provision	#	(1)
Deferred taxation		
– origination and reversal of temporary differences	(14)	(18)
– reduction in tax rate	2	–
– prior years' overprovision	14	(2)
Total	423	337

Amount under \$500,000

12.1 The deferred charge/(credit) in the profit and loss account comprises the following temporary differences:

In \$ millions	DBSH Group	
	2004	2003
Accelerated tax depreciation	(19)	(39)
Provision for loan losses	22	27
Other temporary differences	(1)	(8)
Deferred taxation charged/(credited) to profit and loss account	2	(20)

12.2 The tax on DBSH Group's operating profit differs from the theoretical amount that would arise using the Singapore basic tax rate as follows:

In \$ millions	DBSH Group	
	2004	2003
Operating profit	2,435	1,386
Prima facie tax calculated at a tax rate of 20% (2003: 22%)	487	305
Effect of different tax rates in other countries	(26)	(29)
Effect of change in tax rate	2	#
Income not subject to tax	(121)	(14)
Income taxed at concessionary rate	(29)	(72)
Non-tax deductible provisions	23	13
Goodwill amortisation	88	94
Others	(1)	40
Taxation charged to profit and loss account	423	337

Amount under \$500,000

Further information on deferred taxation is presented in Note 19.

13. EARNINGS PER ORDINARY SHARE

13.1 Basic earnings per ordinary share ("EPS") is calculated by dividing the DBSH Group's net profit attributable to members and after preference dividends by the weighted average number of ordinary shares in issue during the year.

In millions	DBSH Group	
	2004	2003
Weighted average number of ordinary shares in issue (a)	1,489	1,470
In \$ millions	DBSH Group	
	2004	2003
Net profit attributable to members	2,018	1,025
Less: Preference dividends	16	20
Net profit attributable to members after adjustment of preference dividends (b)	2,002	1,005
Add: Goodwill amortisation	440	430
Net profit attributable to members after adjustment of preference dividends and goodwill amortisation (c)	2,442	1,435
Basic Earnings Per Ordinary Share (Cents) (b)/(a)	134	68
Basic Earnings Per Ordinary Share (excluding goodwill amortisation) (Cents) (c)/(a)	164	98

13.2 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 dilutive effect arising from the full conversion of DBSH non-voting convertible preference shares ("CPS") and DBSH non-voting redeemable CPS to ordinary shares. In addition, where applicable, the calculation would take into account the exercise of all outstanding share options granted to employees where such shares would be issued at a price lower than the average share price during the financial year.

The effect of the exercise of DBSH share options and conversion of DBSH non-voting CPS and DBSH non-voting redeemable CPS on the weighted average number of ordinary shares in issue is as follows:

In millions	DBSH Group	
	2004	2003
Weighted average number of ordinary shares in issue	1,489	1,470
Full conversion of DBSH non-voting CPS	1	20
Full conversion of DBSH non-voting redeemable CPS	66	66
Weighted average number of ordinary shares in issue assuming dilution (a)	1,556	1,556

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The effect of the exercise of DBSH share options and conversion of DBSH non-voting CPS and DBSH non-voting redeemable CPS on DBSH Group's net profit attributable to members is as follows:

In \$ millions	DBSH Group	
	2004	2003
Net profit attributable to members	2,018	1,025
Less: Preference dividends	16	20
Net profit attributable to members after adjustment of preference dividends	2,002	1,005
Adjustment to net profit arising from:		
(i) Full conversion of DBSH non-voting CPS	-	5
(ii) Full conversion of DBSH non-voting redeemable CPS	16	15
Adjusted net profit attributable to members (b)	2,018	1,025
Add: Goodwill amortisation	440	430
Adjusted net profit attributable to members (excluding goodwill amortisation) (c)	2,458	1,455
Diluted Earnings Per Ordinary Share (Cents) (b)/(a)	130	66
Diluted Earnings Per Ordinary Share (excluding goodwill amortisation) (Cents) (c)/(a)	158	94

14. SHARE OPTIONS AND SHARE PLANS

14.1 DBSH SHARE OWNERSHIP SCHEME

The DBSH Share Ownership Scheme is a fund set up to hold units of DBSH ordinary shares and is administered by DBS Trustee Ltd, a wholly-owned subsidiary company of DBS Bank. All confirmed employees with at least one year of service and who are not participating in the DBSH Share Option Plan are eligible to contribute up to 10% of their monthly base pay to buy units of DBSH ordinary shares. DBSH Group will top up 50% of the employee's contribution as additional incentive to the employee.

Details of the DBSH ordinary shares held by DBS Trustee Ltd pursuant to the DBSH Share Ownership Scheme are as follows:

	Number of DBSH ordinary shares		Market value of DBSH ordinary shares (\$ millions)	
	2004	2003	2004	2003
At beginning of the year	3,580,829	3,281,329	53	36
At end of the year	3,477,829	3,580,829	56	53

14.2 DBSH SHARE OPTION PLAN

Under the DBSH Share Option Plan (the "Option Plan"), options to subscribe for DBSH ordinary shares could be granted to DBSH Group executives who hold the rank of Vice President (or equivalent rank) and above and selected employees of DBSH Group of a rank below the rank of Vice President (or equivalent rank). This would also include executives of associated companies of DBSH Group who hold the rank of Vice President (or equivalent rank) and non-executive directors of DBSH.

The movements of the unissued ordinary shares of DBSH of par value \$1.00 each comprised in outstanding DBSH options granted under the Option Plan were as follows:

DBSH options	Number of unissued ordinary shares January 1, 2004	During the year			Number of unissued ordinary shares December 31, 2004	Subscription price per ordinary share	Date of expiration
		Granted	Exercised	Lapsed			
1999	3,801,036	-	319,902	124,351	3,356,783	\$15.30	July 27, 2009
March 2000	1,586,200	-	-	89,200	1,497,000	\$20.87	March 5, 2010
July 2000	1,114,600	-	-	52,600	1,062,000	\$22.33	July 26, 2010
March 2001	11,625,000	-	-	952,000	10,673,000	\$17.70	March 14, 2011
June 2001	21,000	-	-	-	21,000	\$14.76	May 31, 2011
August 2001	1,414,000	-	422,000	56,000	936,000	\$12.93	July 31, 2011
January 2002	50,500	-	-	-	50,500	\$13.70	January 1, 2012
March 2002	11,776,240 ^(a)	-	788,030	736,000	10,252,210	\$14.73	March 27, 2012
August 2002	1,215,000	-	178,200	140,100	896,700	\$12.27	August 15, 2012
October 2002	9,260	-	-	-	9,260	\$11.73	October 9, 2012
December 2002	20,000	-	-	-	20,000	\$11.47	December 17, 2012
February 2003	13,526,200 ^(a)	-	1,581,540	947,230	10,997,430	\$10.40	February 23, 2013
March 2003	15,000	-	-	-	15,000	\$9.18	March 9, 2013
March 2004	-	7,494,000	-	531,500	6,962,500	\$14.73	March 1, 2014
	46,174,036 ^(a)	7,494,000	3,289,672	3,628,981	46,749,383		

(a) Restated since last reported at December 31, 2003 due to withdrawal of staff resignation in 2004.

Ordinary shares of DBSH of par value \$1.00 issued upon exercise of share options during the year yielded the following proceeds, at the following market value:

In \$ millions	2004	2003
Ordinary share capital – at par	3	#
Share premium	37	2
Proceeds	40	2
Market value, at exercise date, of shares issued	50	3

Amount under \$500,000

14.3 DBSH PERFORMANCE SHARE PLAN

The DBSH Performance Share Plan (the "PSP") is a stock-based plan where DBSH ordinary shares are given free to eligible employees. Eligible employees currently are similar to the DBSH Share Option Plan (Note 14.2).

During the financial year, awards in respect of an aggregate of 727,400 (2003: 768,360) DBSH ordinary shares were granted to selected employees pursuant to the PSP. When the shares are awarded, remuneration expenses are computed using the average purchase price (adjusted for provision for diminution in value) and recognised in the profit and loss account on a straight-line basis over the relevant performance period.

14.4 DBSH EMPLOYEE SHARE PLAN

The DBSH Employee Share Plan (the "ESP") is intended to cater to all employees of the DBSH Group and associated companies of the DBSH Group who are not eligible to participate in the DBSH Share Option Plan, the DBSH Performance Share Plan or other equivalent plans.

During the current and previous financial years, there were no DBSH ordinary shares granted to eligible employees pursuant to the ESP. When the shares are awarded, remuneration expenses are computed using the average purchase price (adjusted for provision for diminution in value) and recognised in the profit and loss account on a straight-line basis over the relevant performance period.

15. SHARE CAPITAL

The share capital of DBSH at December 31, 2004, is as follows:

In \$ millions	2004	DBSH 2003
Authorised		
4,000,000,000 ordinary shares of \$1 each	4,000	4,000
500,000,000 non-voting convertible preference shares ("CPS") of \$1 each	500	500
500,000,000 non-voting redeemable CPS of \$1 each	500	500
	1,000	1,000
Issued and fully paid-up		
1,492,730,436 (2003: 1,469,965,595) ordinary shares of \$1 each	1,493	1,470
120,436 (2003: 19,595,605) non-voting CPS of \$1 each	#	20
66,475,374 (2003: 66,475,374) non-voting redeemable CPS of \$1 each	66	66
Total Issued and Paid-up Share Capital of DBSH	1,559	1,556

Amount under \$500,000

15.1 During the financial year, pursuant to the DBSH Share Option Plan, DBSH issued 3,289,672 ordinary shares (2003: 1,117,200 ordinary shares of which 906,745 ordinary shares were issued under the DBSH Share Option Scheme which expired in 2003) of par value \$1.00 each, fully paid in cash upon the exercise of the options granted.

15.2 During the financial year, DBSH issued 19,475,169 (2003: 13,236) ordinary shares of par value \$1.00 each, fully paid in cash upon the conversion of the non-voting convertible preference shares.

The newly issued shares rank pari passu in all respects with the previously issued shares.

16. RESERVES

16.1 SHARE PREMIUM ACCOUNT

In \$ millions	DBSH Group 2004	2003
Balance at January 1	2,171	2,163
Exercise of share options (Note 15.1)	37	8
Balance at December 31	2,208	2,171

16.2 NON-DISTRIBUTABLE RESERVES

Non-distributable reserves comprise the following:

In \$ millions	General reserve (a)	Capital reserve (b)	DBSH Group 2004 Capital redemption reserve (c)	Other reserve (d)	Total
Balance at January 1, 2004	2,230	(30)	28	4,271	6,499
Appropriation from profit and loss account (Note 16.3)	97	-	-	-	97
Net exchange translation adjustments during the year	-	(29)	-	-	(29)
Goodwill transferred to revenue reserve on disposal of subsidiary company	-	18	-	-	18
Balance at December 31, 2004	2,327	(41)	28	4,271	6,585

In \$ millions	General reserve (a)	Capital reserve (b)	DBSH Group 2003 Capital redemption reserve (c)	Other reserve (d)	Total
Balance at January 1, 2003	2,044	(19)	28	4,271	6,324
Appropriation from profit and loss account (Note 16.3)	186	-	-	-	186
Net exchange translation adjustments during the year	-	(11)	-	-	(11)
Balance at December 31, 2003	2,230	(30)	28	4,271	6,499

(a) The movement in General reserve relates to the amounts transferred to the Reserve Fund to comply with the Banking Act, and the other statutory regulations.

(b) The Capital reserve included net exchange translation adjustments arising from translation differences on opening net investments in foreign subsidiaries, associated companies and branches, and the related foreign currency borrowings designated as a hedge.

(c) The Capital redemption reserve arises out of the redemption of non-voting redeemable convertible preference shares by way of capital reduction in the financial year ended December 31, 2000.

(d) Other reserve relates to the share premium of DBS Bank prior to the restructuring of DBS Bank under a financial services holding company, DBSH, pursuant to a scheme of arrangement under Section 210 of the Singapore Companies Act on June 26, 1999.

16.3 REVENUE RESERVE

In \$ millions	DBSH Group	
	2004	2003
Balance at January 1	4,670	4,195
Net profit attributable to members	2,018	1,025
Transfer to general reserve (Note 16.2)	(97)	(186)
Goodwill transferred from capital reserve on disposal of subsidiary company	(18)	–
Amount available for distribution	6,573	5,034
Less: Final dividend on ordinary shares of 16% net of 20% (2003: 22%) tax paid for the previous financial year	191	183
Final dividend on DBSH non-voting CPS and non-voting redeemable CPS of 16% net of 20% (2003: 22%) tax paid for the previous financial year	8	11
Interim dividend on ordinary shares of 18% net of 20% tax (2003: 14% net of 22% tax) paid for the current financial year	215	161
Interim dividend on DBSH non-voting CPS and non-voting redeemable CPS of 18% net of 20% tax (2003: 14% net of 22% tax) paid for the current financial year	9	9
Balance at December 31	6,150	4,670

16.4 DIVIDEND PROPOSED

Final dividends are not accounted for until they have been ratified at the Annual General Meeting. At the meeting on April 29, 2005, the following dividends will be proposed. The financial statements for the year ended December 31, 2004 do not reflect this resolution, which will be accounted for in shareholders' funds as an appropriation of revenue reserves in the year ending December 31, 2005.

In \$ millions	DBSH Group 2004
Proposed final dividend on ordinary shares of 22% net of 20% tax	263
Proposed final dividend on DBSH non-voting CPS and non-voting redeemable CPS of 12% net of 20% tax	6
Total	269

17. MINORITY INTERESTS

The minority interests of DBSH Group represent the interest of third parties in the equity shares of DBSH Group's subsidiary companies and are as follows:

In \$ millions	DBSH Group	
	2004	2003
Preference shares issued by DBS Bank (Note 17.1)	1,100	1,100
Other subsidiaries	28	25
Total	1,128	1,125

- 17.1** \$1,100 million 6% non-cumulative non-convertible perpetual preference shares, of par value of \$0.01 and a liquidation preference of \$100 each, was issued on May 28, 2001 by DBS Bank, a subsidiary company of DBSH, to third parties. This qualifies as Tier I capital for the calculation of DBSH Group's capital adequacy ratios. Dividends, if declared by the Board of Directors of DBS Bank, are payable semi-annually on May 15 and November 15 at a fixed rate of 6% gross of the liquidation preference per annum, ending on or prior to May 15, 2011, and thereafter on February 15, May 15, August 15 and November 15 in each year at a floating rate per annum equal to the three-month Singapore Swap Offer Rate plus 2.28%.

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18. DEPOSITS AND OTHER ACCOUNTS OF NON-BANK CUSTOMERS

In \$ millions	DBSH Group	
	2004	2003
Analysed by Currency		
Singapore dollar	62,052	56,641
US dollar	23,709	23,309
Hong Kong dollar	17,900	17,241
Thai baht	29	3,539
Others	9,516	7,311
Total	113,206	108,041
Analysed by Product		
Savings accounts (include Autosave)	49,697	48,028
Current accounts	11,694	10,486
Fixed deposits	45,767	45,130
Other deposits	6,048	4,397
Total	113,206	108,041

19. DEFERRED TAXATION

The movement in deferred tax is as follows:

In \$ millions	DBSH Group	
	2004	2003
Balance at January 1	(25)	(5)
Provision/(Release) during the year	5	(19)
Disposal of subsidiary company	(17)	-
Exchange differences	(3)	(1)
Balance at December 31	(40)	(25)

Deferred income tax assets and liabilities are attributable to the following items:

In \$ millions	DBSH Group	
	2004	2003
Deferred income tax liabilities		
Accelerated tax depreciation	127	165
Other temporary differences	2	4
	129	169
Deferred income tax assets		
Provision for loan losses	(145)	(168)
Other temporary differences	(24)	(26)
	(169)	(194)

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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 fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

In \$ millions	DBSH Group	
	2004	2003
Deferred tax assets	(103)	(129)
Deferred tax liabilities	63	104
	(40)	(25)

Deferred income tax liabilities have not been established for the withholding tax and other taxes that would be payable on the unremitted revenue reserves of certain subsidiary companies, as such amounts are permanently reinvested. The unremitted revenue reserves amounted to \$1,454 million at December 31, 2004 (2003: \$976 million).

20. OTHER LIABILITIES

In \$ millions	DBSH Group	
	2004	2003
Balances arising from revaluation of financial instruments (Note 36)	10,116	8,245
Payable in respect of short sale of debt securities	4,789	2,973
Sundry creditors	1,527	1,819
Interest payable	565	473
Other payables (Note 20.1)	1,836	2,262
Total	18,833	15,772

20.1 Other payables includes \$399 million (2003: \$721 million) of collateral received from external counterparties to cover a temporary shortfall in the valuation of a specific portfolio of derivative instruments over a pre-determined threshold. This is governed by a collateral support agreement.

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21. OTHER DEBT SECURITIES IN ISSUE

The following is a summary of the other debt securities in issue (unsecured unless otherwise stated) at December 31:

21.1 NEGOTIABLE CERTIFICATES OF DEPOSITS

In \$ millions				DBSH Group	
				2004	2003
Face value	Interest rate and repayment terms	Issue date	Maturity date		
Issued by DBS Bank					
TWD20m	1.150%, payable on maturity	Dec 10, 2004	Jan 10, 2005	1	–
TWD120m	0.985%, payable on maturity	Dec 2, 2003	Jan 2, 2004	–	6
TWD200m	1.030%, payable on maturity	Dec 31, 2003	Jan 31, 2004	–	10
TWD300m	0.985%, payable on maturity	Dec 8, 2003	Jan 8, 2004	–	15
TWD300m	1.030%, payable on maturity	Dec 25, 2003	Mar 25, 2004	–	15
TWD300m	1.030%, payable on maturity	Sep 7, 2004	Jan 7, 2005	15	–
TWD500m	1.025%, payable on maturity	Dec 31, 2003	Mar 31, 2004	–	25
TWD500m	1.160%, payable on maturity	Dec 21, 2004	Mar 21, 2005	26	–
TWD500m	1.165%, payable on maturity	Dec 28, 2004	Mar 28, 2005	26	–
TWD500m	1.163%, payable on maturity	Dec 30, 2004	Mar 30, 2005	26	–
TWD500m	1.140%, payable on maturity	Oct 7, 2004	Apr 7, 2005	26	–
TWD600m	1.150%, payable on maturity	Dec 28, 2004	Jan 28, 2005	30	–
Issued by DBS Bank (Hong Kong) Limited					
HK\$5m	4.49%, payable quarterly	Sep 10, 2001	Sep 10, 2004	–	1
HK\$5m	3.74%, payable quarterly	Sep 28, 2001	Sep 28, 2004	–	1
HK\$5m	3.30%, payable quarterly	Oct 12, 2001	Oct 12, 2004	–	1
HK\$6.5m	4.45%, payable quarterly	Oct 10, 2001	Oct 10, 2006	1	1
HK\$10m	3.72%, payable quarterly	Mar 23, 2002	Mar 12, 2004	–	2
HK\$22m	4.61%, payable quarterly	Jun 10, 2002	Jun 13, 2006	4	5
HK\$50m	8.00%, payable quarterly	Mar 8, 2000	Mar 8, 2005	11	11
HK\$50m	3.016%, payable quarterly	May 18, 2004	Jan 5, 2007	11	–
HK\$50m	3.22%, payable quarterly	Jul 23, 2004	Jul 30, 2007	11	–
HK\$100m	2.185%, payable quarterly	Aug 7, 2002	Feb 16, 2004	–	22
HK\$100m	4.66%, payable quarterly	Mar 23, 2002	Jan 10, 2005	21	22
HK\$100m	4.45%, payable quarterly	Mar 23, 2002	Feb 7, 2005	21	22
HK\$100m	8.336%, payable quarterly	May 10, 2000	Nov 12, 2007	21	22
HK\$100m	1.50%, payable quarterly	Aug 26, 2003	Sep 2, 2004	–	22
HK\$100m	0.55%, payable quarterly	Feb 26, 2004	Mar 2, 2005	21	–
HK\$100m	2.00%, payable quarterly	May 14, 2003	May 23, 2005	21	22
HK\$100m	1.88%, payable quarterly	May 15, 2003	May 30, 2005	21	22
HK\$100m	1.32%, payable quarterly	Apr 20, 2004	Oct 24, 2005	21	–
HK\$100m	1.91%, payable quarterly	Jul 20, 2004	Jan 23, 2006	21	–
HK\$100m	1.50%, payable quarterly	Apr 7, 2004	Apr 18, 2006	21	–
HK\$100m	2.33%, payable quarterly	Aug 23, 2004	Sep 6, 2006	21	–
HK\$150m	7.85%, payable quarterly	Mar 7, 2000	Mar 7, 2005	32	33
HK\$190m	1.645%, payable quarterly	Aug 18, 2004	Aug 25, 2005	40	–
HK\$200m	8.30%, payable quarterly	Sep 14, 1999	Sep 14, 2004	–	44
HK\$200m	1.33%, payable quarterly	Feb 12, 2004	Feb 20, 2006	42	–
HK\$200m	2.38%, payable quarterly	May 15, 2003	May 29, 2006	42	44

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In \$ millions				DBSH Group	
				2004	2003
Face value	Interest rate and repayment terms	Issue date	Maturity date		
HK\$200m	2.13%, payable quarterly	Feb 12, 2004	Feb 21, 2007	42	-
HK\$300m	2.70%, payable quarterly	Jul 24, 2002	Jul 30, 2004	-	65
HK\$50m	2.555%, payable half yearly	Jul 30, 2002	Mar 15, 2004	-	11
HK\$50m	2.71%, payable half yearly	Jul 28, 2004	Aug 4, 2006	11	-
HK\$6.5m	0.75%, payable yearly	Dec 3, 2004	Dec 8, 2005	1	-
HK\$10m	2.41%, payable yearly	Aug, 7, 2002	Aug 12, 2004	-	2
HK\$20m	3.78%, payable yearly	May 10, 2002	May 14, 2004	-	4
HK\$50m	0.585%, payable yearly	Mar 22, 2004	Mar 21, 2005	11	-
HK\$50m	1.08%, payable yearly	Apr 26, 2004	May 3, 2005	11	-
HK\$50m	1.86%, payable yearly ^(a)	May 19, 2003	May 26, 2005	-	11
HK\$50m	2.705%, payable yearly	Sep 25, 2003	Oct 2, 2006	11	11
HK\$70m	0.91%, payable yearly	Oct 6, 2003	Oct 12, 2004	-	15
HK\$82m	1.70%, payable yearly	Aug 27, 2004	Sep 1, 2005	17	-
HK\$100m	8.65%, payable yearly	Nov 3, 1999	Nov 3, 2004	-	22
HK\$100m	1.385%, payable yearly	Nov 6, 2003	Nov 15, 2004	-	22
HK\$100m	1.43%, payable yearly	Jun 12, 2003	Dec 20, 2004	-	22
HK\$100m	1.40%, payable yearly	Oct 7, 2003	May 30, 2005	21	22
HK\$100m	1.59%, payable yearly	Nov 28, 2003	Jun 6, 2005	21	22
HK\$100m	2.09%, payable yearly	Jun 10, 2003	Jun 17, 2006	21	22
HK\$100m	2.28%, payable yearly	Jun 26, 2003	Jul 3, 2006	21	22
HK\$110m	0.53%, payable yearly	Feb 24, 2004	Mar 8, 2005	23	-
HK\$110m	2.25%, payable yearly	Dec 17, 2004	Dec 24, 2007	23	-
HK\$115m	1.80%, payable yearly	Jul 9, 2003	Jul 25, 2005	24	25
HK\$115m	1.00%, payable yearly	Nov 12, 2004	Nov 21, 2005	24	-
HK\$125m	1.185%, payable yearly	Oct 23, 2003	Oct 21, 2004	-	27
HK\$130m	1.131%, payable yearly	Jun 27, 2003	Jul 7, 2004	-	28
HK\$130m	8.40%, payable yearly	Nov 30, 1999	Nov 30, 2004	-	28
HK\$150m	1.275%, payable yearly	Oct 30, 2003	Nov 6, 2004	-	33
HK\$150m	0.715%, payable yearly	Jan 5, 2004	Jan 4, 2005	32	-
HK\$150m	2.035%, payable yearly	Oct 15, 2003	Oct 24, 2005	32	33
HK\$150m	1.89%, payable yearly	Nov 25, 2004	Dec 4, 2006	32	-
HK\$150m	3.13%, payable yearly	Sep 6, 2004	Sep 13, 2007	32	-
HK\$150m	2.42%, payable yearly	Nov 10, 2004	Nov 16, 2007	32	-
HK\$150m	2.51%, payable yearly	Nov 23, 2004	Nov 23, 2007	32	-
HK\$150m	2.58%, payable yearly	Dec 3, 2004	Dec 3, 2007	32	-
HK\$160m	2.175%, payable yearly	Dec 23, 2004	Dec 28, 2007	33	-
HK\$170m	0.88%, payable yearly	Nov 20, 2003	Nov 19, 2004	-	37
HK\$180m	0.90%, payable yearly	Nov 20, 2003	Nov 19, 2004	-	39
HK\$186m	0.91%, payable yearly	Nov 21, 2003	Dec 2, 2004	-	41
HK\$200m	1.03%, payable yearly	Nov 17, 2003	Jan 17, 2005	42	44
HK\$200m	1.545%, payable yearly	Oct 10, 2003	Apr 17, 2005	42	44
HK\$200m	1.88%, payable yearly	Jul 28, 2004	Aug 4, 2005	42	-
HK\$200m	2.45%, payable yearly	Aug 27, 2004	Sep 3, 2006	42	-
HK\$250m	1.36%, payable yearly	Nov 4, 2003	Nov 9, 2004	-	55
HK\$250m	Payable yearly ^(b)	Jul 14, 2004	Jul 22, 2005	52	-

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In \$ millions				DBSH Group	
				2004	2003
Face value	Interest rate and repayment terms	Issue date	Maturity date		
HK\$250m	1.34%, payable yearly	Dec 21, 2004	Jun 29, 2006	52	–
HK\$300m	1.56%, payable yearly	Aug 6, 2003	Aug 16, 2004	–	66
HK\$350m	1.32%, payable yearly	Nov 10, 2003	Nov 15, 2004	–	77
HK\$1,000m	1.05%, payable yearly	Nov 12, 2004	Nov 21, 2005	210	–
HK\$40m	3-mth Hibor* – 0.10%, payable quarterly	Feb 3, 2004	Feb 26, 2007	8	–
HK\$78m	3-mth Hibor* + 0.12%, payable quarterly	Jul 2, 2003	Jul 7, 2006	16	17
HK\$100m	3-mth Hibor* + 0.18%, payable quarterly	Feb 17, 2002	Jul 22, 2005	21	22
HK\$140m	3-mth Hibor* – 0.03%, payable quarterly ^(a)	Nov 13, 2003	Nov 27, 2013	–	31
HK\$175m	3-mth Hibor* + 0.09%, payable quarterly	Jul 28, 2003	Aug 1, 2006	36	38
HK\$200m	3-mth Hibor* + 0.09%, payable quarterly	May 13, 2003	May 19, 2005	42	44
HK\$200m	3-mth Hibor*, payable quarterly	Jan 16, 2004	Jan 21, 2008	42	–
HK\$200m	3-mth Hibor* + 0.03%, payable quarterly ^(a)	Jan 8, 2003	Jan 21, 2008	–	44
HK\$200m	3-mth Hibor* – 0.03%, payable quarterly ^(a)	Aug 19, 2003	Sep 3, 2008	–	44
HK\$230m	3-mth Hibor* + 0.12%, payable quarterly	Jun 19, 2003	Jun 23, 2006	48	50
HK\$230m	3-mth Hibor* + 0.07%, payable quarterly	Nov 30, 2004	Dec 7, 2007	48	–
HK\$240m	3-mth Hibor* + 0.18%, payable quarterly	Jul 23, 2002	Jul 29, 2005	50	52
HK\$250m	3-mth Hibor* + 0.03%, payable quarterly	Apr 23, 2003	Apr 28, 2005	52	55
HK\$350m	3-mth Hibor* + 0.18%, payable quarterly	Jul 26, 2002	Jul 29, 2005	73	77
HK\$400m	3-mth Hibor* + 0.10%, payable quarterly	Feb 5, 2002	Feb 7, 2005	84	88
HK\$450m	3-mth Hibor* + 0.02%, payable quarterly	Aug 12, 2004	Aug 18, 2005	94	–
CAD\$10m	6-mth CAD CCDOR** – 0.10%, payable half yearly	Nov 14, 2002	Nov 21, 2007	14	14
Total				2,203	1,794
Repayable:					
– Less than one year				1,380	758
– Over one year				823	1,036
Total Negotiable Certificates of Deposits				2,203	1,794

* Hibor: Hong Kong Interbank Offer Rate

** CAD CCDOR: Canada Interbank Offer Rate

(a) These notes were redeemed during the financial year ended December 31, 2004.

(b) A discounted fixed rate certificate of deposit with zero coupon rate.

21.2 OTHER DEBT SECURITIES

In \$ millions	Note	2004	2003
Issued by DBS Bank			
Equity linked notes	21.2.1	938	640
Credit linked notes	21.2.2	1,748	1,356
Interest rate linked notes	21.2.3	453	314
Exchange linked notes	21.2.4	6	1
Issued by DBS China Square Ltd			
Collateralised notes	21.2.5	71	93
Issued by ALCO 1 Limited			
Collateralised notes	21.2.6	224	224
Issued by Tampines Assets Limited			
Senior secured bonds	21.2.7	103	108
Issued by New Heights Investment Limited			
Secured asset backed medium term notes	21.2.8	57	57
Issued by Singa Secured Assets Limited			
Asset-backed short-term notes programme (Money Plus)	21.2.9	-	245
Issued by Red Orchid Secured Assets Limited			
Asset-backed short-term notes programme	21.2.10	696	213
Issued by Constellation Investment Ltd			
Credit linked notes	21.2.11	610	135
Equity linked notes	21.2.12	23	-
Total		4,929	3,386
Repayable:			
- Less than one year		1,516	972
- Over one year		3,413	2,414
Total other debt securities		4,929	3,386
Total other debt securities in issue		7,132	5,180

21.2.1 The outstanding notes at December 31, 2004, with an embedded equity option, were issued between December 13, 2000 and December 31, 2004 and mature between January 3, 2005 and June 4, 2014. The payouts at maturity are linked to the closing value of certain underlying equities listed on various stock exchanges or the closing value of certain underlying stock exchange indices or the net asset value of certain underlying equity funds.

21.2.2 The outstanding notes at December 31, 2004, with an embedded credit default swap, were issued between February 9, 2001 and December 29, 2004 and mature between January 17, 2005 and December 18, 2013. The notes will be redeemed at face value on maturity date provided there is no occurrence of a credit event. If there is an occurrence of a credit event, the underlying asset or the market value of the underlying asset in cash term, depending on the terms of the contract, would be delivered to the holders of the notes.

21.2.3 The outstanding notes at December 31, 2004, with an embedded interest rate derivative, were issued between January 23, 2002 and December 28, 2004 and mature between January 27, 2005 and December 3, 2019. The payouts at maturity are linked to the market interest rate of certain indices.

- 21.2.4** The outstanding notes at December 31, 2004, with an embedded foreign exchange rate derivative, were issued between September 17, 2004 and November 5, 2004 and mature between March 21, 2005 and May 9, 2005. The payouts at maturity are linked to the market foreign exchange rate of the underlying foreign currencies.
- 21.2.5** The floating rate notes were issued by DBS China Square Ltd on November 30, 2001 and mature on November 30, 2006. At December 31, 2004, \$22 million (2003: \$4 million) of the floating rate notes were repurchased by DBS China Square Ltd by the exercise of the option by the noteholders. Interest is payable quarterly, determined at the three-month interbank offer rate for Singapore dollar deposits plus a variable margin, which ranges from 2.000% to 2.125% per annum (2003: 1.875% to 2.000% per annum). The notes are secured by an assignment of the rights, title and interest of the issuer on the property at China Square Land Parcel 486 together with a mortgage over the same property.
- 21.2.6** ALCO 1 Limited (a special purpose entity) issued \$224 million of floating rate notes on December 21, 2001 that mature in 2009. The Notes were issued in connection with a program to reduce DBS Bank's risk weighted assets through credit derivatives and synthetic securitisation. These notes comprise:
- (i) US\$30 million Class A1 notes with interest determined at the three-month US dollar London interbank offer rate plus a mark-up of 0.50%;
 - (ii) \$30 million Class A2 notes with interest determined at the three-month Singapore dollar interbank swap offer rate plus a mark-up of 0.45%;
 - (iii) US\$12 million Class B1 notes with interest determined at the three-month US dollar London interbank offer rate plus a mark-up of 0.85%;
 - (iv) \$20 million Class B2 notes with interest determined at the three-month Singapore dollar interbank swap offer rate plus a mark-up of 0.80%;
 - (v) \$56 million Class C notes at a fixed rate of 5.20%; and
 - (vi) \$42 million Class D notes at a fixed rate of 6.70%.
- The notes are secured on the issuer's investment in securities together with the derivative contracts that the issuer has entered into.
- 21.2.7** In connection with the securitisation of Tampines Centre ("the Property"), \$180 million seven-year, fixed rate bonds were issued on December 7, 1999 together with 18,000 preference shares, and mature in 2006. The bonds were issued in 2 classes - (a) \$108 million Senior Bonds; and (b) \$72 million Junior Bonds. The Junior Bonds and \$5 million Senior Bonds are held by DBS Bank, and are eliminated at DBSH Group level. Interest is payable semi-annually on June 7 and December 7, at a fixed rate of 5.625% for the Senior Bonds and 6% for the Junior Bonds.
- The bonds are secured, inter alia, by an assignment of the rights, title and interest of the issuer in and to the Sale and Purchase Agreement, the Option Agreement, proceeds from the sale and lease of the Property, the insurances effected over the Property (all as defined in the Trust Deed), a first fixed charge over the shares held by the issuer, and a debenture creating fixed and floating charges over the assets of the issuer (including a mortgage over the Property).
- 21.2.8** These SGD notes will mature between April 25, 2006 and April 25, 2008. The notes would be redeemed at a fixed interest rate on maturity date provided there is no occurrence of a credit event. If there is an occurrence of a credit event, the issuer of the note would deliver bonds or loans or their market value in cash term, depending on the terms of the contract, to the holders of the notes. The notes are secured on deposits equivalent to the issue price, a series of credit default swaps whereby the issuer sells credit protection, and cross currency swaps.
- 21.2.9** These were short-dated notes issued by Singa Secured Assets Limited, secured by a debenture creating a first fixed and floating charge over the property, assets, rights and undertakings of the issuer, which have matured during 2004.

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21.2.10 These are short-dated notes issued by Red Orchid Secured Assets Limited with a maturity of not more than three months and details of amounts outstanding at December 31, 2004 are as follows:

<i>Face Value</i>	<i>Interest Rate and Series Number</i>	<i>Issue Date</i>	<i>Maturity Date</i>
AUD 88 million	5.49% Series E1-02	December 8, 2004	January 10, 2005
AUD 62 million	5.50% Series D1-08	December 20, 2004	January 20, 2005
AUD 34 million	5.50% Series E2-03	December 20, 2004	January 20, 2005
AUD 78 million	5.50% Series E3-03	December 30, 2004	January 31, 2005
\$36 million	1.36% Series A2-18	December 13, 2004	January 13, 2005
\$96 million	1.54% Series C1-05	December 21, 2004	March 21, 2005
\$76 million	1.36% Series A1-19	December 27, 2004	January 27, 2005
\$147 million	1.42% Series B1-12	December 29, 2004	January 31, 2005
\$7 million	1.42% Series C2-12	December 29, 2004	January 31, 2005

These notes are secured by a debenture creating a first fixed and floating charge over the property, assets, rights and undertakings of the issuer.

21.2.11 The outstanding notes at December 31, 2004, with an embedded credit default swap, were issued between October 9, 2003 and November 26, 2004 and will mature between October 9, 2008 and November 26, 2009. The notes would be redeemed at face value on maturity date provided there is no occurrence of a credit event. If there is an occurrence of a credit event, the underlying asset or the market value of the underlying asset in cash term, depending on the terms of the contract, would be delivered to the holders of the notes.

21.2.12 The outstanding note at December 31, 2004, with an embedded equity option, was issued on May 17, 2004 and will mature on May 17, 2006. The payouts at maturity are linked to the closing value of certain underlying equities listed on the Stock Exchange of Hong Kong.

22. SUBORDINATED TERM DEBTS

Subordinated term debts issued by subsidiary companies of DBSH Group are classified as liabilities in accordance with FRS 32. Certain of these instruments qualify as Tier I or Tier II capital for capital adequacy purposes.

Subordinated term debts are junior or secondary long-term debts that have a lower priority claim on DBSH Group's assets in the case of a default or liquidation.

22.1 UNDATED SUBORDINATED TERM DEBTS

The following is a summary of the undated unsecured subordinated term debts outstanding at December 31:

In \$ millions		Note	DBSH Group		
			2004	2003	
<i>Face value</i>	<i>Issue date</i>				
Issued by DBS Capital Funding Corporation					
US\$725m	7.657% Non-Cumulative Guaranteed Preference Shares, Series A	Mar 21, 2001	22.1.1	1,183	1,231
\$100m	5.35% Non-Cumulative Guaranteed Preference Shares, Series B	Mar 21, 2001	22.1.1	100	100
Issued by DBS Thai Danu Bank Public Company Limited ^(a)					
THB5,000m	Fixed Rate Perpetual Subordinated Debentures No.1	Jun 3, 1999		-	215
Total Undated Subordinated Term Debts				1,283	1,546

(a) DBS Thai Danu Bank Public Company Limited was de-consolidated on June 25, 2004.

22.1.1 These preference shares have two series; Series A and Series B each has a liquidation preference of US\$1,000 and \$10,000 respectively. Dividends, when declared by the Board of Directors of DBS Capital Funding Corporation, are payable in arrears on March 15 and September 15 each year at a fixed rate of 7.657% per annum (Series A) and 5.35% per annum (Series B), up to March 15, 2011. Thereafter, dividends are payable quarterly in arrears on March 15, June 15, September 15 and December 15 each year at a floating rate of three-month London Interbank Offer Rate ("LIBOR") + 3.2% per annum (Series A) and three-month Singapore Swap Offer Rate + 2.52% per annum (Series B). The fixed rate funding for Series A has been converted to floating rate at three-month LIBOR + 1.9364%. In computing DBSH Group's capital adequacy ratio, these guaranteed preference shares qualify as Tier I capital.

FRS 32 requires the issuer of a financial instrument to classify the instrument either as a liability or equity in accordance with the substance of the contractual arrangement on initial recognition. As the coupon on these preference shares will step-up at the end of 10 years to a level that is considered to be sufficiently higher than market rate, DBSH Group is deemed likely to redeem these preference shares at that time. As such, they have been accounted for as long-term liabilities. The dividends on these preference shares are recognised in the profit and loss account as interest expense.

22.2 DATED SUBORDINATED TERM DEBTS

The following is a summary of the dated unsecured subordinated term debts outstanding at December 31:

In \$ millions					DBSH Group	
					2004	2003
<i>Face value</i>		<i>Issue date</i>	<i>Maturity date</i>			
Issued by DBS Bank						
US\$750m	7 7/8% Subordinated Notes	Aug 10, 1999	Aug 10, 2009	22.2.1	1,225	1,275
US\$500m	7 7/8% Subordinated Notes	Apr 15, 2000	Apr 15, 2010	22.2.2	816	850
US\$850m	7 1/8% Subordinated Notes	May 15, 2001	May 15, 2011	22.2.3	1,388	1,446
US\$750m	5.00% Subordinated Notes callable with step-up in 2014	Oct 1, 2004	Nov 15, 2019	22.2.4	1,225	-
Issued by DBS Thai Danu Bank Public Company Limited ^(a)						
THB6,791m	Subordinated Debentures No.2	Jun 3, 1999	May 28, 2006		-	74
THB1,077m	4.25% Fixed Rate Subordinated term debt	Jan 18, 2000	Jan 17, 2010		-	46
THB260m	3.50% Fixed Rate Subordinated term debt	Dec 28, 2000	Dec 27, 2010		-	11
Issued by DBS Bank (Hong Kong) Limited						
US\$350m	7.75% Fixed Rate Subordinated Notes	Jan 24, 1997	Jan 24, 2007	22.2.5	427	445
Total					5,081	4,147
Repayable:						
- Less than one year					-	25
- Over one year					5,081	4,122
Total Dated Subordinated Term Debts					5,081	4,147
Total Subordinated Term Debts					6,364	5,693

(a) DBS Thai Danu Bank Public Company Limited was de-consolidated on June 25, 2004.

22.2.1 Interest is payable semi-annually on February 10 and August 10 commencing February 10, 2000. The fixed rate funding has been converted to floating rate at three-month LIBOR + 1.0475% via interest rate swaps. In computing DBSH Group's capital adequacy ratio, these notes qualify as Tier II capital.

22.2.2 Interest is payable semi-annually on April 15 and October 15 commencing October 15, 2000. The fixed rate funding has been converted to floating rate at six-month LIBOR + 0.9569% via interest rate swaps. In computing DBSH Group's capital adequacy ratio, these notes qualify as Tier II capital.

22.2.3 Interest is payable semi-annually on May 15 and November 15 commencing November 15, 2001. The fixed rate funding has been converted to floating rate at three-month LIBOR + 1.252% via interest rate swaps. In computing DBSH Group's capital adequacy ratio, these notes qualify as Tier II capital.

22.2.4 Interest is payable semi-annually on May 15 and November 15 commencing May 15, 2005. Part of the fixed rate funding has been converted to floating rate at three-month LIBOR + 0.611% 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 DBSH Group's capital adequacy ratio, these notes qualify as Tier II capital.

22.2.5 Interest is payable semi-annually on January 24 and July 24, commencing July 24, 1997. Subsequent to the issue, DBS Bank (Hong Kong) Limited repurchased and cancelled part of the Fixed Rate Subordinated Notes.

23. SINGAPORE GOVERNMENT SECURITIES AND TREASURY BILLS

Singapore Government securities and treasury bills are classified into trading book and investment book according to the investment intention. The trading book is recorded at fair value, while the investment book is stated at cost less permanent diminution in value, on the balance sheet.

In \$ millions	DBSH Group	
	2004	2003
Trading book	4,219	2,432
Investment book	6,975	9,006
Total	11,194	11,438
Investment book		
Cost, adjusted for unamortised premium and discount	6,975	9,017
Less: Provision for diminution in value (Note 28)	-	11
Net book value of investment book	6,975	9,006
Market value of investment book	7,026	9,006

24. TRADING SECURITIES

Trading securities include other Government securities and treasury bills, corporate debt and equity securities held principally for the purpose of generating profits from short-term fluctuations in price or dealer's margin. A security is also classified as held for trading if it is part of a portfolio for which there is evidence of a recent actual pattern of short-term profit-taking, regardless of why it was acquired.

In \$ millions	DBSH Group	
	2004	2003
Quoted		
Other Government securities and treasury bills	3,753	1,580
Corporate debt securities	7,026	4,443
Equity securities	916	410
Total	11,695	6,433
Industry Breakdown		
Manufacturing	922	530
Building and Construction	102	121
General Commerce	164	21
Transportation, Storage and Communications	781	476
Financial Institutions, Investment and Holding Companies	4,897	2,354
Others (includes other Government securities and treasury bills)	4,829	2,931
Total net book value	11,695	6,433

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25. LOANS TO, AND BILLS RECEIVABLE FROM NON-BANK CUSTOMERS

In \$ millions	DBSH Group	
	2004	2003
Gross	71,021	66,414
Less:		
Specific provisions (Note 26)	554	1,151
General provisions (Note 26)	803	928
Net total	69,664	64,335
Including:		
Bills receivable	2,333	1,481
Loans	67,331	62,854
Net total	69,664	64,335
Industry Breakdown		
Manufacturing	7,268	6,434
Building and Construction	6,902	7,907
Housing Loans	24,091	22,918
General Commerce	7,297	6,634
Transportation, Storage and Communications	5,259	4,821
Financial Institutions, Investment and Holding Companies	7,467	5,020
Professionals and Private Individuals (except Housing Loans)	7,038	7,078
Others	5,699	5,602
Gross total	71,021	66,414
Analysed by Currency and Fixed/ Variable Rates		
<u>Fixed rate</u> ^(a)		
Singapore dollar	10,046	8,867
Hong Kong dollar	458	262
US dollar	82	4
Thai baht	-	945
Others	342	96
Sub-total	10,928	10,174
<u>Variable rate</u> ^(b)		
Singapore dollar	23,899	21,026
Hong Kong dollar	21,432	20,089
US dollar	10,464	8,658
Thai baht	29	2,393
Others	4,269	4,074
Sub-total	60,093	56,240
Total (Gross)	71,021	66,414

(a) Fixed rate loans refer to long-term loans where the interest rates are fixed for the initial 1 to 3 years for certain mortgage loans, and over the entire loan period for other loans.

(b) Variable rate loans refer to loans that are pegged to prime, short-term cost of funds or inter-bank rates.

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Notes to the Consolidated Financial Statements

26. PROVISION FOR POSSIBLE LOAN LOSSES AND INTEREST-IN-SUSPENSE

In \$ millions	DBSH Group			Interest-in-suspense
	Specific	General	Total	
2004				
Balance at January 1	1,151	928	2,079	357
Amounts written off during the year	(324)	-	(324)	(52)
Charge/(write-back) to profit and loss account	86	(87)	(1)	-
Interest (written off)/suspended during the year	(2)	-	(2)	37
Disposal of a subsidiary company	(365)	(35)	(400)	(243)
Exchange and other movements	8	(3)	5	(8)
Balance at December 31	554	803	1,357	91
2003				
Balance at January 1	1,288	904	2,192	340
Amounts written off during the year	(511)	-	(511)	(93)
Charge to profit and loss account	352	30	382	-
Interest suspended during the year	3	-	3	94
Exchange and other movements	19	(6)	13	16
Balance at December 31	1,151	928	2,079	357

27. INVESTMENT SECURITIES

In \$ millions	DBSH Group	
	2004	2003
Quoted		
Other Government securities & treasury bills	5,163	4,953
Corporate debt securities	18,198	16,919
Equity securities	828	789
Unquoted equity securities	360	453
	24,549	23,114
Less: Provision for diminution in value (Note 28)	341	286
Total net book value	24,208	22,828
Market value of quoted securities	24,440	22,921
Industry Breakdown		
Manufacturing	1,126	823
Building and Construction	629	875
General Commerce	242	213
Transportation, Storage and Communications	1,081	1,134
Financial Institutions, Investment and Holding Companies	12,305	11,624
Others (includes other Government securities and treasury bills)	8,825	8,159
Total net book value	24,208	22,828

28. PROVISION FOR DIMINUTION IN VALUE OF INVESTMENT SECURITIES AND OTHER ASSETS

In \$ millions	Investment securities		DBSH Group Fixed assets and Others		Total
	Specific	General	Specific	General	
2004					
Balance at January 1	217	80	698	75	1,070
Amounts written off during the year	(52)	-	(5)	-	(57)
Charge/(write back) to profit and loss account	128	5	(162)	77	48
Disposal of a subsidiary company	(23)	-	(70)	-	(93)
Exchange and other movements	(8)	4	(5)	-	(9)
Balance at December 31	262	89	456	152	959

Specific and general provisions are in respect of the following:

Investment securities (Note 27)	252	89	-	-	341
Associated companies (Note 30)	10	-	-	-	10
Fixed assets (Note 32)	-	-	355	-	355
Other banking risks ^(a)	-	-	23	148	171
Other assets	-	-	78	4	82
	262	89	456	152	959

2003

Balance at January 1	220	46	637	50	953
Amounts written off during the year	(59)	-	(4)	-	(63)
Charge to profit and loss account	65	34	35	25	159
Exchange and other movements	(9)	-	30	-	21
Balance at December 31	217	80	698	75	1,070

Specific and general provisions are in respect of the following:

Singapore Government securities and treasury bills (Note 23)	-	11	-	-	11
Investment securities (Note 27)	217	69	-	-	286
Fixed assets (Note 32)	-	-	374	-	374
Other banking risks ^(a)	-	-	71	71	142
Other assets ^(b)	-	-	253	4	257
	217	80	698	75	1,070

(a) Provision for other banking risks include specific provisions and general provisions made against inter-bank loans and off balance sheet items.

(b) Includes provisions set aside in respect of foreclosed properties in DBS Thai Danu Bank Public Company Limited.

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29. SUBSIDIARY COMPANIES

29.1 At December 31, directly owned subsidiary companies of DBSH are as follows:

In \$ millions	2004	2003
Unquoted equity shares, at cost	6,731	6,731
Amounts due from subsidiary company (Note 29.6)	66	31
Total	6,797	6,762

29.2 Details of directly owned subsidiary companies of DBSH at December 31, are as follows:

Subsidiary companies	Country of incorporation/ business	Principal activities	Interest held by DBSH				Cost of investment held by DBSH	
			Directly 2004	2003	Indirectly 2004	2003	2004	2003
			%	%	%	%	\$ millions	\$ millions
Unquoted								
DBS Bank Ltd	Singapore	Commercial banking and financial services	100	100	-	-	6,726	6,726
ICS Reinsurance Pte Ltd ("ICS Re") ^(b)	Singapore	Dormant	41.3	41.3	10.2	10.2	-(a)	-(a)
Reinsurance Management Corporation of Asia (Pte) Ltd	Singapore	Management of reinsurance companies	20	20	60	60	-(a)	-(a)
RMCA Holdings Pte Ltd	Singapore	Investment holding and management of reinsurance companies	100	100	-	-	5	5
The Insurance Corporation of Singapore (UK) Limited ("ICS UK") ^(b) (Under liquidation)	United Kingdom	Dormant	98	98	-	-	-(a)	-(a)
Total							6,731	6,731

(a) Amount under \$500,000

(b) The results of these subsidiary companies are not consolidated into DBSH Group's consolidated financial statements as the reinsurance portfolios of ICS Re are under a court-approved scheme of arrangement and ICS UK is in provisional liquidation.

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29.3 At December 31, indirectly owned subsidiary companies of DBSH are as follows:

Subsidiary companies	Country of incorporation/ business	Principal activities	Interest held by				Cost of investment held by DBSH's subsidiaries	
			DBS Bank		Other DBSH's subsidiaries		2004	2003
			2004	2003	2004	2003	2004	2003
			%	%	%	%	\$ millions	\$ millions
Quoted								
DBS Thai Danu Bank Public Company Limited ^(b) (Market value: 2003: \$243 million)	Thailand	Commercial banking and financial services	– ^(g)	51.7	–	–	– ^(g)	– ^(g)
Unquoted								
DBS Asia Ltd ^(b)	Hong Kong	Financial services and investment holding	100	100	–	–	– ^(c)	– ^(c)
DBS Asia Capital Limited ^(b)	Hong Kong	Corporate finance and advisory services	100	100	–	–	21	22
DBSAM Funds	Luxembourg	Collective investment scheme	77	–	–	100	16	–
DBS Asset Management Ltd	Singapore	Investment management services and unit trusts	100	100	–	–	4	4
DBS Asset Management (Hong Kong) Ltd ^(b)	Hong Kong	Investment management services	–	–	100	100	3	3
DBS Asset Management (United States) Pte Ltd	Singapore	Investment management services	–	–	100	100	– ^(c)	– ^(c)
DBS Card Centre Pte Ltd (Under liquidation)	Singapore	Dormant	100	100	–	–	8	8
DBS Capital Funding Corporation	Cayman Islands	Special purpose vehicle for capital raising	100	100	–	–	– ^(c)	– ^(c)
DBS Capital Investments Ltd	Singapore	Venture capital investments	100	100	–	–	18 ^(d)	18 ^(d)
DBS China Square Ltd	Singapore	Property investment holding	70	70	–	–	160 ^(e)	160 ^(e)
DBS Computer Services Pte Ltd	Singapore	Dormant	100	100	–	–	– ^(e)	– ^(e)
DBS Diamond Holdings Ltd	Bermuda	Investment holding	100	100	–	–	9,919	9,919
Benchmark Farm Finance (Four) Limited (Under liquidation)	United Kingdom	Dormant	–	–	100	100	– ^(e)	– ^(e)
DBS Group (Hong Kong) Limited (formerly "Dao Heng Bank Group Limited") ^(b)	Bermuda/ Hong Kong	Investment holding	–	–	100	100	9,043	9,430

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Subsidiary companies	Country of incorporation/ business	Principal activities	Interest held by				Cost of investment held by DBSH's subsidiaries	
			DBS Bank		Other DBSH's subsidiaries		2004	2003
			2004	2003	2004	2003	2004	2003
			%	%	%	%	\$ millions	\$ millions
Dao Heng Bank Trustee (BVI) Limited (Liquidated)	British Virgin Islands	Dormant	-	-	-	100	-	-(c)
Dao Heng Bullion Limited (Liquidated)	Hong Kong	Dormant	-	-	-	100	-	-(c)
Dao Heng Bank Trustee Limited ^(b)	Hong Kong	Trustee services	-	-	100	100	1	1
Dao Heng Finance Limited ^(b)	Hong Kong	Finance company	-	-	100	100	7	7
Dao Heng London plc (Under liquidation)	United Kingdom	Dormant	-	-	100	100	-(a)	-(a)
Dao Heng Nominees Limited (Under liquidation)	United Kingdom	Dormant	-	-	100	100	-(a)	-(a)
DBS Bank (Hong Kong) Limited ^(b)	Hong Kong	Commercial banking and financial securities	-	-	100	100	1,215	1,267
DBS Corporate Services (Hong Kong) Limited ^(b)	Hong Kong	Investment holding and corporate services	-	-	100	100	-(c)	-(c)
DBS H.K. Capital (BVI) Limited ^(b)	British Virgin Islands	Dormant	-	-	100	100	-(c)	-(c)
DBS Kwong On Finance Limited ^(b)	Hong Kong	Deposit-taking finance company	-	-	100	100	5	5
DBS Kwong On Futures Limited (Under liquidation)	Hong Kong	Dormant	-	-	100	100	1	1
DBS Kwong On (Nominees) Limited ^(b)	Hong Kong	Nominee services	-	-	100	100	-(c)	-(c)
DBS Kwong On Securities Limited (Liquidated)	Hong Kong	Dormant	-	-	-	100	-	3
DBS Overseas Limited ^(b)	Hong Kong	Dormant	-	-	100	100	-(c)	-(c)
DBS Trustee H.K. (Jersey) Limited ^(b)	Jersey/ Hong Kong	Corporate services	-	-	100	100	-(c)	-(c)
DHB Limited ^(b)	Hong Kong	Investment holding	-	-	100	100	17	18
DHJ Management Limited ^(b)	British Virgin Islands/ Hong Kong	Dormant	-	-	100	100	-(c)	-(c)

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Subsidiary companies	Country of incorporation/ business	Principal activities	Interest held by				Cost of investment held by DBSH's subsidiaries	
			DBS Bank		Other DBSH's subsidiaries		2004	2003
			2004	2003	2004	2003	2004	2003
			%	%	%	%	\$ millions	\$ millions
Dransfield Resources Limited (Liquidated)	British Virgin Islands/ United Kingdom	Dormant	-	-	-	100	-	-(c)
EFI Nominees Limited (Under liquidation)	Hong Kong	Dormant	-	-	100	100	-(c)	-(c)
Hang Lung Bank (Nominee) Limited ^(b)	Hong Kong	Nominee services	-	-	100	100	-(c)	-(c)
Hang Lung Godown Company Limited (Under liquidation)	Hong Kong	Dormant	-	-	100	100	1	1
JT Administration Limited ^(b)	British Virgin Islands/ Hong Kong	Dormant	-	-	100	100	-(c)	-(c)
Kenson Asia Ltd ^(b)	Hong Kong	Dormant	-	-	100	100	-(c)	-(c)
Kingly Management Ltd ^(b)	Hong Kong	Dormant	-	-	100	100	-(c)	-(c)
Market Success Limited ^(b)	British Virgin Islands/ Hong Kong	Dormant	-	-	100	100	-(c)	-(c)
Omega One Limited (Liquidated)	Hong Kong	Dormant	-	-	-	100	-	-(c)
Omega Two Limited (Liquidated)	Hong Kong	Dormant	-	-	-	100	-	-(c)
OTB Card Company Limited ^(b)	Hong Kong	Property investment	-	-	100	100	16	17
OTB International Factors Limited ^(b)	Hong Kong	Dormant	-	-	100	100	2	2
O.T.B. Investment Limited (Liquidated)	Hong Kong	Dormant	-	-	-	100	-	-(c)
OTB Property Management Limited (Liquidated)	Hong Kong	Dormant	-	-	-	100	-	-(c)
OTB Services Limited (Under liquidation)	Hong Kong	Dormant	-	-	100	100	1	1
Overseas Trust Bank Nominees Limited ^(b)	Hong Kong	Nominee services	-	-	100	100	-(c)	-(c)
Ting Hong Nominees Limited ^(b)	Hong Kong	Nominee services	-	-	100	100	-(c)	-(c)
Worldson Services Ltd ^(b)	Hong Kong	Dormant	-	-	100	100	-(c)	-(c)

DBS Group Holdings Ltd & its Subsidiary Companies

Notes to the Consolidated Financial Statements

Subsidiary companies	Country of incorporation/ business	Principal activities	Interest held by				Cost of investment held by DBSH's subsidiaries	
			DBS Bank		Other DBSH's subsidiaries		2004	2003
			2004	2003	2004	2003	2004	2003
			%	%	%	%	\$ millions	\$ millions
DBS Factors Pte Ltd (Under liquidation)	Singapore	Dormant	100	100	-	-	5	5
DBSF Ltd (Under liquidation)	Singapore	Dormant	100	100	-	-	7	7
DBSF Investments Pte Ltd (Under liquidation)	Singapore	Dormant	-	-	100	100	17	17
DBS Finance Nominees Pte Ltd (Under liquidation)	Singapore	Dormant	100	100	-	-	-(c)	-(c)
DBS Group Holdings (Hong Kong) Ltd	Bermuda	Investment holding	100	100	-	-	683	683
DBS Kwong On Limited ^(b)	Hong Kong	Dormant	-	-	100	100	-	-
DBS Nominees Pte Ltd	Singapore	Nominee services	100	100	-	-	-(c)	-(c)
Kendrick Services Limited	British Virgin Islands	Corporate directorship services	-	-	100	100	-(c)	-(c)
Lushington Investment Limited	British Virgin Islands	Corporate shareholding services	-	-	100	100	-(c)	-(c)
DBS Trustee Ltd ^(f)	Singapore	Trustee services	20	20	80	80	3	3
DBS Vickers Securities Holdings Pte Ltd	Singapore	Investment holding	100	100	-	-	538	538
Ballas Nominees (Private) Limited (Under liquidation)	Singapore	Dormant	-	-	100	100	-(c)	-(c)
DBS Securities Holding Pte Ltd (Under liquidation)	Singapore	Dormant	-	-	100	100	277	277
DBS Vickers Securities Online Holdings Pte Ltd (formerly "DBS TD Waterhouse Holdings Pte Ltd")	Singapore	Investment holding	-	-	73	73	24	24
DBS Vickers Securities Online (HK) Limited [formerly "DBS TD Waterhouse (Hong Kong) Ltd"] ^(b)	Hong Kong	Securities broker and margin financing	-	-	100	100	19	17
DBS Vickers Securities Online Trading (HK) Limited [formerly "DBS TD Waterhouse Securities (Hong Kong) Ltd"] (Under liquidation)	Hong Kong	Dormant	-	-	100	100	6	6

DBS Group Holdings Ltd & its Subsidiary Companies

Notes to the Consolidated Financial Statements

Subsidiary companies	Country of incorporation/ business	Principal activities	Interest held by				Cost of investment held by DBSH's subsidiaries	
			DBS Bank		Other DBSH's subsidiaries		held by DBSH's subsidiaries	
			2004	2003	2004	2003	2004	2003
			%	%	%	%	\$ millions	\$ millions
DBS Vickers Securities Online (Singapore) Pte Ltd (formerly "DBS TD Waterhouse (Singapore) Pte Ltd")	Singapore	Securities broker	-	-	100	100	10	10
DBS Trading Pte Ltd (Under liquidation)	Singapore	Dormant	-	-	100	100	— ^(c)	— ^(c)
DBS Vickers Futures (Hong Kong) Limited (Under liquidation)	Hong Kong	Dormant	-	-	100	100	8	8
DBS Vickers (Hong Kong) Limited ^(b)	Hong Kong	Securities broker	-	-	100	100	36	51
DBS Vickers Research Singapore Pte Ltd	Singapore	Investment advisory services	-	-	100	100	1	1
DBS Vickers Securities (Hong Kong) Ltd ^(b)	Hong Kong	Securities broker	-	-	100	100	2	2
DBS Vickers Securities Malaysia Pte Ltd (Under liquidation)	Singapore	Dormant	-	-	100	100	17	17
DBS Vickers Securities Nominees (Hong Kong) Limited ^(b)	Hong Kong	Nominee services	-	-	100	100	— ^(c)	— ^(c)
DBS Vickers Securities Nominees (Singapore) Pte Ltd	Singapore	Nominee services	-	-	100	100	— ^(c)	— ^(c)
DBS Vickers Securities (Phils.), Inc. (Under liquidation)	The Philippines	Dormant	-	-	100	100	10	10
DBS Vickers Securities (Singapore) Pte Ltd	Singapore	Securities and futures broker	-	-	100	100	25	25
DBS Vickers Securities (Thailand) Co. Ltd ^(b)	Thailand	Securities broker	-	-	100	100	39	50
DBS Vickers Securities (UK) Ltd ^(b)	United Kingdom	Securities broker	-	-	100	100	— ^(c)	— ^(c)
DBS Vickers Securities (USA), Inc ^(b)	United States	Securities broker	-	-	100	100	4	4
First Independent Insurance Brokerage Pte Ltd (Under liquidation)	Singapore	Dormant	-	-	100	100	— ^(c)	— ^(c)

DBS Group Holdings Ltd & its Subsidiary Companies

Notes to the Consolidated Financial Statements

Subsidiary companies	Country of incorporation/ business	Principal activities	Interest held by DBS Bank		Other DBSH's subsidiaries		Cost of investment held by DBSH's subsidiaries	
			2004	2003	2004	2003	2004	2003
			%	%	%	%	\$ millions	\$ millions
PT DBS Securities Indonesia (Under liquidation)	Indonesia	Dormant	-	-	75	75	9	5
PT DBS Vickers Securities (Indonesia) ^(b)	Indonesia	Securities broker	-	-	75	75	9	8
Vickers Ballas & Co. Pte Ltd (Under liquidation)	Singapore	Dormant	-	-	100	100	65	65
Vickers Ballas Asset Management Pte Ltd	Singapore	Fund management	-	-	100	100	1	1
Vickers Ballas Consultancy Services Limited ^(b)	Hong Kong	Dormant	-	-	100	100	— ^(c)	— ^(c)
Vickers Ballas Futures Pte Ltd (Under liquidation)	Singapore	Dormant	-	-	100	100	1	1
Vickers Ballas Investment Management Limited ^(b)	Hong Kong	Direct investment and investment advisory services	-	-	100	100	— ^(c)	— ^(c)
Vickers Ballas Investment Research Pte Ltd (Under liquidation)	Singapore	Dormant	-	-	100	100	— ^(c)	— ^(c)
Vickers Ballas Nominees Pte Ltd (Under liquidation)	Singapore	Dormant	-	-	100	100	— ^(c)	— ^(c)
Vickers Ballas (UK) PLC (Under liquidation)	United Kingdom	Dormant	-	-	100	100	1	1
NDC Capital Holdings Pte Ltd (Under liquidation)	Singapore	Dormant	100	100	-	-	— ^(e)	56
POSB Computer Services Pte Ltd (Liquidated)	Singapore	Dormant	-	100	-	-	-	9
PT Bank DBS Indonesia ^(b)	Indonesia	Commercial banking and financial services	99	99	-	-	54	62
Singapore Factory Development Ltd (Liquidated)	Singapore	Dormant	-	100	-	-	-	5

(a) Written down to zero value.

(b) Audited by associated firms of Ernst & Young, Singapore.

(c) Amount under \$500,000.

(d) Included cost of investment in preference shares held amounting to \$18 million.

(e) Included cost of investment in preference shares held amounting to \$74 million.

(f) Included 20% held by DBSH in trust for DBS Bank.

(g) Ceased to be a subsidiary company during the financial year (Note 29.5).

29.4 CONSOLIDATION OF SPECIAL PURPOSE ENTITIES

DBSH Group consolidated certain entities in accordance with the Interpretation of Financial Reporting Standard (“INT FRS”) 12, “Consolidation – Special Purpose Entities (“SPEs”)” although these entities are not legally owned by DBSH Group.

This is due to the fact that:

- (a) DBSH or its subsidiary companies retain the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities; or
- (b) the activities of the SPE are being conducted on behalf of DBSH or its subsidiary companies according to its specific business needs.

The consolidated SPEs, together with the share of total assets at December 31 are as follows:

Name of Entity	Country of Entity	DBSH Group share of total assets	
		2004	2003
		\$ millions	\$ millions
Singa Secured Assets Limited	Singapore	404	445
ALCO 1 Limited	Cayman Islands	223	223
Tampines Assets Limited	Singapore	134	134
New Heights Investment Limited	Cayman Islands	57	57
Red Orchid Secured Assets Limited	Cayman Islands	445	112
Constellation Investment Ltd	Cayman Islands	657	150
Skyer I & II Limited	Cayman Islands	248	248
The Development I Partnership ^(a)	Hong Kong	-	165
The Preferred Shares – Subordinated Debentures of DBS Thai Danu Plc. Fund ^(b)	Thailand	-	Not significant
Vanda Secured Assets Limited	Singapore	Not significant	Not significant
Contract Collections Inc ^(a)	United States of America	-	Not significant

(a) Exit/liquidated in 2004

(b) DBS Thai Danu Bank Public Company Limited was de-consolidated on June 25, 2004.

None of the above entities are material to DBSH Group's profit and loss account.

29.5 ACQUISITION AND DISPOSAL OF SUBSIDIARY COMPANIES

29.5.1 On April 16, 2004, DBS Bank converted its 13,943 preferred shares and 13,943 convertible subordinated debentures in DTDB into a total of 348,588,943 ordinary shares in DTDB. DBS Bank's shareholding in DTDB increased from 52% to 59% after the conversion. On June 25, 2004, DBS Bank disposed its 59% equity stake in DTDB in consideration of 16% interest in the Thai Military Bank Public Company Limited (“TMB”). The 16% interest represents 2,460,078,607 ordinary shares of THB10 (S\$0.42) each. Profit on disposal of DTDB amounted to \$310 million after adjusting for net attributable assets disposed and transaction costs. The carrying values of assets and liabilities of DTDB in DBSH Group's accounts at the date of disposal are shown in Note 29.7.

29.5.2 During the financial year, the following subsidiaries were liquidated: Dao Heng Bank Trustee (BVI) Limited, Dao Heng Bullion Limited, DBS Kwong On Securities Limited, Dransfield Resources Limited, Omega One Limited, Omega Two Limited, O.T.B. Investment Limited, OTB Property Management Limited, POSB Computer Services Pte Ltd and Singapore Factory Development Ltd.

29.6 AMOUNTS DUE FROM SUBSIDIARY COMPANY

These amounts comprise deposits with a subsidiary company.

29.7 FAIR VALUES OF ASSETS AND LIABILITIES OF SUBSIDIARY COMPANIES DISPOSED

The fair values of assets and liabilities of subsidiary companies disposed in 2004 were as follows:

In \$ millions	DBSH Group 2004
Cash, and balances and placements with central banks	69
Securities	476
Balances, placements with, and loans and advances to banks	116
Loans and advances to non-bank customers (net of provision)	3,275
Fixed assets	99
Other assets	208
Deposits and balances of banks	(148)
Deposits and other accounts of non-bank customers	(3,434)
Other liabilities	(292)
Subordinated term debts	(338)
	<hr/>
	31
Less: Minority interests ^(a)	-
Adjusted net attributable assets	<hr/> 31
Add: Transaction costs	8
Add: Profit on disposal of a subsidiary company	310
	<hr/>
Proceeds from disposal, representing 16% equity stake in TMB	349
Less: Non-cash proceeds	(349)
Less: Cash and bank balances in a subsidiary company disposed	69
	<hr/>
Net cash outflow from disposal of a subsidiary company	<u>(69)</u>

(a) At the point of disposal, carrying amount of minority interest was zero, as the losses applicable to the DTDB minority shareholders that were in excess of their interest in the equity of DTDB were absorbed by DBS Bank.

The fair values of assets and liabilities, and net cash flow arising from disposal of subsidiary companies in the previous financial year were not significant.

29.8 FAIR VALUES OF ASSETS AND LIABILITIES OF SUBSIDIARY COMPANIES ACQUIRED

No new subsidiary company was acquired during the financial year.

Details of the fair values of assets and liabilities of a subsidiary company acquired in the previous financial year were as follows:

In \$ millions	DBSH Group 2003
Cash, balances, placements with, and loans and advances to banks	21
Other assets, including fixed assets	112
Deposits and other accounts of non-bank customers	(87)
Other liabilities	(31)
	<hr/>
	15
Less: Minority interests	4
Adjusted net attributable assets	<hr/> 11
Less: Investment cost for the 50% interest in DBS Vickers Securities Online ^(a)	8
	<hr/>
Cost of acquisition for the additional 23% interest in DBS Vickers Securities Online	3
Less: Cash and bank balances in subsidiary companies acquired	12
	<hr/>
Net cash inflow for acquisition of subsidiary companies	<u>9</u>

(a) Refers to original investment cost (\$21 million) less share of losses arising from equity accounting (\$13 million)

DBS Group Holdings Ltd & its Subsidiary Companies

Notes to the Consolidated Financial Statements

30. ASSOCIATED AND JOINT VENTURE COMPANIES

30.1 The investments in associated and joint venture companies at December 31 are as follows:

In \$ millions	DBSH Group	
	2004	2003
Quoted equity securities at cost	1,256	1,281
Unquoted equity securities at cost	78	75
	1,334	1,356
Less: Provision for diminution in value (Note 28)	10	–
Goodwill arising from equity accounting	837	837
	487	519
Add: Net exchange translation adjustments	(69)	(52)
Share of post acquisition reserves	99	80
Total	517	547

30.2 At December 31, the net tangible asset values (“NTA”) and market values of the quoted equity investments in associated companies of DBSH Group for which equity accounting was applied are as follows:

In \$ millions	DBSH Group			
	2004		2003	
	NTA	Market value	NTA	Market value
<i>Held by subsidiary companies</i>				
Bank of the Philippine Islands	326	692	339	544
Hwang – DBS (Malaysia) Bhd	64	39	64	46
Total	390	731	403	590

30.3 The associated companies held by DBSH and its subsidiary companies at December 31 are as follows:

Associated companies	Country of incorporation/ business	Principal activities	Interest held by DBSH/DBSH's subsidiaries (%)	
			2004	2003
Quoted				
<i>Held by DBS Bank</i>				
Bank of the Philippine Islands	The Philippines	Commercial banking and financial services	20.4	20.4
Vanda Systems & Communications Holding Limited ^(a)	Hong Kong	System integration and related services	–	25.7
<i>Held by other subsidiary companies</i>				
Hwang – DBS (Malaysia) Bhd	Malaysia	Investment holding	22.9	22.8
Thailand Carpet Manufacturing Public Company Limited ^(b)	Thailand	Carpet manufacturer	–	35.9

DBS Group Holdings Ltd & its Subsidiary Companies

Notes to the Consolidated Financial Statements

Associated companies	Country of incorporation/ business	Principal activities	Interest held by DBSH/DBSH's subsidiaries (%)	
			2004	2003
Unquoted				
<i>Held by DBSH</i>				
RMCA Reinsurance Limited ^(a)	Singapore	Investment holding	30.0	30.0
<i>Held by DBS Bank</i>				
Clearing and Payment Services Pte Ltd	Singapore	Provides service infrastructure for clearing payment and settlement of financial transactions	33.3	33.3
Network for Electronic Transfers (Singapore) Pte Ltd	Singapore	Electronic funds transfer	33.3	33.3
Orix Leasing Singapore Ltd	Singapore	Lease and hire-purchase financing of equipment	30.0	30.0
Investment and Capital Corporation of the Philippines	The Philippines	Financial services	20.0	20.0
Nextmall Holdings Corporation ^(c)	Cayman Islands	Supermarket	33.7	27.3
Merlion CDO 1 Limited ^(d)	Cayman Islands	Special purpose entity for note issuance programme	29.3	29.3
Capital OK Company Limited	Thailand	Consumer finance	40.0	40.0
<i>Held By Other Subsidiary Companies</i>				
Asia Converge Pte Ltd	Singapore	Securities transaction processing	–	39.0
Singapore Africa Investment Management Pte Ltd	Singapore	Investment management	30.0	30.0
Southern Africa Investment Pte Ltd	Singapore	Venture capital investment	25.0	25.0
Singapore Consortium Investment Management Ltd	Singapore	Investment management services	33.3	33.3
Venture Investment Management II Ltd	Singapore	Investment manager for venture capital	30.0	30.0
Transtech Venture Management Pte Ltd	Singapore	Investment manager for venture capital	–	40.0
Hwang-DBS Unit Trust Berhad	Malaysia	Investment management services	42.1	42.0
Hwang-DBS Vickers Research (Malaysia) Sdn Bhd ^(e)	Malaysia	Investment advisory services	49.0	49.0

DBS Group Holdings Ltd & its Subsidiary Companies

Notes to the Consolidated Financial Statements

Associated companies	Country of incorporation/ business	Principal activities	Interest held by DBSH/DBSH's subsidiaries (%)	
			2004	2003
Hwang-DBS Asset Management (Malaysia) Sdn Bhd	Malaysia	Asset and fund management services	37.5	37.4
Olympia Thailand ^(b)	Thailand	Wholesale and retail	-	26.9
Prosperity Industrial Estate Co., Ltd ^(b)	Thailand	Land Bank	-	20.0

(a) The associated company is under a court-approved scheme of arrangement. Consequently, equity accounting was not applied.

(b) The investment in the associated company was acquired as a result of debt restructuring, and is not intended to be a long-term investment. Consequently, equity accounting was not applied.

(c) This is a private equity investment and is not intended to be a long-term investment. Consequently, equity accounting was not applied.

(d) The interest held refers to DBS Bank's proportionate holding of the subordinate debts issued by the company, and is included as an investment in associated companies in accordance with INT FRS 12 although it is not legally owned by DBS Bank.

(e) Effective shareholding is 60.7% (2003: 60.6%) due to indirect shareholding of 11.7% (2003: 11.6%) through Hwang-DBS (Malaysia) Bhd. There is no control over indirect shareholding, thus consolidation was not applied.

30.4 The joint venture companies indirectly held by DBSH at December 31 are as follows:

Joint venture companies	Country of incorporation/ business	Principal activities	Interest held by DBSH/DBSH's subsidiaries (%)	
			2004	2003
<i>Held by DBS Bank</i>				
Ayala DBS Holdings Inc.	The Philippines	Investment holding	40.0	40.0
Integrated Payment Venture Pte Ltd	Singapore	Dormant	50.0	50.0
<i>Held by other subsidiary companies</i>				
Hutchison DBS Card Limited	British Virgin Islands	Provision of credit card services	50.0	50.0

30.5 DBSH Group's share of the income and expenses, assets employed and liabilities incurred by the joint venture companies at December 31 are as follows:

In \$ millions	DBSH Group	
	2004	2003
Profit and Loss		
Share of income	30	37
Share of expenses	(21)	(40)
Balance Sheet		
Non-current assets	-	1
Current assets	260	247
Current liabilities	27	23
Non-current liabilities	181	189

DBS Group Holdings Ltd & its Subsidiary Companies

Notes to the Consolidated Financial Statements

31. GOODWILL

Set out below is the carrying value after an assessment for impairment of goodwill has been performed:

In \$ millions	DBSH Group	
	2004	2003
Unamortised balance at January 1	7,371	7,693
Acquisition of subsidiary companies	-	108 ^(a)
Amortisation for the year (Note 10)	(440)	(430)
Unamortised balance at December 31	6,931	7,371

(a) Refers to the goodwill on acquisition of DBS Vickers Securities Holdings Pte Ltd.

The unamortised balance at December 31 is analysed below:

In \$ millions	Date of acquisition	Amortisation period	Unamortised balance at December 31		Charge to Profit and Loss Account	
			2004	2003	2004	2003
At DBS Bank level:						
DBS Diamond Holdings Ltd			6,707	7,114	407	407
	June 29, 2001	20 years	4,313	4,575	262	262
	January 10, 2003	19 years	2,394	2,539	145	145
DBS Vickers Securities Holdings Pte Ltd			154	182	28	18
	September 12, 2001	5/10 years	64	78	14	14
	September 11, 2003 ^(a)	8 years	90	104	14	4
DBS Group Holdings (Hong Kong) Ltd	May 7, 2002	17 years	70	75	5	5
			6,931	7,371	440	430
Included in DBS Vickers Securities Holding Pte Ltd:						
Lum Chang Securities Pte Ltd		5 years	3	5	2	2
DBS Securities Holding Pte Ltd ^(b)		5 years	5	8	3	3
			8	13	5	5

(a) Refers to the goodwill arising from the purchase of minority shareholding in DBS Vickers Securities Holdings Pte Ltd.

(b) Eliminated at DBSH Group's level.

DBS Group Holdings Ltd & its Subsidiary Companies

Notes to the Consolidated Financial Statements

32. FIXED ASSETS

32.1 Net book values at December 31, at cost less accumulated depreciation, and movements during the year are as follows:

In \$ millions	Leasehold properties ^(a)	Freehold properties	Total properties	Other assets ^(b)	Total
Cost					
Balance at January 1, 2004	2,251	167	2,418	571	2,989
Additions	10	#	10	90	100
Disposals	(67)	(5)	(72)	(127)	(199)
Disposal of a subsidiary company	(8)	(121)	(129)	(60)	(189)
Exchange differences	(42)	(3)	(45)	(13)	(58)
Balance at December 31, 2004	2,144	38	2,182	461	2,643
Less: Accumulated depreciation					
Balance at January 1, 2004	286	33	319	280	599
Depreciation charge	54	2	56	91	147
Disposals	(63)	(2)	(65)	(99)	(164)
Disposal of a subsidiary company	(4)	(21)	(25)	(52)	(77)
Exchange differences	(5)	(1)	(6)	(9)	(15)
Balance at December 31, 2004	268	11	279	211	490
Less: Provision for diminution in value (Note 28)					
	353	2	355	-	355
Net book value at December 31, 2004	1,523	25	1,548	250	1,798
Market value at December 31, 2004	2,170	31	2,201	-	2,201
Cost					
Balance at January 1, 2003	2,370	160	2,530	581	3,111
Additions	20	8	28	57	85
Disposals	(121)	(8)	(129)	(68)	(197)
Exchange differences	(18)	7	(11)	1	(10)
Balance at December 31, 2003	2,251	167	2,418	571	2,989
Less: Accumulated depreciation					
Balance at January 1, 2003	294	30	324	223	547
Depreciation charge	61	3	64	104	168
Disposals	(69)	(1)	(70)	(48)	(118)
Exchange differences	-	1	1	1	2
Balance at December 31, 2003	286	33	319	280	599
Less: Provision for diminution in value (Note 28)					
	360	14	374	#	374
Net book value at December 31, 2003	1,605	120	1,725	291	2,016
Market value at December 31, 2003	2,022	126	2,148	-	2,148

Amount under \$500,000

(a) Includes collaterals of secured borrowings. Please refer to Notes 21.2.5 and 21.2.7.

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

32.2 The net book values of DBS Building Tower Two, PWC Building and DBS Tampines Centre, being investment properties held for the purpose of generating rental income, at December 31, 2004 are \$186 million, \$316 million and \$114 million (2003: \$197 million, \$325 million and \$132 million) respectively. Their market values are independently appraised at \$364 million, \$347 million and \$114 million (2003: \$374 million, \$325 million and \$132 million) respectively.

33. OTHER ASSETS

In \$ millions	2004	DBSH Group	2003
Accrued interest receivable ^(a)	976		792
Balances arising from revaluation of financial instruments (Note 36)	10,542	8,865	
Less: Valuation adjustments (Note 33.1)	233	250	8,615
Deposits and prepayments (Note 33.2)	288		355
Foreclosed properties (net of provision)	#		148
Clients' monies receivable from securities business	503		722
Sundry debtors and others	1,720		1,387
Total	13,796		12,019

Amount under \$500,000

(a) Accrued interest receivable is net of interest-in-suspense (Note 26).

33.1 Valuation adjustments includes bid-offer spread adjustments made to mark all long positions to bid prices and short positions to offer prices; liquidity reserves to reflect possible price adjustments to the market values to liquidate certain material positions held by DBSH Group; and model risk reserves for positions where the models used may be a proxy or there may be numerical uncertainty within certain ranges. (Note 2.14.2).

33.2 Included in "Deposits and prepayments" at December 31, 2004, was an amount of \$84 million (2003: \$78 million) relating to an advance placed in a trust. The trust is for the purchase of shares in connection with the DBSH Performance Share Plan and the DBSH Employee Share Plan (Note 14). The advance at December 31, 2004 had been written down to its recoverable amount at reporting date. The cumulative provision at December 31, 2004 amounting to \$35 million (2003: \$44 million) represents the shortfall in the value of shares held in the trust when compared against the purchase cost of the shares.

34. CONTINGENT LIABILITIES

DBSH Group conducts business involving guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

Nature of instruments

Guarantees and performance bonds are generally written by a bank to support the performance of a customer to third parties. As DBSH 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 DBSH Group in respect of bills of exchange, which have been paid and subsequently rediscounted.

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Notes to the Consolidated Financial Statements

34.1 The amounts outstanding at December 31 comprise the following:

In \$ millions	DBSH Group	
	2004	2003
Guarantees on account of customers	4,582	3,734
Endorsements and other obligations on account of customers		
Letters of credit	3,500	2,637
Others	360	524
Other contingent items	87	89
Total	8,529	6,984
Industry Breakdown		
Manufacturing	1,842	1,297
Building and Construction	402	422
General Commerce	2,346	2,005
Transportation, Storage and Communications	703	369
Financial Institutions, Investment and Holding Companies	1,082	698
Professionals and Private Individuals (except Housing Loans)	765	800
Others	1,389	1,393
Total	8,529	6,984

34.2 DBS Bank, a wholly owned subsidiary company of DBSH, has an existing outsourcing agreement with IBM with respect to the provision of information technology and related support to DBSH Group's operations in Singapore and Hong Kong. As with all similar market standard arrangements, there are various termination clauses contained within the agreement that under certain circumstances could require DBSH Group to pay a penalty on early termination of the contract. The exact amount of any penalty amount cannot be reliably determined, as it is dependent upon business volumes over the period of the contract and on the timing of the termination.

34.3 Included in "Other contingent items" at December 31, 2004, is an amount of \$87 million (2003: \$89 million), representing the termination fee payable by DBS Bank should it terminate its Life Insurance Bancassurance Distribution Agreement with Aviva Ltd prematurely before the expiry date.

34.4 Included in "Guarantees on account of customers" at December 31, 2004, was a guarantee of \$507 million (2003: \$590 million) which was given by DBS Bank to holders of DBS UP Guaranteed Fund 5.0/1, DBS UP Guaranteed Fund 5.0/2, DBS UP Guaranteed Fund 5.0/3, DBS UP Guaranteed Fund 7.0/2, and DBS UP Guaranteed Fund 7.0/3". The guaranteed value is payable on December 23, 2005, April 30, 2006, June 30, 2006, April 30, 2008 and June 30, 2008 respectively.

35. COMMITMENTS

35.1 Undrawn Commitments

The commitments, which are not reflected in the consolidated balance sheet at December 31, comprise the following:

In \$ millions	DBSH Group	
	2004	2003
Loans and other facilities		
Undrawn credit facilities	66,112	56,548
Undisbursed commitments in debt securities and equities	108	124
Underwriting commitments in debt securities and equities	–	50
Spot foreign exchange contracts	4,313	3,180
Sub-total	70,533	59,902
Capital Commitments		
Total	57	48
Industry Breakdown		
Manufacturing	7,676	9,755
Building and Construction	3,414	4,160
Housing Loans	1,934	1,442
General Commerce	6,695	8,415
Transportation, Storage and Communications	4,546	5,215
Financial Institutions, Investment and Holding Companies	28,048	9,829
Professionals and Private Individuals (except Housing Loans)	12,029	12,884
Others	6,248	8,250
Total	70,590	59,950

35.2 Operating Lease Commitments

The total future minimum lease payments under non-cancellable leases at December 31 were as follows:

In \$ millions	DBSH Group	
	2004	2003
Not later than 1 year	70	93
Later than 1 year but not later than 5 years	102	116
Later than 5 years	12	14
Total	184	223
Total commitments (Note 35.1 and Note 35.2)	70,774	60,173

36. FINANCIAL DERIVATIVES

36.1 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 outlines the nature and terms of the most common types of derivatives used by DBSH Group:

36.1.1 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 calculated by reference to 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 typically 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 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. A combination of an interest rate cap and floor is known as an interest rate collar.

36.1.2 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.

36.1.3 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.

36.1.4 Credit related contracts

Credit derivatives are off-balance sheet instruments that allow for the isolation and transfer of credit risk from one party (the "Protection Buyer") to another (the "Protection Seller") without necessarily effecting an upfront exchange of physical assets. The pay-off under a credit derivative contract is linked to the credit performance of an underlying reference credit.

36.2 The following tables summarise the contractual or underlying principal amounts of derivative financial instruments held or issued for trading and non-trading purposes. The notional or contractual amounts of these instruments indicate the volume of transactions outstanding at balance sheet date, they do not represent amounts at risk.

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In the financial statements, trading derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected in "Other assets" or "Other liabilities" respectively. Non-trading derivative financial instruments are accounted for on an accrual basis.

In \$ millions	2004					
	Trading			Non-Trading		
	Underlying Notional	Year-end Positive Fair Value	Year-end Negative Fair Value	Underlying Notional	Year-end Positive Fair Value	Year-end Negative Fair Value
Interest Rate Derivatives						
Forward rate agreements bought	34,210	20	17	-	-	-
Forward rate agreements sold	32,857	18	19	-	-	-
Interest rate swaps	924,723	6,575	6,325	16,812	658 ^(b)	220
Financial futures bought	23,035	4	6	32	#	-
Financial futures sold	26,429	10	8	230	1	#
Interest rate options bought	9,944	136	-	224	#	-
Interest rate options sold	12,220	-	110	419	-	#
Interest rate futures options bought	17,529	7	-	-	-	-
Interest rate futures options sold	8,339	-	#	-	-	-
Interest rate caps/floors bought	21,206	112	6	-	-	-
Interest rate caps/floors sold	17,699	18	115	-	-	-
Sub-total	1,128,191	6,900	6,606	17,717	659	220
Foreign Exchange Derivatives						
FX forwards	47,628	898	787	25	1	#
FX swaps	190,295	1,282	1,086	11,788	74	277
Currency swaps	39,413	836	822	917	-	73
Currency options bought	26,066	415	#	-	-	-
Currency options sold	24,843	-	352	-	-	-
Sub-total	328,245	3,431	3,047	12,730	75	350
Equity Derivatives						
Equity options bought	2,972	124	#	-	-	-
Equity options sold	10,542	#	342	-	-	-
Sub-total	13,514	124	342	-	-	-
Credit Derivatives						
Credit default swaps	15,697	87	121	2,413	12	-
Sub-total	15,697	87	121	2,413	12	-
Total	1,485,647	10,542	10,116	32,860	746	570
Balances arising from off-balance sheet financial instruments (see Other liabilities/ Other assets Notes 20/33)		10,542 ^(a)	10,116			

Amount under \$500,000

(a) These gross position fair value are subject to certain valuation adjustments to reflect possible price adjustments to the market value (Note 2.14.2).

(b) Include fair value of interest rate swaps used to hedge the subordinated debts issued by DBS Bank and DBS Capital Funding Corporation (Note 38).

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The following table shows an analysis of DBSH Group's derivatives financial instruments at December 31, 2003:

In \$ millions	2003					
	Trading			Non-Trading		
	Underlying Notional	Year-end Positive Fair Value	Year-end Negative Fair Value	Underlying Notional	Year-end Positive Fair Value	Year-end Negative Fair Value
Interest Rate Derivatives						
Forward rate agreements bought	72,746	23	98	-	-	-
Forward rate agreements sold	82,827	107	32	-	-	-
Interest rate swaps	726,878	6,337	5,737	14,366	851 ^(b)	218
Financial futures bought	32,708	30	#	-	-	-
Financial futures sold	17,480	1	21	9,398	#	17
Interest rate options bought	5,048	97	-	268	1	-
Interest rate options sold	6,287	-	63	626	-	2
Interest rate futures options bought	12,227	6	-	-	-	-
Interest rate futures options sold	20,912	-	5	-	-	-
Interest rate caps/floors bought	9,633	79	11	-	-	-
Interest rate caps/floors sold	7,291	53	151	-	-	-
Sub-total	994,037	6,733	6,118	24,658	852	237
Foreign Exchange Derivatives						
FX forwards	43,913	449	465	113	-	2
FX swaps	112,901	895	681	4,599	34	86
Currency swaps	23,705	385	346	952	-	49
Currency options bought	15,777	285	-	-	-	-
Currency options sold	15,427	-	330	-	-	-
Sub-total	211,723	2,014	1,822	5,664	34	137
Equity Derivatives						
Equity options bought	1,609	36	-	-	-	-
Equity options sold	6,835	-	196	-	-	-
Sub-total	8,444	36	196	-	-	-
Credit Derivatives						
Credit default swaps	9,292	82	109	2,422	77	-
Sub-total	9,292	82	109	2,422	77	-
Total	1,223,496	8,865	8,245	32,744	963	374
Balances arising from off-balance sheet financial instruments (see Other liabilities/Other assets Notes 20/33)		8,865 ^(a)	8,245			

Amount under \$500,000

(a) These gross position fair value are subject to certain valuation adjustments to reflect possible price adjustments to the market value (Note 2.14.2).

(b) Include fair value of interest rate swaps used to hedge the subordinated debts issued by DBS Bank and DBS Capital Funding Corporation (Note 38).

The contractual or underlying principal amounts of derivative financial instruments of bank and non-bank counterparties amounted to \$1,261 billion (2003: \$1,033 billion) and \$258 billion (2003: \$223 billion) respectively.

37. FINANCIAL INSTRUMENTS – USAGE AND RISK MANAGEMENT

37.1 USE OF FINANCIAL INSTRUMENTS

DBSH Group's activities include the use of financial instruments. The Group accepts deposits from customers at both fixed and floating rates and for varying periods and seeks to earn above average interest margins by investing these funds in high quality assets. DBSH Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates while maintaining interest rate risk within targets as well as sufficient liquidity to meet all due obligations.

DBSH Group takes positions in exchange-traded and over-the-counter financial instruments including derivatives to take advantage of short-term market movements in, inter alia, equity, bond, currency, interest rate and commodity rates and prices. These positions can be for its own dealing purposes or as part of its services to meet customers' needs. Trading limits on the daily level of market risk exposure that can be taken are set by the Board of Directors and monitored by DBS Bank's Group Risk Department. With the exception of specific hedging arrangements, exposures associated with these derivatives are normally offset by entering into counter balancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions and the net amount of market risk taken. DBSH Group's investment portfolio comprises mainly highly rated government and corporate bonds, and includes other investments such as third-party managed funds. Derivatives may be used to gain or to hedge market exposure in such investments.

37.2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

DBSH Group has set up objectives and policies to manage the risks that arise in connection with the use of financial instruments. Business units have primary responsibility for managing specific risk exposures while Group Risk exercises independent oversight on risk management for DBSH Group as a whole.

37.2.1 Market Risk

Market risk arises from changes in market rates such as interest rates, foreign exchange rates and equity prices, as well as in their correlation and volatility levels. DBSH Group's trading and investment market risk appetite is determined by the Board of Directors, with detailed limit frameworks governing the different activities approved by the Board Risk Management Committee of DBSH. The principal risk measures and controls on market risk are Value at Risk ("VaR") and stress loss. VaR expresses the potential loss on the current portfolio assuming a specified time horizon before positions can be adjusted (holding period), and measured to a specified level of confidence, based on historical market movements. Stress loss is assessed against a set of forward-looking scenarios using stress moves in the market variables. At the business unit operations level, trading exposures are measured and controlled by various market risk limits (such as stop loss and time bucket concentration limits). All trading activities are subject to mark-to-market valuation to reflect the current market value of the trading portfolio and their profit and loss. Investments are subject to limits by market risk type as well as concentration limits. The Group Asset and Liability Management Committee oversees structural interest rate risk arising from mismatches in DBSH Group's customer loans and deposits, and structural foreign exchange risk.

37.2.2 Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument or the interest income of a portfolio will fluctuate due to changes in market interest rates. It results primarily from the timing mismatch in re-pricing of interest-bearing assets and liabilities. DBSH Group manages its interest rate risk by changing duration of on-balance sheet items and by way of entering into off-balance sheet interest rate hedging instruments to hedge the interest rate exposure based on market and economic conditions.

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The following tables summarise DBSH Group's assets and liabilities at carrying amounts, 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 DBSH Group, since the position is being actively managed and can vary significantly on a daily basis. As such, it may not be representative of the level of risk at other times.

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
December 31, 2004								
Cash, and balances and placements								
with central banks and banks	3,398	9,463	12,433	7,188	77	136	2,952	35,647
Securities ^(a)	980	2,253	6,476	5,290	10,889	19,289	1,920	47,097
Loans to, and bills receivable								
from, non-bank customers	14,972	29,171	9,821	11,637	1,880	1,746	437	69,664
Other assets ^(b)	-	-	-	-	-	-	23,145	23,145
Total assets	19,350	40,887	28,730	24,115	12,846	21,171	28,454	175,553
Subordinated term debts	-	-	-	-	427	5,937	-	6,364
Deposits and balances of banks	3,968	2,661	2,535	1,614	85	7	69	10,939
Deposits and other accounts of non-bank customers	73,786	19,161	5,936	5,505	2,498	6,320	-	113,206
Other liabilities ^(c)	618	1,345	1,586	1,389	1,377	1,721	19,378	27,414
Total liabilities	78,372	23,167	10,057	8,508	4,387	13,985	19,447	157,923
Minority interests	-	-	-	-	-	-	1,128	1,128
Equity	-	-	-	-	-	-	16,502	16,502
Total liabilities and equity	78,372	23,167	10,057	8,508	4,387	13,985	37,077	175,553
On-balance sheet interest rate gap	(59,022)	17,720	18,673	15,607	8,459	7,186	(8,623)	-
Off-balance sheet interest rate gap								
- Financial derivatives	5,771	6,763	11,633	(10,622)	(13,136)	(409)	-	-

(a) Securities include Singapore Government securities and treasury bills, trading securities and investment securities.

(b) Other assets include associated and joint venture companies, goodwill, fixed assets and other assets.

(c) Other liabilities include debt securities issued, other borrowings, bills payable, current and deferred taxation and other liabilities.

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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
December 31, 2003								
Cash, and balances and placements								
with central banks and banks	5,763	10,768	8,026	6,209	-	-	1,713	32,479
Securities ^(a)	943	1,726	3,989	4,842	8,669	19,019	1,511	40,699
Loans to, and bills receivable								
from, non-bank customers	15,198	27,871	8,069	9,677	1,676	1,006	838	64,335
Other assets ^(b)	-	-	-	-	-	-	22,082	22,082
Total assets	21,904	40,365	20,084	20,728	10,345	20,025	26,144	159,595
Subordinated term debts	-	-	6	19	49	5,404	215	5,693
Deposits and balances of banks	1,834	2,179	1,467	1,167	850	-	-	7,497
Deposits and other accounts								
of non-bank customers	68,215	17,559	8,068	5,489	2,707	6,003	-	108,041
Other liabilities ^(c)	78	918	1,368	1,104	1,212	918	16,745	22,343
Total liabilities	70,127	20,656	10,909	7,779	4,818	12,325	16,960	143,574
Minority interests	-	-	-	-	-	-	1,125	1,125
Equity	-	-	-	-	-	-	14,896	14,896
Total liabilities and equity	70,127	20,656	10,909	7,779	4,818	12,325	32,981	159,595
On-balance sheet interest rate gap	(48,223)	19,709	9,175	12,949	5,527	7,700	(6,837)	-
Off-balance sheet interest rate gap								
- Financial derivatives	8,272	588	(5,656)	(1,263)	635	(2,576)	-	-

(a) Securities include Singapore Government securities and treasury bills, trading securities and investment securities.

(b) Other assets include associated and joint venture companies, goodwill, fixed assets and other assets.

(c) Other liabilities include debt securities issued, other borrowings, bills payable, current and deferred taxation and other liabilities.

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The table below summarises the effective average interest rate at December 31 by major currencies for monetary financial instruments:

	Singapore Dollar %	US Dollar %	Hong Kong Dollar %
December 31, 2004			
Assets			
Cash, and balances and placements with central banks	0	0	0
Securities ^(a)	1.24 – 3.94	2.62 – 4.04	1.23 – 5.14
Balances, placements with, and loans to banks	1.26 – 1.34	2.06 – 2.31	0.46
Loans to, and bills receivable from, non-bank customers	2.77 – 4.07	2.70 – 5.11	2.87 – 11.84
Liabilities			
Subordinated term debts	5.35	5.00 – 7.88	Not applicable
Deposits and balances of banks	1.02 – 1.06	2.15 – 2.18	0.43
Deposits and other accounts of non-bank customers	0 – 0.33	0.58 – 1.60	0.09 – 0.73
December 31, 2003			
Assets			
Cash, and balances and placements with central banks	0	0	0
Securities ^(a)	0.56 – 3.72	2.65 – 3.52	1.15 – 5.57
Balances, placements with, and loans to banks	0.59 – 0.76	1.00 – 1.20	0.35
Loans to, and bills receivable from, non-bank customers	2.98 – 3.34	2.67 – 3.92	3.34 – 11.85
Liabilities			
Subordinated term debts	5.35	7.13 – 7.88	Not applicable
Deposits and balances of banks	0.21 – 0.53	1.08 – 1.21	0.14
Deposits and other accounts of non-bank customers	0 – 0.49	0.01 – 0.79	0.01 – 0.78

(a) Securities include Singapore Government securities and treasury bills, trading debt securities and investment securities. Excludes trading and investment equities.

37.2.3 Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The table below summarises DBSH Group's assets and liabilities at carrying amounts, categorised by currency.

In \$ millions	Singapore Dollar	US Dollar	Hong Kong Dollar	Thai Baht	Others	Total
December 31, 2004						
Cash, and balances and placements						
with central banks and banks	13,582	15,087	2,125	40	4,813	35,647
Securities ^(a)	13,285	19,069	3,751	18	10,974	47,097
Loans to, and bills receivable						
from, non-bank customers	31,829	11,809	21,438	29	4,559	69,664
Other assets ^(b)	12,560	6,280	3,232	59	1,014	23,145
Total assets	71,256	52,245	30,546	146	21,360	175,553
Subordinated term debts	100	6,264	-	-	-	6,364
Deposits and balances of banks	727	7,781	821	1	1,609	10,939
Deposits and other accounts of						
non-bank customers	62,052	23,709	17,900	29	9,516	113,206
Other liabilities ^(c)	5,740	7,225	9,030	73	5,346	27,414
Total liabilities	68,619	44,979	27,751	103	16,471	157,923
Minority interests	1,128	-	-	-	-	1,128
Equity	16,502	-	-	-	-	16,502
Total liabilities and equity	86,249	44,979	27,751	103	16,471	175,553
Net on-balance sheet position	(14,993)	7,266	2,795	43	4,889	-
Net off-balance sheet position	15,203	(9,272)	(1,958)	(487)	(3,486)	-

(a) Securities include Singapore Government securities and treasury bills, trading securities and investment securities.

(b) Other assets include associated and joint venture companies, goodwill, fixed assets and other assets.

(c) Other liabilities include debt securities issued, other borrowings, bills payable, current and deferred taxation and other liabilities.

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In \$ millions	Singapore Dollar	US Dollar	Hong Kong Dollar	Thai Baht	Others	Total
December 31, 2003						
Cash, and balances and placements						
with central banks and banks	7,427	18,641	1,263	184	4,964	32,479
Securities ^(a)	14,031	15,467	3,383	436	7,382	40,699
Loans to, and bills receivable						
from, non-bank customers	28,232	8,660	19,941	2,958	4,544	64,335
Other assets ^(b)	11,589	4,992	4,060	602	839	22,082
Total assets	61,279	47,760	28,647	4,180	17,729	159,595
Subordinated term debts	100	5,247	–	346	–	5,693
Deposits and balances of banks	334	4,854	210	13	2,086	7,497
Deposits and other accounts of non-bank customers	56,641	23,309	17,241	3,539	7,311	108,041
Other liabilities ^(c)	5,784	7,531	6,058	95	2,875	22,343
Total liabilities	62,859	40,941	23,509	3,993	12,272	143,574
Minority interests	1,125	–	–	–	–	1,125
Equity	14,896	–	–	–	–	14,896
Total liabilities and equity	78,880	40,941	23,509	3,993	12,272	159,595
Net on-balance sheet position	(17,601)	6,819	5,138	187	5,457	–
Net off-balance sheet position	15,556	(6,126)	(5,320)	29	(4,139)	–

(a) Securities include Singapore Government securities and treasury bills, trading securities and investment securities.

(b) Other assets include associated and joint venture companies, goodwill, fixed assets and other assets.

(c) Other liabilities include debt securities issued, other borrowings, bills payable, current and deferred taxation and other liabilities.

The table below analyses DBSH Group's net structural currency exposure at December 31:

In \$ millions	Net investments in overseas operations ^(a)	Borrowings which hedge the net investments ^(b)	Remaining structural currency exposures
Functional currency of the operation involved			
December 31, 2004			
US dollar	295	285	10
Hong Kong dollar	4,104	4,017	87
Thai baht	65	17	48
Others	1,027	508	519
Total	5,491	4,827	664
Functional currency of the operation involved			
December 31, 2003			
US dollar	203	195	8
Hong Kong dollar	3,621	3,531	90
Thai baht	(4)	(48)	44
Others	782	313	469
Total	4,602	3,991	611

(a) Refer to net tangible assets of subsidiary/associated companies and capital funds/retained earnings of overseas branches operations.

(b) Include forwards and non-deliverable forwards used to hedge the investments.

37.2.4 Credit Risk

Credit risk represents the loss which DBSH Group would suffer if a client or counterparty failed to meet its contractual obligations. 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. DBSH Group is guided by a set of credit principles and policies embodied in its Core Credit Risk Policy, to which all extensions of credit must adhere. These principles and policies have been developed with the objective of promoting best practices and consistent credit risk management standards throughout the organisation.

Exposure to credit risk is managed through a sound, well-defined credit granting process which includes the assessment of repayment likelihood, the establishment of appropriate credit limits, and the employment of various credit risk mitigation techniques such as appropriate credit structuring, and posting of collateral and / or third party support. DBSH Group also uses credit derivative instruments to manage its credit risk exposures through risk transfer to third parties.

37.2.4.1 Derivatives

At any one time, the credit exposure of derivatives transactions is limited to the positive mark-to-market value to DBSH Group, which in general is only a fraction of the derivative contract or notional amount used to express the volume of instruments. This credit exposure, together with potential exposures from market movements, is managed as part of the overall lending limits to the counterparties. Credit exposures on these instruments are usually unsecured, except where DBSH Group enters into collateralised margin transactions with counterparties.

37.2.4.2 Master Netting Arrangements

DBSH Group further manages its credit exposure by entering into master netting arrangements with counterparties where appropriate and feasible to do so. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities as transactions are usually accounted for individually on a gross basis. However, 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.

37.2.4.3 Credit Related Commitments

Guarantees and standby letters of credit, which represent undertakings that DBSH 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 DBSH 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 borrowing.

Commitments to extend credit include unused portions of loan commitments, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, DBSH Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is usually less than the total unused commitments since most commitments to extend credit are contingent upon customers observing or meeting certain credit terms and conditions.

37.2.4.4 Non-performing Loans and Provisions

DBSH Group's policy is to establish, through charges against profit, a provision in respect of the estimated loss inherent in the lending book. The overall provision represent the aggregate amount by which management considers it necessary to write down its loan portfolio in order to state it in the balance sheet at its estimated ultimate net realisable value. Non-performing loans ("NPLs") are loans, contingent facilities and debt instruments classified as Substandard, Doubtful or Loss in accordance with MAS Notice 612, which determines the level of provisioning.

At December 31, 2004, DBSH Group's total non-performing loans amounted to \$1,919 million (2003: \$3,780 million). Out of the total NPLs, \$1,007 million (52%) [2003: \$1,854 million (49%)] were secured by collateral.

Details of DBSH Group's NPLs and provisions at December 31, 2004 are as follows:

In \$ millions	Singapore	Hong Kong	Regional Countries ^(b)	Other Countries	Total
December 31, 2004					
Non-Performing Loans (NPLs)	958	471	195	295	1,919
– Substandard	674	341	107	238	1,360
– Doubtful	80	51	–	38	169
– Loss	204	79	88	19	390
NPLs as a % of Group total assets	0.5%	0.3%	0.1%	0.2%	1.1%
Non-bank NPLs as a % of non-bank loans in the respective countries^(a)	2.2%	2.0%	5.6%	5.0%	2.5%
Total Cumulative Provisions	905	443	155	198	1,701
– Specific provisions	359	159	92	76	686
– General provisions	546	284	63	122	1,015
Total Cumulative Provisions as a % of:					
– Group total assets	0.5%	0.3%	0.1%	0.1%	1.0%
– NPLs in the respective countries	94%	94%	80%	67%	89%
– Unsecured NPLs in the respective countries	221%	257%	149%	87%	186%

(a) Computed based on total non-bank customer NPLs (excluding non-performing debt securities and contingent items) divided by total gross non-bank customer loans.

(b) Regional countries include Malaysia, Indonesia, Thailand, Korea and the Philippines.

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Details of DBSH Group's NPLs and provisions at December 31, 2003 are as follows:

In \$ millions	Regional Countries ^(b)					Total
	Singapore	Hong Kong	DTDB ^(c)	Others	Other Countries	
December 31, 2003						
Non-Performing Loans (NPLs)	1,255	643	1,044	501	337	3,780
– Substandard	842	475	839	352	269	2,777
– Doubtful	42	66	20	49	27	204
– Loss	371	102	185	100	41	799
NPLs as a % of Group total assets	0.8%	0.4%	0.7%	0.3%	0.2%	2.4%
Non-bank NPLs as a % of non-bank loans in the respective countries ^(a)	3.3%	2.9%	28.8%	19.0%	8.5%	5.2%
Total Cumulative Provisions	851	418	561	389	168	2,387
– Specific provisions	475	190	378	193	87	1,323
– General provisions	376	228	183	196	81	1,064
Total Cumulative Provisions as a % of:						
– Group total assets	0.5%	0.3%	0.4%	0.2%	0.1%	1.5%
– NPLs in the respective countries	68%	65%	54%	78%	50%	63%
– Unsecured NPLs in the respective countries	173%	180%	105%	111%	53%	124%

(a) Computed based on total non-bank customer NPLs (excluding non-performing debt securities and contingent items) divided by total gross non-bank customer loans.

(b) Regional countries include Malaysia, Indonesia, Thailand, Korea and the Philippines.

(c) Includes special general provisions for regional exposures and additional specific provisions for DTDB's loans, which are booked in Singapore. DTDB was de-consolidated on June 25, 2004.

37.2.4.5 Ageing of Non-performing Loans

The following table shows the ageing of the non-performing loans of DBSH Group at December 31:

In \$ millions	DBSH Group	
	2004	2003
Non-default	744	1,695
Default loans	1,175	2,085
Less than 3 months	339	448
Over 3 months and less than 6 months	157	255
Over 6 months	679	1,382
Total	1,919	3,780

37.2.5 Concentration Risk

DBSH Group's risk management processes also ensure that an acceptable level of risk diversification is maintained across DBSH 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 action is taken if limits are breached.

37.2.5.1 Exposures to Malaysia, Indonesia, Thailand, Korea and the Philippines (Regional Countries), Hong Kong and China

At December 31, 2004, DBSH Group has exposures to certain countries in the Asia Pacific region. The exposures are determined based on the location of the credit risk of the customers and counterparties regardless of where the transactions are booked.

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The DBSH Group's exposures (assets and non-performing loans) to the Regional Countries, Hong Kong and China at December 31, 2004 are as follows:

In \$ millions	Loans and debt securities				Less:	Net exposure		
	Bank	Central Banks & Govt. Securities	Non-Bank ^(a)	Investments	Intercompany Loans/ Investments in Financial Subsidiaries/ Overseas Branches	Amount	As a % of Total Assets	NPLs ^(b)
Assets in	(1)	(2)	(3)	(4)	(5)	(6)=(1+2+3+4-5)	(7)	
Total Regional Countries	6,092	1,999	3,808	1,307	2,137	11,069	6.3%	195
Malaysia	2,064	255	1,794	81	1,357	2,837	1.6%	136
Indonesia	464	285	673	68	165	1,325	0.7%	25
Thailand (excluding DTDB)	184	49	81	406	39	681	0.4%	34
Korea	3,194	1,230	1,144	18	575	5,011	2.9%	-
The Philippines	186	180	116	734	1	1,215	0.7%	#
Hong Kong	3,628	2,500	24,842	11,323	13,431	28,862	16.5%	471
China	2,114	73	1,137	66	821	2,569	1.5%	71
Total	11,834	4,572	29,787	12,696	16,389	42,500	24.3%	737

Amount under \$500,000.

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

(b) NPLs include classified bank loans, debt securities and contingent items.

The DBSH Group's exposures (assets and non-performing loans) to the Regional Countries, Hong Kong and China at December 31, 2003 are as follows:

In \$ millions	Loans and debt securities				Less:	Net exposure		
	Bank	Central Banks & Govt. Securities	Non-Bank ^(a)	Investments	Intercompany Loans/ Investments in Financial Subsidiaries/ Overseas Branches	Amount	As a % of Total Assets	NPLs ^(b)
Assets in	(1)	(2)	(3)	(4)	(5)	(6)=(1+2+3+4-5)	(7)	
Total Regional Countries	5,016	1,104	6,395	955	1,954	11,516	7.3%	1,545
Malaysia	1,280	13	1,356	90	1,034	1,705	1.1%	233
Indonesia	126	56	365	73	128	492	0.3%	55
Thailand (excluding DTDB)	231	9	221	63	214	310	0.2%	188
Korea	3,326	531	885	1	577	4,166	2.6%	17
The Philippines	46	149	103	604	1	901	0.6%	8
DTDB ^(c)	7	346	3,465	124	-	3,942	2.5%	1,044
Hong Kong	2,457	2,013	23,235	11,935	13,238	26,402	16.5%	643
China	965	24	692	21	393	1,309	0.8%	130
Total	8,438	3,141	30,322	12,911	15,585	39,227	24.6%	2,318

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

(b) NPLs include classified bank loans, contingent facilities and debt instruments.

(c) DTDB was de-consolidated on June 25, 2004.

37.2.5.2 Industry Analysis of Non-performing Loans

The following table shows the industry breakdown of the non-performing loans of DBSH Group at December 31:

In \$ millions	DBSH Group			
	2004	Specific Provisions	2003	Specific Provisions
	Outstanding		Outstanding	
Non-performing customer loans				
Manufacturing	365	175	894	360
Building and Construction	237	58	414	98
Housing Loans	253	67	333	90
General Commerce	186	75	573	287
Transportation, Storage and Communications	27	10	98	25
Financial Institutions, Investment and Holding Companies	201	58	199	65
Professionals and Private Individuals (except Housing Loans)	239	105	276	133
Others	255	78	695	165
Sub-total	1,763	626	3,482	1,223
Non-performing debt securities	138	52	184	73
Non-performing contingent items	18	8	114	27
Total	1,919	686	3,780	1,323

37.2.6 Liquidity Risk

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting its financial obligations. DBSH Group's objective in liquidity management is to ensure that there is sufficient liquidity to meet obligations under normal as well as adverse circumstances and take advantage of lending and investment opportunities as they arise. As part of its liquidity risk management, DBSH Group focuses on a number of components, including limits on behavioural maturity mismatches, key ratios, diversification of funding sources, liquid assets, funding capacity and contingency planning.

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The table below analyses assets and liabilities of DBSH Group based on the remaining period at balance sheet date to the contractual maturity date. However, contractual terms are not representative of the behaviour of assets and liabilities.

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	No specific maturity	Total
December 31, 2004								
Cash, and balances and placements with central banks and banks	5,452	9,455	12,111	7,003	523	333	770	35,647
Securities ^(a)	14,040	766	1,893	4,735	12,270	11,474	1,919	47,097
Loans to, and bills receivable from, non-bank customers	7,881	6,288	7,764	7,672	10,712	29,326	21	69,664
Other assets ^(b)	486	26	6	21	31	34	22,541	23,145
Total assets	27,859	16,535	21,774	19,431	23,536	41,167	25,251	175,553
Subordinated term debts	-	-	-	-	427	5,937	-	6,364
Deposits and balances of banks	4,063	2,246	2,272	1,563	486	309	-	10,939
Deposits and other accounts of non-bank customers	73,786	19,161	5,936	5,505	2,498	6,320	-	113,206
Other liabilities ^(c)	1,441	1,906	1,364	1,889	2,926	6,026	11,862	27,414
Total liabilities	79,290	23,313	9,572	8,957	6,337	18,592	11,862	157,923
Minority interests	-	-	-	-	-	-	1,128	1,128
Equity	-	-	-	-	-	-	16,502	16,502
Total liabilities and equity	79,290	23,313	9,572	8,957	6,337	18,592	29,492	175,553
Net liquidity gap	(51,431)	(6,778)	12,202	10,474	17,199	22,575	(4,241)	-

(a) Securities include Singapore Government securities and treasury bills, trading securities and investment securities.

(b) Other assets include associated and joint venture companies, goodwill, fixed assets and other assets.

(c) Other liabilities include debt securities issued, other borrowings, bills payable, current and deferred taxation and other liabilities.

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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	No specific maturity	Total
December 31, 2003								
Cash, and balances and placements with central banks and banks	7,338	10,737	7,068	6,828	394	19	95	32,479
Securities ^(a)	6,589	664	1,142	4,242	9,181	17,780	1,101	40,699
Loans to, and bills receivable from, non-bank customers	7,005	5,151	5,223	7,384	10,657	28,915	-	64,335
Other assets ^(b)	251	-	-	-	-	-	21,831	22,082
Total assets	21,183	16,552	13,433	18,454	20,232	46,714	23,027	159,595
Subordinated term debts	-	-	6	19	49	5,404	215	5,693
Deposits and balances of banks	1,894	2,125	1,464	1,158	850	6	-	7,497
Deposits and other accounts of non-bank customers	68,215	17,559	8,068	5,489	2,707	6,003	-	108,041
Other liabilities ^(c)	293	472	376	1,492	1,940	1,775	15,995	22,343
Total liabilities	70,402	20,156	9,914	8,158	5,546	13,188	16,210	143,574
Minority interests	-	-	-	-	-	-	1,125	1,125
Equity	-	-	-	-	-	-	14,896	14,896
Total liabilities and equity	70,402	20,156	9,914	8,158	5,546	13,188	32,231	159,595
Net liquidity gap	(49,219)	(3,604)	3,519	10,296	14,686	33,526	(9,204)	-

(a) Securities include Singapore Government securities and treasury bills, trading securities and investment securities.

(b) Other assets include associated and joint venture companies, goodwill, fixed assets and other assets.

(c) Other liabilities include debt securities issued, other borrowings, bills payable, current and deferred taxation and other liabilities.

38. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Financial instruments comprise financial assets, financial liabilities and also off-balance sheet financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents estimates of fair values as at the balance sheet date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

In addition, fair value information for non-financial assets and liabilities is excluded as they do not fall within the scope of FRS 32, which requires the fair value information to be disclosed. These include fixed assets and intangibles.

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Except for loans to and bills receivable from customers, the following table summarises the carrying amounts and fair values of DBSH Group's financial assets and liabilities. DBSH Group has computed the fair values of loans to and bills receivable from customers, taking into account the relevant market interest rates and credit spread by product types and noted that the total fair value is not materially different from the total carrying amount at year-end.

In \$ millions	DBSH Group			
	2004		2003	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash, and balances and placements with central banks and banks	35,647	35,639	32,479	32,500
Securities	47,097	47,676	40,699	41,167
Financial liabilities				
Deposits and balances of banks	10,939	10,946	7,497	7,499
Deposits and other accounts of non-bank customers	113,206	113,172	108,041	108,045
Other borrowings, debt securities issued and bills payable	7,883	7,883	5,967	5,967
Subordinated term debts	6,364	6,902	5,693	6,384

Cash, and balances and placements with central banks and banks

The estimated fair value of placements is based on the discounted cash flows using the prevailing money market interest rates for placements with similar credit risk and remaining maturity.

Securities

Securities include Singapore Government securities and treasury bills, trading securities and investment securities. Fair value is based on the market prices or broker/dealer price quotations. Where market prices are not available, fair values are estimated based on validated internal valuation models. For equities, where market price information is not available, fair value has been estimated by reference to the net tangible asset backing of the investee.

Deposits, and balances of banks and non-bank customers

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

The estimated fair value of fixed interest-bearing deposits and other borrowings is based on discounted cash flows using prevailing interest rates with similar remaining maturity.

Other borrowings, debt securities and bills payable

The fair value approximates their carrying amounts.

Subordinated term debts

The estimated fair value of subordinated term debts is based on a discounted cash flow model using a current yield curve appropriate for the remaining term to maturity. A substantial portion of the fixed rate USD subordinated term debts issued by DBS Bank and DBS Capital Funding Corporation have been converted to floating rate via interest rate swaps. The difference between fair value and carrying amount will be largely offset by the corresponding fair value of hedging interest rate swaps (Note 36.2).

39. ASSETS PLEDGED

The aggregate carrying amounts of assets that have been mortgaged or pledged in the normal course of business to secure the liabilities of DBSH Group have been disclosed under Notes 21.2.5 to 21.2.10. In addition, securities sold under repurchase agreements at December 31, 2004 was \$4,639 million (2003: \$3,329 million).

40. SEGMENTAL ANALYSIS

40.1 BUSINESS SEGMENT ANALYSIS

The business segment results represent the customer segments of the respective businesses and are determined by:

- Income and direct expenses attributable to each customer and other segment; and
- Management accounting policies relating to the allocation of indirect expenses and funds transfer pricing between the central treasury unit and the customer/other segments.

The various customer segments are described below:

- Consumer Banking

Consumer Banking focuses on providing products and services to individual customers. The products and services offered to customers include credit facilities (mortgage, personal loans, etc.), credit cards, deposit collection, remittance services, and asset management products.

- Enterprise Banking

Enterprise Banking focuses on providing products and services to small and medium enterprises. The products and services offered to customers include credit facilities (overdraft, factoring/accounts receivable purchase, trade financing, commercial/industrial property financing, hire purchase and government financing and assistance schemes), deposit, payment and collection services and treasury products.

- Investment Banking

Investment Banking caters to the business needs of large corporate customers and financial institutions. The products and services offered to customers include direct lending, advisory banking services, bond issuance, equity financing, syndicated financing, mergers and acquisitions advisory services, debt restructuring advisory services, private equity, nominee and trustee services and cash management services.

- Treasury and Markets

Treasury and Markets is primarily involved in market making, structuring and trading of financial products including foreign exchange, securities and interest rate/credit/equity/foreign exchange derivatives. Income from treasury products and services relating to customers of other segments is reflected in the respective customer segments.

The other segments of the analysis are:

- Funding Portfolio

The Funding Portfolio managed by Treasury and Markets is the net aggregate of the Group's interest earning assets and interest bearing liabilities. The income generated from this portfolio is predominantly interest in nature.

- Central Operations

Central Operations encompasses a range of activities resulting from central corporate decisions and the related income and expenses not attributed to business segments. These include the central treasury unit, funding costs of DBSH Group's associated and subsidiary companies and gains/losses on properties as well as certain subsidiaries including stock brokerage and asset management.

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The following tables analyse the results, total assets and total liabilities by business segments:

In \$ millions	DBSH Group						Total
	Consumer Banking	Enterprise Banking	Investment Banking	Treasury and Markets ^(a)	Funding Portfolio ^(a)	Central Operations	
2004							
Income before operating expenses	1,566	735	703	394	346	1,184	4,928
Operating profit before provisions, taxation and goodwill amortisation	653	484	450	288	212	835	2,922
Net profit before taxation and goodwill amortisation	571	366	500	288	232	995	2,952
Taxation	(105)	(67)	(86)	(47)	(37)	(100)	(442)
Net profit after taxation and before goodwill amortisation	462	304	415	241	194	842	2,458
Goodwill amortisation							(440)
Net profit attributable to members							2,018
Other Information							
Total assets before goodwill	28,156	15,957	30,698	29,506	37,001	27,304	168,622
Goodwill							6,931
Total assets							175,553
Total liabilities	65,156	15,164	14,453	19,094	19,411	24,645	157,923
Capital expenditure	13	7	4	5	4	67	100
Depreciation	30	14	4	7	7	85	147
2003							
Income before operating expenses	1,441	631	668	496	332	630	4,198
Operating profit before provisions, taxation and goodwill amortisation	601	397	452	367	233	307	2,357
Net profit before taxation and goodwill amortisation	422	286	364	367	248	180	1,867
Taxation	(87)	(56)	(48)	(63)	(41)	(54)	(349)
Net profit after taxation and before goodwill amortisation	336	231	317	302	203	66	1,455
Goodwill amortisation							(430)
Net profit attributable to members							1,025
Other Information							
Total assets before goodwill	27,569	13,871	27,790	19,738	35,088	28,168	152,224
Goodwill							7,371
Total assets							159,595
Total liabilities	65,853	13,987	13,164	13,561	13,228	23,781	143,574
Capital expenditure	13	7	9	4	3	49	85
Depreciation	37	13	6	8	6	98	168

(a) Operating expenses and provisions have been determined by pro-rating between Treasury and Markets and the Funding Portfolio based on the share of income before operating expenses.

40.2 GEOGRAPHICAL SEGMENT ANALYSIS

DBSH Group operates in four main geographical areas:

- **"Singapore"**, which includes the operations of the Asian Currency Unit.
- **"Hong Kong"**, which includes branch and subsidiary operations in Hong Kong.
- **"Regional countries"**, which includes branch and subsidiary operations in Malaysia, Indonesia, Thailand, Korea and the Philippines.
- **"Rest of the world"**, which are mainly branch operations in China, India, Taiwan, United States and United Kingdom.

Singapore and Hong Kong contributed 66% and 28% (2003: 60% and 32%) of the consolidated income before operating expenses, and 68% and 24% (2003: 64% and 24%) of total assets (excluding goodwill), respectively.

Income before operating expenses and net profit attributable to members 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 before operating expenses and net profit attributable to members are stated after elimination of inter-group assets and revenues.

The following tables analyse total assets, income before operating expenses and net profit attributable to members by geographical segments:

In \$ millions	Total assets	Income before operating expenses	Net profit attributable to members
2004			
Singapore	115,516	3,270	1,728
Hong Kong	40,046	1,361	625
Regional countries	4,362	178	77
Rest of the world	8,698	119	28
Sub-total	168,622	4,928	2,458
Goodwill	6,931	-	(440)
Total	175,553	4,928	2,018
2003			
Singapore ^(a)	97,655	2,520	863
Hong Kong	39,101	1,337	486
Regional countries ^(a)	6,813	249	68
Rest of the world	8,655	92	38
Sub-total	152,224	4,198	1,455
Goodwill	7,371	-	(430)
Total	159,595	4,198	1,025

(a) Special general provisions for regional exposures and additional provisions for DTDB's loans are booked in Singapore.

41. RELATED PARTY TRANSACTIONS

41.1 During the financial year, DBSH Group has banking transactions with related parties, consisting of associated companies, joint ventures, directors and key management personnel of the DBSH Group. These include deposit taking, loans and credit card facilities. These transactions are made in the ordinary course of business and carried out at arms length commercial terms, and are not material.

In addition, directors and key management personnel received remuneration in respect of their services rendered during the financial year. Non-cash benefits which include share options and performance shares were also granted.

41.2 DIRECTORS AND KEY MANAGEMENT PERSONNEL REMUNERATION AND FEES

Total remuneration and fees paid to DBSH Directors and directors of subsidiary companies, as well as key management personnel were as follows:

In \$ millions	DBSH Group	
	2004	2003
Remuneration of DBSH directors	11	8
Remuneration of directors of subsidiary companies	13	19
Fees of DBSH directors	1	1
Fees of directors of subsidiary companies	#	#
Total directors' remuneration and fees	25	28
Remuneration of key management personnel ^(a)	11	8
Total remuneration and fees	36	36

Amount under \$500,000

(a) Refers to members of the Management Committee, excluding members who are also DBSH/DBS Bank Directors.

41.3 SHARE OPTIONS GRANTED TO DBSH DIRECTORS AND KEY MANAGEMENT PERSONNEL

The aggregate number of share options granted to DBSH Directors and key management personnel during the financial year were 76,000 and 190,000 (2003: 143,100 and 340,500) respectively. The share options were granted on the same terms and conditions as those offered to other employees of DBSH Group. The outstanding number of share options granted to DBSH Directors and key management personnel at the end of the financial year were 781,225 and 1,454,150 (2003: 705,225 and 1,269,150) respectively.

41.4 PERFORMANCE SHARES GRANTED TO DBSH DIRECTORS AND KEY MANAGEMENT PERSONNEL

During the financial year, 33,940 and 66,190 (2003: 76,930 and 35,250) awards in respect of DBSH ordinary shares were granted to DBSH Directors and key management personnel respectively. The award numbers represent a 100% payout. The payout at the end of the performance period could range from a minimum of 50% of the shares awarded to 200%, dependent on the DBSH Group's performance vis-a-vis target performance levels measured by return on equity.