Notes to the Financial Statements

Year ended 31 December

These Notes form an integral part of the financial statements.

The consolidated financial statements for the year ended 31 December 2005 were authorised for issue by the directors on 17 February 2006.

1 DOMICILE AND ACTIVITIES

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

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

The financial statements relate to the Company and its subsidiaries (referred to as the Group) and the Group's interests in associates and jointly-controlled entities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group are prepared in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations promulgated by the Council on Corporate Disclosure and Governance ("CCDG"). In accordance with Section 201(19) of the Companies Act, the requirements of FRS 39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning are modified by the requirements of Notice to Banks No. 612 "Credit Files, Grading and Provisioning" (dated 11 March 2005) issued by the Monetary Authority of Singapore.

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

The financial statements are presented in Singapore dollars and rounded to the nearest million, unless otherwise stated. They are prepared on the historical cost convention, except for derivative financial instruments, available-for-sale financial assets and financial assets and liabilities held at fair value through profit or loss which have been measured at fair value.

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

On 1 January 2005, the Group adopted the new or revised FRS and amended Interpretations to FRS (INT FRS) that are applicable in the current financial year. The 2005 financial statements have been prepared in accordance with the relevant transitional provisions in the respective FRS and INT FRS. The following are the FRS and INT FRS that are relevant to the Group:

FRS 1 (revised)	Presentation of Financial Statements
FRS 7 (revised)	Cash Flow Statements
FRS 8 (revised)	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 10 (revised)	Events after the Balance Sheet Date
FRS 12 (revised)	Income Taxes
FRS 14 (revised)	Segment Reporting
FRS 16 (revised)	Property, Plant and Equipment
FRS 17 (revised)	Leases
FRS 18 (revised)	Revenue
FRS 19 (revised)	Employee Benefits
FRS 21 (revised)	The Effects of Changes in Foreign Exchange Rates
FRS 24 (revised)	Related Party Disclosures
FRS 25 (revised)	Accounting for Investments
FRS 27 (revised)	Consolidated and Separate Financial Statements
FRS 28 (revised)	Investments in Associates
FRS 31 (revised)	Interests in Joint Ventures
FRS 32 (revised)	Financial Instruments: Disclosure and Presentation
FRS 33 (revised)	Earnings Per Share
FRS 36 (revised)	Impairment of Assets
FRS 37 (revised)	Provisions, Contingent Liabilities, and Contingent Assets
FRS 38 (revised)	Intangible Assets
FRS 39	Financial Instruments: Recognition and Measurement
FRS 102	Share-based Payment
FRS 103	Business Combinations
INT FRS 12 (amended)	Consolidation – Special Purpose Entities

The adoption of the above FRS and INT FRS did not result in substantial changes to the Group's accounting policies, which are consistent with those used in the previous financial year, except for the changes disclosed in Note 3.

2.2 Group accounting

Subsidiaries

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

Investments in subsidiaries are stated in the Company's balance sheet at cost, less impairment losses, if any. The purchase method is used to account for the acquisition of subsidiaries. Subsidiaries are consolidated from the date control is transferred to the Group to the date it ceases.

Special purpose entities

Entities in which the Group holds little or no equity are consolidated as subsidiaries if the Group is assessed to have control over them.

Such control can be demonstrated through predetermination of the entities' activities, exposure to and retention of majority of its residual or ownership risk, and decision-making powers to obtain majority of benefits of the entities.

Joint ventures

Joint ventures are entities that are jointly controlled by the Group together with one or more parties through contractual arrangements. Investments in joint ventures are stated in the Company's balance sheet at cost, less impairment losses, if any. The Group recognises its interest in joint ventures using the proportionate consolidation method.

Associates

Associates are entities in which the Group has significant influence, but not control, and generally holds a shareholding of between and including 20% and 50% of the voting rights.

The Group's investments in associates are initially carried at cost. The carrying amount is increased or decreased to recognise the Group's share of net assets of the associate, less any impairment in value after the date of acquisition. Where the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Profits and losses resulting from transactions between the Group and its associates are also eliminated on consolidation to the extent of the Group's interests in the associates. Where necessary, adjustments are made to the financial statements of subsidiaries, associates and joint ventures to bring the accounting policies used in line with those used by the Group.

2.3 Foreign currency translation

Functional and presentation currency

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

Foreign currency transactions

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

Foreign operations

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

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

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

Consolidation adjustments

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

2.4 Segment reporting

The Group's financial businesses are organised into the Consumer Banking and Wholesale Banking Business Groups and Central Operations. Wholesale Banking Business Group is segregated into Enterprise Banking, Corporate and Investment Banking, Global Financial Markets and Central Treasury Unit. In total, the Group reports six business segments.

A **business segment** provides products or services whose risks and returns are different from those of other business segments. A **geographical segment** provides products or services within a particular economic environment whose risks and returns are different from those of other economic environments. Business segments are the primary reporting segments.

2.5 Revenue recognition

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

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

Fee and commission income
The Group earns fee and commission income from a diverse range of products and services provided to its customers. Fee and commission income is recognised on the completion of a transaction. For a service that is provided over an extended period of time, fee and commission income is recognised over the course of the period.

Dividend income
Dividend income is recognised when the right to receive payment is established.

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

2.6 Cash and cash equivalents
For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, non-restricted balances with central banks, trading government securities and treasury bills which are readily convertible into cash.

2.7 Financial assets
Financial assets are classified according to the purpose for which the assets were acquired. Management determines the classification at initial recognition and re-evaluates the designation at every reporting date, with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

The classification of financial assets is as follows:

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

Derivatives are fair valued through profit or loss unless they are designated as cash flow hedges or hedges of net investments in foreign operations. The specific Group accounting policy on derivatives is detailed in Note 2.15.

(b) Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(c) Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group intends and is able to hold to maturity.

(d) Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories.

Recognition and derecognition
Purchases and sales of investments are recognised on the date that the Group commits to purchase or sell the asset. Investments are de-recognised when the Group has transferred substantively all risks and rewards of ownership.

Initial measurement
Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, for which transaction costs are expensed off immediately.

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

Realised or unrealised gains or losses of financial assets at fair value through profit or loss are taken to "Net trading income" in the income statement. Unrealised gains or losses arising from changes in fair value of investments classified as available-for-sale are recognised in the available-for-sale revaluation reserves. When investments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments in the available-for-sale revaluation reserves are taken to the income statement.

Determination of fair value
The fair values of quoted financial assets are based on current bid prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models refined to reflect the issuer's specific circumstances.

2.8 Loans and advances to customers
Loans and advances to customers are carried at amortised cost using the effective interest method, less specific and general provisions.

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

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

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

Specific provision for credit losses are evaluated either as being counterparty-specific or collective according to the following principles:

Counterparty-specific: Individual credit exposures are evaluated using the discounted cash flow method and a provision is made when existing facts, conditions or valuations indicate that the Group is not likely to collect part or all of the principal and interest due contractually on the claim. A provision is reversed only when there is reasonable assurance of timely collection.

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

General provision for credit losses
Apart from specific provisions, the Group also carries general provision for credit losses. The Group maintains a level of provisions that is deemed sufficient to absorb all credit losses inherent in its loan portfolio (including off-balance sheet credit exposures). In determining the level of general provisions, the Group considers country and portfolio risks, as well as industry practices. The Group maintains general provisions of at least 1% of credit exposures on and off the balance sheet net of collaterals and after deducting specific provisions that have been made.

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

Reverse repurchase agreements ("Reverse repos") are treated as collateralised lending. The amount lent is reflected as an asset either as "Loans and advances to customers" or "Due from banks".

Amounts paid and received on the repos and reverse repos are amortised as interest expense and interest income respectively on an effective interest basis.

2.10 Goodwill on consolidation
Goodwill in a business combination represents the excess of acquisition cost over the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill is stated at cost less impairment losses and it is tested at least annually for impairment.

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

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

2.11 Properties and other fixed assets
Properties and other fixed assets are stated at cost less accumulated depreciation and impairment losses. The basis of depreciation is as follows:

Properties
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 leasehold land where the unexpired lease period is more than 100 years.

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

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

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

2.12 Impairment
The carrying values of assets are reviewed for impairment at each balance sheet date to determine if events or changes in circumstances indicate that the carrying value may not be recoverable. If such an indication exists, the carrying values of the assets are written down to their recoverable amount. The impairment loss is charged to the income statement unless it reverses a previous revaluation credited to equity in which case it is charged to equity.

Impairment on goodwill is determined by assessing the recoverable amount of the cash-generating unit that the goodwill relates to. The amount of goodwill impaired is the difference between the carrying value of the cash-generating unit and its recoverable amount. Any impairment loss will not be reversed in a subsequent period.

When there is objective evidence that a decline in the fair value of an available-for-sale financial asset is due to an impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in the income statement – is removed from equity and recognised in the income statement. A subsequent recovery in the value of an available-for-sale equity instrument that has been impaired is reversed through equity. A subsequent recovery in the value of an available-for-sale debt instrument whose value is impaired is reversed through the income statement if there has been an identifiable event that led to the recovery.

2.13 Financial liabilities
The Group classifies its financial liabilities in the following categories: (a) financial liabilities at fair value through profit or loss; and (b) non-trading liabilities. Financial liabilities classified at fair value through profit or loss are carried at fair value, with gains and losses from change in fair value recognised through the income statement. Non-trading liabilities are carried at amortised cost using the effective interest method.

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

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

2.15 Derivative financial instruments and hedge accounting
Derivatives are initially recognised at fair value at the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are classified in assets when the fair value is positive and as liabilities when the fair value is negative. Changes in the fair value of derivatives other than those designated as cash flow hedges or hedges of net investments in foreign operations are included in net trading income.

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

For financial instruments designated as hedging instruments, the Group documents at the inception the relationship between hedging instruments and hedged items, as well as its risk management objective for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the financial instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedge
For an effective hedge of an exposure to changes in the fair value, the changes in the fair value of the derivatives are recorded in the income statement, together with any changes in the fair value of the hedged item attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used, is amortised to profit or loss over the period to maturity of the hedged item.

(b) Cash flow hedge
The changes in the fair value of derivatives designated and qualified as hedges of future cash flows are recognised directly in equity, and taken to the income statement in the periods when the hedged item affects profit or loss. The ineffective portion of the gain or loss is recognised immediately in the income statement.

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

(c) Hedge of net investment in a foreign operation
Financial instruments designated as foreign currency hedges of net investments in the Group's foreign operations are accounted for similarly to cash flow hedges. The foreign exchange gains or losses from the hedging instruments are recognised directly in equity, until disposal of the foreign operation, whereby it is recognised in the income statement.

2.16 Employee benefits
Personnel expenses on base pay, cash bonuses, contributions to defined contribution plans, e.g., the Central Provident Fund and other staff-related allowances are recognised in the income statement 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, the Group has no further payment obligations.

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

2.17 Share-based compensation
Personnel expenses also include share-based compensation, namely, the DBSH Share Ownership Scheme, the DBSH Share Option Plan, the DBSH Performance Share Plan and the DBSH Employee Share Plan. The details of the Scheme and Plans are described in Note 40.

Equity instruments granted and ultimately vested under the Plans are recognised in the income statement based on the fair value of the equity instrument at the date of grant. The expense is amortised over the vesting period of each award, with a corresponding adjustment to the Share option/plan reserves. Monthly contributions to the Scheme are expensed off when incurred.

For the DBSH Performance Share Plan and the DBSH Employee Share Plan, a trust has been set up for each share plan. The employee trust funds are consolidated and the DBSH shares held by the trust funds are accounted for as "Treasury shares", which are included as a deduction within equity.

2.18 Deferred tax
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. Temporary differences are not recognised for goodwill not deductible for tax purposes and for the initial recognition of assets or liabilities that neither affects accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

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

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

2.19 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.

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

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

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

2.23 Comparatives
The financial statements for 2004 have been restated to comply with changes in accounting policies as described in Note 3 and to make them consistent with the current year's presentation.

3 EFFECTS ON FINANCIAL STATEMENTS ON ADOPTION OF NEW OR REVISED FRS

The adoption of new and revised FRS and amended Interpretations has resulted in changes to the Group's accounting policies in the following areas and has affected the amounts reported for the current or previous financial years. The changes in accounting policies have been made in accordance with the transitional provisions in the respective FRS.

3.1 New FRS adopted
FRS 39: Financial Instruments: Recognition and Measurement
The implementation of FRS 39 resulted in changes to accounting policies relating to the recognition and measurement of financial instruments. In accordance with the transitional provisions of FRS 39, the Standard has been applied prospectively and an opening adjustment to equity was made, representing unrealised gains or losses on certain financial instruments including derivatives to be measured at fair value on 1 January 2005. The differences between carrying amounts and fair values were adjusted to either revaluation or revenue reserves. The transitional adjustment resulted in an increase in revaluation reserves of $292 million and a decrease in revenue reserves of $25 million.

FRS 102: Share-based Payment
The Group adopted FRS 102: Share-based Payment on 1 January 2005 which resulted in a change in accounting policy for the Group's share-based staff compensation plans. The Standard has been applied retrospectively for all equity instruments granted after 22 November 2002 and unvested as at 1 January 2005.

(a) DBSH Share Option Plan ("Option Plan")
The adoption of FRS 102 requires the Group to account for share options which ultimately vests under the Option Plan, at their fair value at grant date. The share-based payment expense is amortised and recognised in the income statement over the relevant vesting periods, with a corresponding adjustment to Share option reserves.

(b) DBSH Performance Share Plan and the DBSH Employee Share Plan ("Share Plans")
The adoption of FRS 102 requires the Group to account for the Share Plans at their fair value at grant date, for shares eventually awarded to staff on vesting date. The share-based payment expense is amortised and recognised in the income statement over the relevant vesting periods, with a corresponding adjustment to Share plan reserves.

The adoption of FRS 102 resulted in an increase in staff costs of $40 million for the Group for the financial year ended 31 December 2005 (2004: $24 million). Non-distributable reserves increased by $42 million as at 1 January 2005 (2004: $11 million).

FRS 103: Business Combinations
The adoption of FRS 103, together with the revised FRS 36: Impairment of Assets and revised FRS 38: Intangible Assets, resulted in a change to the accounting policy for goodwill. FRS 103 requires items such as intangible assets and contingent liabilities to be included as part of the identifiable assets and liabilities acquired, at their fair values at the acquisition date. There were no major acquisitions by the Group during the current financial year.

Additionally, FRS 103 requires the Group to cease the amortisation of goodwill arising from acquisitions to the income statement. Impairment reviews are required annually, or more frequently if there is any indication that the goodwill might be impaired.

In accordance with the transitional provisions of the Standard, the Group has revised its accounting policy for goodwill prospectively. Therefore, the change has no impact on amounts reported for previous financial years. No amortisation has been charged for the current financial year. The amortisation charge for the financial year ended 31 December 2005 would have been $440 million if no change has been made.

3.2 Revised FRS adopted

INT FRS 12 (amended): Consolidation – Special Purpose Entities
The amended INT FRS 12 requires the consolidation of employee benefit trusts set up for the purpose of an entity's share-based payment arrangements. The adoption of INT FRS 12 results in the consolidation of the employee benefit trusts set up for the purposes of the DBSH Performance Share Plan and DBSH Employee Share Plan. In accordance with FRS 32: Financial Instruments: Disclosure and Presentation, DBSH shares held by these trusts are accounted for as "Treasury shares" and reflected as a deduction against equity.

The requirements of INT FRS 12 have been applied retrospectively in accordance with the transitional provisions of the Standard. Prior period provision for impairment losses on Treasury shares of $35 million were reversed and reflected accordingly in revenue reserves at 1 January 2005 (2004: $44 million). $126 million of the Company's shares held by the employee benefit trusts at 1 January 2005 (2004: $138 million) was recognised. These shares are deducted from the equity of the Group.

FRS 32 (revised): Financial Instruments: Disclosure and Presentation
Under the revised Standard, preference shares issued by the entity should be classified as equity if the issuer has the discretion but no contractual obligation to make distributions to holders of the preference shares. The entity should disregard its history or intention of making distributions, and any other economic or market factors that may compel it to make distributions.

The changes to FRS 32 resulted in a reclassification of preference shares issued by a subsidiary of the Group from debt to equity. The preference shares and its distributions will be classified under minority interests in the Group's consolidated financial results. As at 31 December 2005, minority interests increased by $1,298 million (2004: $1,275 million) and subordinated term debts decreased by $1,306 million (2004: $1,283 million) on the balance sheet. For the financial year ended 31 December 2005, interest expense decreased by $98 million (2004: $99 million) and net profit attributable to minority interests increased by $98 million (2004: $99 million) on the income statement. The comparatives were accordingly restated.

3.3 Voluntary change in accounting policy

During the current financial year, the Group changed its accounting policy under FRS 31: Interests in Joint Ventures, for its investments in joint ventures. These investments are accounted for by proportionate consolidation, whereby the Group's share of joint ventures' income and expenses, assets and liabilities are included in the consolidated financial statements on a line-by-line basis. The change better reflects the substance and economic reality of the Group's interests in joint ventures. Prior to the change, the equity method of accounting was adopted. The accounting policy change has been applied retrospectively, and the comparable financial results have been restated to conform to the new policy. There was no impact on net profits after tax and revenue reserves. The impact on a line-by-line basis was also not material.

3.4 FRS issued in 2005 but not effective yet

FRS 40: Investment Property, was issued during the financial year but the Standard will be effective from 1 January 2007. There is no expected material impact on the Group's financial statements arising from the revised Standard. The Group's current policy is to carry its properties at historical cost less accumulated depreciation and impairment losses.

4 CRITICAL ACCOUNTING ESTIMATES

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

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

4.1 Impairment allowances on claims

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

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

In determining general provisions, the Group has applied the transitional arrangements under Notice to Banks No. 612, "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore. These arrangements will be in place until the Group believes that the incurred loss concept under FRS 39 can be robustly determined.

4.2 Fair value of financial instruments

Fair value is defined as the value at which positions can be closed or sold in a transaction with a willing and knowledgeable counterparty over a time period that is consistent with the Group's trading or investment strategy. The majority of the Group's financial instruments reported at fair value are based on quoted and observable market prices or on internally developed models that are based on independently sourced market parameters, including interest rate yield curves, option volatilities and currency rates.

Management exercise judgment in determining the risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors used in the valuation process. Also, judgment may be applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting fair value estimates.

4.3 Impairment review of goodwill on consolidation

The Group performs an impairment review to ensure that the carrying value of the goodwill does not exceed its recoverable amount from the cash-generating unit to which the goodwill is allocated. The recoverable amount represents the present value of the estimated future cash flows expected to arise from continuing operations. Therefore, in arriving at the recoverable amount, management exercise judgement in estimating the future cash flows, growth rate and discount rate.

5 NET INTEREST INCOME

	The Group	
In $ millions	**2005**	**2004**
Cash and balances with central banks and Due from banks	**656**	404
Loans and advances to customers	**3,152**	2,311
Debt securities	**1,734**	1,328
Total interest income	**5,542**	4,043
Due to banks	**415**	203
Due to non-bank customers	**1,494**	752
Others	**690**	397
Total interest expense	**2,599**	1,352
Net interest income	**2,943**	2,691

	The Group
In $ millions	**2005**
Interest income for financial assets at fair value through profit or loss	**732**
Interest income for financial assets not at fair value through profit or loss	**4,810**
Interest expense for financial liabilities at fair value through profit or loss	**(206)**
Interest expense for financial liabilities not at fair value through profit or loss	**(2,393)**
Total	**2,943**

Note: The breakdown of interest income and expense for financial assets and liabilities at fair value through profit or loss is presented for 2005 under FRS 39 and is adopted prospectively.

6 NET FEE AND COMMISSION INCOME

In $ millions	The Group 2005	2004
Fee and commission income	**1,177**	1,117
Fee and commission expense	**191**	184
Net fee and commission income	**986**	933
Comprising:		
Stock broking	**106**	120
Loan-related	**157**	157
Guarantees	**28**	26
Wealth management	**129**	119
Trade and remittances	**172**	162
Investment banking	**134**	98
Deposit-related	**77**	82
Credit card	**90**	87
Fund management	**53**	43
Others	**40**	39
Net fee and commission income	**986**	933

7 NET TRADING INCOME

In $ millions	The Group 2005	2004
From trading businesses		
– Foreign exchange	**94**	223
– Interest rates, credit and equities	**162**	361
Other businesses	**(97)**	10
Total	**159**	594

8 NET GAIN FROM NON-TRADING INVESTMENTS

In $ millions	The Group 2005	2004
Debt securities	**10**	52
Equity securities *	**92**	592
Total	**102**	644

* *Included in 2004 were one-time gains of $310 million from the sale of a 59% stake in DBS Thai Danu Public Company Limited and $187 million from the sale of a 10% investment holding in Wing Lung Bank.*

9 OTHER INCOME

In $ millions	The Group 2005	2004
Dividend income	**97**	71
Rental income	**30**	33
Net gain on properties and other fixed assets *	**314**	4
Others	**10**	6
Total	**451**	114

* *Included in 2005 was a one-time gain of $303 million from the sale of office buildings in Singapore, DBS Tower One and Tower Two. See Note 26.2 for further information.*

10 PERSONNEL EXPENSES

In $ millions	The Group 2005	2004
Salary and bonus	**883**	843
Contributions to defined contribution plans	**57**	52
Share-based expenses	**40**	31
Others	**72**	67
Total	**1,052**	993
Headcount (period end)	**12,728**	11,454

11 GENERAL AND ADMINISTRATIVE EXPENSES

In $ millions	The Group 2005	2004
Technology-related expenses	**261**	279
Occupancy expenses	**134**	125
Revenue-related expenses	**99**	104
Other expenses	**332**	308
Total	**826**	816

Included in general and administrative expenses were:

In $ millions	The Group 2005	2004
Hire and maintenance of fixed assets, including building-related expenses	**95**	108
Audit fees payable to Ernst & Young Singapore	**3**	3
Audit fees payable to Ernst & Young firms outside Singapore	**3**	3
Non audit fees payable to Ernst & Young Singapore	**#**	#
Non audit fees payable to Ernst & Young firms outside Singapore	**#**	#

\# *Amount under $500,000*

12 PROVISIONS FOR CREDIT AND OTHER LOSSES

In $ millions	The Group 2005	2004
Loans and advances to customers (Note 18)	**237**	6
Non-trading investments (Note 20)	**3**	123
Properties and other fixed assets (Note 26)	**(46)**	(3)
Off-balance sheet credit exposures (Note 30)	**(31)**	114
Others (bank loans and sundry debtors) *	**40**	(177)
Total	**203**	63

* *Included in 2004 was a writeback of $145 million in respect of foreclosed properties in DBS Thai Danu Bank Public Company Limited.*

13 INCOME TAX EXPENSE

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

In $ millions	The Group 2005	2004
Current tax expense		
– Current year	**366**	418
Deferred tax expense		
– Origination and reversal of temporary differences	**(13)**	(14)
– Reduction in tax rate	**–**	2
– Prior years' provision	**–**	14
Total	**353**	420

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

In $ millions	The Group 2005	2004
Accelerated tax depreciation	**–**	(19)
Provision for loan losses	**(7)**	22
Other temporary differences	**(6)**	(1)
Deferred tax expense (credited)/charged to income statement	**(13)**	2

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

In $ millions	The Group 2005	2004
Operating profit	**1,284**	2,517
Prima facie tax calculated at a tax rate of 20% (2004: 20%)	**257**	503
Effect of different tax rates in other countries	**(11)**	(27)
Effect of change in tax rate	**–**	2
Income not subject to tax	**(63)**	(134)
Income taxed at concessionary rate	**(89)**	(29)
Non-tax deductible provisions	**5**	23
Goodwill charges	**226**	88
Others	**28**	(6)
Income tax expense charged to income statement	**353**	420

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

14 EARNINGS PER ORDINARY SHARE

In $ millions	The Group 2005	2004
Weighted average number of ordinary shares in issue (a)	**1,490**	1,483
Dilutive effect of share options	**2**	1
Full conversion of non-voting redeemable CPS	**66**	66
Weighted average number of ordinary shares in issue assuming dilution (a^1)	**1,558**	1,550

In $ millions	The Group 2005	2004
Net profit attributable to shareholders ("Net Profit") (b^1)	**824**	1,995
Less: Preference dividends	**16**	16
Net profit after preference dividends (b)	**808**	1,979
Add: Goodwill charges	**1,128**	440
Net profit (exclude goodwill charges) (c)	**1,936**	2,419
Adjustment to net profit arising from full conversion of non-voting redeemable CPS	**16**	16
Adjusted net profit (exclude goodwill charges) (c^1)	**1,952**	2,435
Earnings per ordinary share ($)		
Basic (b)/(a)	**0.54**	1.33
Basic (exclude goodwill charges) (c)/(a)	**1.30**	1.63
Diluted (b^1)/(a^1)	**0.53**	1.29
Diluted (exclude goodwill charges) (c^1)/(a^1)	**1.25**	1.57

For the purpose of calculating the diluted earnings per ordinary share, the weighted average number of ordinary shares in issue is adjusted to take into account the effect of a full conversion of non-voting convertible preference shares ("CPS") and non-voting redeemable CPS. In addition, the calculation takes into account the exercise of all outstanding share options granted to employees when such shares would be issued at a price lower than the average share price during the financial year.

15 CASH AND BALANCES WITH CENTRAL BANKS

In $ millions	The Group 2005	2004
Cash on hand	**802**	877
Balances with central banks		
– Restricted balances	**2,461**	1,523
– Non-restricted balances	**1,723**	8,079
Total	**4,986**	10,479

16 SINGAPORE GOVERNMENT SECURITIES AND TREASURY BILLS

In $ millions	The Group 2005	2004
Fair value through profit or loss	**4,258**	4,199
Available-for-sale	**5,588**	–
Investment held at amortised cost	**–**	6,925
Total	**9,846**	11,124
Market value	**9,846**	11,175

17 OTHER FINANCIAL SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

In $ millions	The Group 2005	2004
Quoted		
Other government securities and treasury bills	**2,625**	1,745
Corporate debt securities	**11,645**	7,026
Equity securities	**719**	916
Total	**14,989**	9,687
Analysed by industry		
Manufacturing	**767**	922
Building and construction	**178**	102
General commerce	**223**	164
Transportation, storage and communications	**982**	781
Financial institutions, investment and holding companies	**7,668**	4,897
Governments	**2,625**	1,745
Others	**2,546**	1,076
Total	**14,989**	9,687

18 LOANS AND ADVANCES TO CUSTOMERS

In $ millions	The Group 2005	2004
Gross	**80,949**	71,021
Less: Specific provisions	**636**	557
General provisions	**851**	805
Net total	**79,462**	69,659
Comprising:		
Bills receivable	**2,606**	2,333
Loans	**76,856**	67,326
Net total	**79,462**	69,659
Analysed by industry		
Manufacturing	**8,536**	7,268
Building and construction	**8,958**	6,902
Housing loans	**25,005**	24,091
General commerce	**8,639**	7,297
Transportation, storage and communications	**6,884**	5,259
Financial institutions, investment and holding companies	**9,785**	7,467
Professionals and private individuals (except housing loans)	**7,204**	7,038
Others	**5,938**	5,699
Gross total	**80,949**	71,021
Analysed by products		
Long-term loans	**28,800**	23,457
Short-term facilities	**20,973**	17,747
Overdrafts	**3,482**	3,334
Housing loans	**25,005**	24,091
Trade financing	**2,689**	2,392
Gross total	**80,949**	71,021
Analysed by currency and fixed/variable rates		
Fixed rate (a)		
Singapore dollar	**7,171**	10,046
Hong Kong dollar	**409**	458
US dollar	**208**	82
Others	**428**	342
Sub-total	**8,216**	10,928
Variable rate (b)		
Singapore dollar	**26,400**	23,899
Hong Kong dollar	**24,312**	21,432
US dollar	**16,006**	10,464
Others	**6,015**	4,298
Sub-total	**72,733**	60,093
Gross total	**80,949**	71,021

(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.*

Movements in specific and general provisions during the year were as follows:

In $ millions	The Group 2005	2004
Specific provisions		
Balance at 1 January	**557**	1,154
Charge to income statement	**196**	93
Write-off during the year	**(112)**	(333)
Disposal of subsidiaries	**–**	(365)
Exchange and other movements	**(5)**	8
Balance at 31 December	**636**	557
General provisions		
Balance at 1 January	**805**	930
Charge/(write-back) to income statement	**41**	(87)
Disposal of subsidiaries	**–**	(35)
Exchange and other movements	**5**	(3)
Balance at 31 December	**851**	805

19 NON-PERFORMING ASSETS

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

Performing

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

Classified or non-performing loans

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

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

Non-performing assets ("NPAs") by loan grading

In $ millions	The Group NPAs	Specific Provisions
2005		
Substandard	**1,220**	**156**
Doubtful	**276**	**244**
Loss	**369**	**369**
Total	**1,865**	**769**
2004		
Substandard	1,360	159
Doubtful	169	140
Loss	390	390
Total	1,919	689

Non-performing assets by industry

In $ millions	The Group NPAs	Specific Provisions
2005		
Customer loans		
Manufacturing	**434**	**225**
Building and construction	**103**	**37**
Housing loans	**256**	**66**
General commerce	**367**	**150**
Transportation, storage and communications	**30**	**13**
Financial institutions, investments and holding companies	**164**	**47**
Professional and private individuals (except housing loans)	**204**	**84**
Others	**133**	**71**
Sub-total*	**1,691**	**693**
Debt securities	**130**	**57**
Contingent items	**44**	**19**
Total	**1,865**	**769**

* *NPAs and specific provisions for customer loans each included $57 million in interest receivables.*

In $ millions	The Group NPAs	Specific Provisions
2004		
Customer loans		
Manufacturing	365	175
Building and construction	237	58
Housing loans	253	67
General commerce	186	75
Transportation, storage and communications	27	10
Financial institutions, investments and holding companies	201	58
Professional and private individuals (except housing loans)	239	108
Others	255	78
Sub-total	1,763	629
Debt securities	138	52
Contingent items	18	8
Total	1,919	689

Non-performing assets by region

In $ millions	The Group NPAs	Total Provisions
2005		
Singapore	**999**	**965**
Hong Kong	**402**	**411**
Rest of Greater China	**91**	**68**
South and Southeast Asia	**181**	**171**
Rest of the World	**192**	**185**
Total	**1,865**	**1,800**
2004		
Singapore	958	905
Hong Kong	471	448
Rest of Greater China	73	67
South and Southeast Asia	218	150
Rest of the World	199	136
Total	1,919	1,706

Non-performing assets by overdue period

In $ millions	The Group 2005	2004
Not overdue	**697**	744
< 90 days overdue	**353**	339
91-180 days overdue	**157**	157
> 180 days overdue	**658**	679
Total	**1,865**	1,919

Restructured non-performing assets

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

In $ millions	The Group NPAs	Specific Provisions
2005		
Substandard	**429**	**85**
Doubtful	**26**	**27**
Loss	**41**	**41**
Total	**496**	**153**
2004		
Substandard	351	34
Doubtful	10	10
Loss	58	58
Total	419	102

20 NON-TRADING INVESTMENTS

In $ millions	The Group 2005	2004
Available-for-sale		
Quoted other government securities and treasury bills	**4,133**	–
Quoted corporate debt securities	**15,643**	–
Quoted equity securities	**1,262**	–
Unquoted equity securities	**358**	–
Less: Impairment allowance*	**158**	–
Available-for-sale non-trading investments	**21,238**	–
Loans and receivables		
Quoted corporate debt securities	**1,928**	–
Less: Impairment allowance	**64**	–
Loans and receivables non-trading investments	**1,864**	–
Investments at amortised cost		
Quoted other government securities and treasury bills	**–**	2,672
Quoted corporate debt securities	**–**	18,138
Quoted equity securities	**–**	828
Unquoted equity securities	**–**	360
Less: Impairment allowance	**–**	341
Total investment securities	**–**	21,657
Total	**23,102**	21,657
Market value of quoted securities	**22,927**	21,889
Analysed by industry		
Manufacturing	**932**	1,126
Building and construction	**1,070**	629
General commerce	**255**	242
Transport, storage and communications	**1,184**	1,081
Financial institutions, investment and holding companies	**12,938**	12,305
Governments	**4,133**	2,672
Others	**2,590**	3,602
Total carrying value	**23,102**	21,657

* *Comprised impairment allowances on unquoted equities and general provisions for credit related exposures.*

Movements in impairment allowances during the year were as follows:

In $ millions	The Group 2005	2004
Balance at 1 January	**341**	297
On adoption of FRS 39 at 1 January 2005	**(110)**	–
Charge to income statement	**3**	123
Write-off during the year	**(10)**	(52)
Disposal of subsidiaries	**–**	(23)
Exchange and other movements	**(2)**	(4)
Balance at 31 December	**222**	341

21 SECURITIES PLEDGED

In $ millions	The Group 2005	2004
Securities pledged		
Singapore Government securities and treasury bills	**20**	70
Other financial securities at fair value through profit or loss	**1,377**	2,008
Non-trading investments	**983**	2,552
Total	**2,380**	4,630
Related liabilities	**2,178**	4,639

22 SUBSIDIARIES

In $ millions	The Company 2005	2004
Unquoted equity shares, at cost	**6,731**	6,731
Due from subsidiaries	**59**	100
Total	**6,790**	6,831

See Note 47 for details of significant operating subsidiaries.

During the financial year, there were no major acquisitions or disposals of subsidiaries. The fair values of assets and liabilities of subsidiaries disposed of in the previous financial year were as follows:

	The Group
In $ millions	**2004**
Cash, and balances with central banks	69
Securities	476
Due from banks	116
Loans and advances to customers	3,275
Properties and other fixed assets	99
Other assets	208
Due to banks	(148)
Due to non-bank customers	(3,434)
Other liabilities	(292)
Subordinated term debts	(338)
Net attributable assets	31
Less: Minority interests [(a)]	–
Adjusted net attributable assets	31
Add: Transaction costs	8
Add: Profit on disposal of a subsidiary	310
Proceeds from disposal, representing 16% equity stake in Thai Military Bank Public Company Limited	349
Less: Non-cash proceeds	(349)
Less: Cash and bank balances in a subsidiary disposed	69
Net cash outflow from disposal of a subsidiary	(69)

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

23 JOINT VENTURES

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

	The Group	
In $ millions	**2005**	**2004**
Income statement		
Share of income	**29**	30
Share of expenses	**(22)**	(21)
Balance sheet		
Non-current assets	**3**	1
Current assets	**139**	128
Current liabilities	**108**	102
Non-current liabilities	**–**	–

See Note 47 for details of significant joint ventures.

24 INVESTMENTS IN ASSOCIATES

	The Group	
In $ millions	**2005**	**2004**
Unquoted		
Cost	**84**	63
Impairment allowance	**(28)**	(10)
Share of post acquisition reserves	**34**	33
Sub-total	**90**	86
Quoted		
Cost	**1,312**	1,271
Goodwill written off	**(837)**	(837)
Net exchange translation adjustments	**(45)**	(69)
Share of post acquisition reserves	**65**	40
Sub-total	**495**	405
Total	**585**	491
Market value – quoted associates	**864**	745

See Note 47 for details of significant associates.

On 23 December 2005, DBS Bank acquired 20% of Cholamandalam Investments and Finance Company Limited ("CIFCL") through an open offer to public shareholders for a consideration of $42 million. As at 31 December 2005, the Group accounted for the 20% stake as investment in associates using equity accounting. Goodwill as at 31 December 2005 was $20 million. On 4 January 2006, DBS Bank purchased 17.5% shareholdings from Tube Investments of India Ltd ("TI") for a consideration of $37 million, bringing DBS's total shareholdings to 37.5%, with DBS Bank and TI being equal shareholders sharing joint control of CIFCL.

The Group's share of income and expenses, and assets and liabilities of associates at 31 December were as follows:

	The Group	
In $ millions	**2005**	**2004**
Income statement		
Share of income	**327**	239
Share of expenses	**(273)**	(190)
Balance sheet		
Non-current assets	**3,097**	2,413
Current assets	**815**	655
Current liabilities	**2,975**	2,354
Non-current liabilities	**352**	223

25 GOODWILL ON CONSOLIDATION

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

	The Group	
In $ millions	**2005**	**2004**
Balance at 1 January	**6,931**	7,371
Amortisation charge	**–**	(440)
Impairment charge	**(1,128)**	–
Balance at 31 December	**5,803**	6,931

Goodwill arising from acquisition of subsidiaries is allocated to the Group's cash-generating units as follows:

	As at 31 December	
In $ millions	**2005**	**2004**
DBS Bank (Hong Kong) Limited [(a)]	**5,649**	6,777
DBS Vickers Securities Holdings Pte Ltd	**154**	154
Total	**5,803**	6,931

(a) Previously reported separately under DBS Diamond Holdings Ltd and DBS Group Holdings (Hong Kong) Ltd

The Group tests goodwill for impairment annually, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts are determined based on a value-in-use calculation. These calculations use cash flow projections based on financial budgets and forecasts approved by senior management covering a five-year period, taking into account projected regulatory capital requirements. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rates do not exceed the long-term average growth rate for the market in which the businesses operate.

Key assumptions used for value-in-use calculations:

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

For the year ended 31 December 2005, an impairment charge of $1,128 million has been recorded in 'Goodwill charges' in the income statement. This is attributed to goodwill arising from acquisition of DBS Bank (Hong Kong) Limited. The reduced value-in-use resulted from revised cash flow projections on a lower profit base in 2005.

No impairment charge was required for goodwill arising from the acquisition of DBS Vickers Securities Holdings Pte Ltd. Management believes that any reasonably possible change to the key assumptions applied is not likely to cause the recoverable amount of DBS Vickers Securities Holdings Pte Ltd to be lower than its carrying amount.

26 PROPERTIES AND OTHER FIXED ASSETS

	The Group		
In $ millions	**Total properties[(a)]**	**Other assets[(b)]**	**Total**
2005			
Cost			
Balance at 1 January	**2,182**	**461**	**2,643**
Additions	**28**	**197**	**225**
Disposals	**(440)**	**(34)**	**(474)**
Exchange differences	**20**	**4**	**24**
Balance at 31 December	**1,790**	**628**	**2,418**
Less: Accumulated depreciation			
Balance at 1 January	**279**	**211**	**490**
Depreciation charge	**52**	**96**	**148**
Disposals	**(170)**	**(29)**	**(199)**
Exchange differences	**3**	**2**	**5**
Balance at 31 December	**164**	**280**	**444**
Less: Provision for diminution in value	**312**	**–**	**312**
Net book value, 31 December	**1,314**	**348**	**1,662**
Market value, 31 December	**1,730**	**–**	**1,730**
2004			
Cost			
Balance at 1 January	2,418	571	2,989
Additions	10	90	100
Disposals	(72)	(127)	(199)
Disposal of subsidiaries	(129)	(60)	(189)
Exchange differences	(45)	(13)	(58)
Balance at 31 December	2,182	461	2,643
Less: Accumulated depreciation			
Balance at 1 January	319	280	599
Depreciation charge	56	91	147
Disposals	(65)	(99)	(164)
Disposal of subsidiaries	(25)	(52)	(77)
Exchange differences	(6)	(9)	(15)
Balance at 31 December	279	211	490
Less: Provision for diminution in value	355	–	355
Net book value, 31 December	1,548	250	1,798
Market value, 31 December	2,201	–	2,201

(a) Includes properties provided as collaterals for secured borrowings. Please refer to Notes 31 (a), (c) and (e).

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

Movements in provision for diminution in value of properties during the year were as follows:

In $ millions	The Group 2005	2004
Balance at 1 January	**355**	374
Write-back to income statement	**(46)**	(3)
Disposal of subsidiaries	**–**	(16)
Exchange and other movements	**3**	–
Balance at 31 December	**312**	355

26.1 The net book values of PWC Building and DBS Tampines Centre, being properties held for the purpose of generating rental income, at 31 December 2005 were $347 million and $122 million (2004: $316 million and $114 million) respectively. Their market values were independently appraised at $347 million and $122 million (2004: $347 million and $114 million) respectively.

26.2 On 9 December 2005, DBS Bank sold its Shenton Way offices, DBS Tower One and Tower Two for a cash consideration of $690 million, and the buildings were derecognised on the balance sheet as at that date. Under the sale and purchase agreement, DBS Bank will lease back the areas it currently occupies for an initial period of eight years, with a further option to renew the lease for two three-year periods at market rates. The excess of the sales proceeds over the buildings' fair values based on latest appraised values by independent valuers, amounting to $144 million will be amortised over the expected period of the lease. A net gain of $303 million, being the excess of the building's fair values over the net book value and after deducting sale expenses has been recognised in the income statement.

27 DEFERRED TAX ASSETS/LIABILITIES

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

In $ millions	The Group 2005	2004
Deferred tax assets	**(51)**	(103)
Deferred tax liabilities	**58**	63
Total	**7**	(40)

The movement in deferred tax is as follows:

In $ millions	The Group 2005	2004
Balance at 1 January	**(40)**	(25)
On adoption of FRS 39 at 1 January 2005	**49**	–
(Credit)/charge to income statement	**(13)**	5
Charge to equity	**11**	–
Disposal of subsidiaries	**–**	(17)
Exchange differences	**–**	(3)
Balance at 31 December	**7**	(40)

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

In $ millions	The Group 2005	2004
Deferred income tax liabilities		
Accelerated tax depreciation	**126**	127
Available-for-sale investments/Cash flow hedge	**61**	–
Other temporary differences	**1**	2
	188	129
Deferred income tax assets		
Provision for loan losses	**(153)**	(145)
Other temporary differences	**(28)**	(24)
	(181)	(169)
Total	**7**	(40)

28 OTHER ASSETS

In $ millions	The Group 2005	2004
Accrued interest receivable	**935**	976
Deposits and prepayments	**316**	204
Clients' monies receivable from securities business	**401**	503
Sundry debtors and others	**3,078**	1,718
Total	**4,730**	3,401

29 DUE TO NON-BANK CUSTOMERS

In $ millions	The Group 2005	2004
Analysed by currency		
Singapore dollar	**64,112**	62,052
US dollar	**22,676**	23,709
Hong Kong dollar	**19,736**	17,900
Others	**10,360**	9,545
Total	**116,884**	113,206
Analysed by product		
Savings accounts	**45,409**	49,697
Current accounts	**14,004**	11,694
Fixed deposits	**54,585**	45,767
Other deposits	**2,886**	6,048
Total	**116,884**	113,206

30 OTHER LIABILITIES

In $ millions	The Group 2005	2004
Payable in respect of short sale of debt securities	**6,799**	4,789
Sundry creditors	**2,992**	1,855
Cash collaterals received in respect of valuation shortfalls on derivative portfolios	**460**	399
Interest payable	**421**	565
Valuation reserves	**181**	233
Provision for off-balance sheet credit exposures	**95**	126
Other payables	**1,326**	1,312
Total	**12,274**	9,279

Movements in provisions for off-balance sheet credit exposures during the year were as follows:

In $ millions	The Group 2005	2004
Balance at 1 January	**126**	12
(Write-back)/charge to income statement	**(31)**	114
Balance at 31 December	**95**	126

31 OTHER DEBT SECURITIES IN ISSUE

In $ millions	The Group 2005	2004
Negotiable certificate of deposits	**1,532**	2,203
Other debt securities	**6,470**	4,929
Total	**8,002**	7,132
Due within 1 year	**2,664**	2,896
Due after 1 year	**5,338**	4,236
Total	**8,002**	7,132

Details of negotiable certificate of deposits issued and outstanding at 31 December 2005 were as follows:

In $ millions				The Group	
Face Value	**Interest Rate and Repayment Terms**	**Issue Date**	**Maturity Date**	**2005**	**2004**
Issued by DBS Bank					
TWD3,700m	1.40% to 1.455%, payable on maturity	3 Oct 2005 to 12 Dec 2005	3 Jan 2006 to 28 Mar 2006	**187**	150
Issued by other subsidiaries					
HK$1,679m	1.33% to 8.336%, payable quarterly	10 May 2000 to 29 Sep 2005	23 Jan 2006 to 23 Feb 2008	**357**	446
HK$50m	2.71%, payable half yearly	28 Jul 2004	4 Aug 2006	**11**	11
HK$2,787m	1.05% to 4.12%, payable yearly	10 Jun 2003 to 21 Dec 2005	13 Jan 2006 to 18 Aug 2008	**586**	968
HK$1,715m	3-mth HIBOR* -0.10% to +0.12%, payable quarterly	19 Jun 2003 to 31 May 2005	23 Jun 2006 to 6 Apr 2010	**368**	614
CAD$10m	6-mth CAD CCDOR** -0.10%, payable half yearly	14 Nov 2002	21 Nov 2007	**–**	14
US$14m	3-mth LIBOR***, payable quarterly	30 Mar 2005 to 31 May 2005	29 Oct 2007 to 7 Apr 2008	**23**	–
Total				**1,532**	2,203

*HIBOR: Hong Kong Interbank Offer Rate **CAD CCDOR: Canada Interbank Offer Rate ***LIBOR: London Interbank Offer Rate*

Details of other debt securities issued and outstanding at 31 December 2005 were as follows:

In $ millions			The Group	
Type	**Issue Date**	**Maturity Date**	**2005**	**2004**
Issued by DBS Bank				
Equity linked notes	30 Apr 2001 to 30 Dec 2005	6 Jan 2006 to 2 Mar 2017	**806**	938
Credit linked notes	12 Feb 2001 to 14 Nov 2005	10 Jan 2006 to 18 Dec 2013	**2,041**	1,748
Interest rate linked notes	23 Jan 2002 to 9 Dec 2005	27 Feb 2006 to 3 Dec 2019	**585**	453
Exchange linked notes	28 Apr 2005 to 7 Dec 2005	27 Jan 2006 to 23 Nov 2007	**86**	6
Stapled notes with non-voting redeemable preference shares and fixed rate notes	20 Dec 2005 to 21 Dec 2005	15 Nov 2007	**934**	–
Issued by other subsidiaries				
Equity linked notes	17 May 2004 to 21 Mar 2005	17 May 2006 to 22 Mar 2010	**30**	23
Credit linked notes	9 Oct 2003 to 22 Dec 2005	9 Oct 2008 to 22 Dec 2010	**939**	610
Collateralised floating rate notes (Note (a))	30 Nov 2001	30 Nov 2006	**66**	71
Collateralised floating and fixed rate notes (Note (b))	Not applicable	Not applicable	**–**	224
Senior secured bonds (Note (c))	7 Dec 1999	6 Dec 2006	**108**	103
Secured asset-backed medium term notes (Note (d))	30 Nov 2001	25 Apr 2006 to 25 Apr 2008	**65**	57
Asset-backed short term notes (AUD 418 million at 5.70% to 5.74% payable at maturity and $302 million at 3.13% to 3.25% payable at maturity) (Note (e))	6 Oct 2005 to 28 Dec 2005	5 Jan 2006 to 21 Mar 2006	**810**	696
Total			**6,470**	4,929

(a) The notes were issued by DBS China Square Ltd. At 31 December 2005, $5.75 million (2004: $22 million) of the floating rate notes were repurchased by DBS China Square Ltd through the exercise of the option by the note holders. Interest is payable quarterly, determined at the three-month interbank offer rate for Singapore dollar deposits plus a variable margin, which ranges from 2.125% to 3.55% per annum (2004: 2% to 2.125% 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.

(b) On 21 December 2005, the notes issued by ALCO 1 Limited were early redeemed. The notes were issued in connection with a programme to reduce DBS Bank's risk weighted assets through credit derivatives and synthetic securitisation.

(c) The bonds were issued by Tampines Asset Limited in connection with the securitisation of Tampines Centre ("the Property"). $180 million seven-year, fixed rate bonds were issued together with 18,000 preference shares. The bonds were issued in two classes – (a) $108 million Senior Bonds; and (b) $72 million Junior Bonds. The Junior Bonds are held by DBS Bank, and are eliminated at the Group level. Interest is payable semi-annually on 7 June and 7 December 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).

(d) The notes issued by New Heights Investment Limited would be redeemed at a fixed interest rate on the 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 will deliver bonds or loans or their market value in cash terms 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.

(e) The notes were issued by Red Orchid Secured Assets Limited. The short-dated notes are secured by a debenture creating a first fixed and floating charge over the property, assets, rights and undertakings of the issuer.

32 SUBORDINATED TERM DEBTS

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

In $ millions					The Group	
Face Value		**Issue Date**	**Maturity Date**	**Note**	**2005**	**2004**
Issued by DBS Bank						
US$750m	7 7/8% Subordinated Notes	10 Aug 1999	10 Aug 2009	32.1	**1,333**	1,225
US$500m	7 7/8% Subordinated Notes	15 Apr 2000	15 Apr 2010	32.2	**898**	816
US$850m	7 1/8% Subordinated Notes	15 May 2001	15 May 2011	32.3	**1,480**	1,388
US$750m	5.00% Subordinated Notes callable with step-up in 2014	1 Oct 2004	15 Nov 2019	32.4	**1,219**	1,225
Issued by other subsidiaries						
US$262m	7.75% Fixed Rate Subordinated Notes	24 Jan 1997	24 Jan 2007	32.5	**435**	427
Total (repayable over 1 year)					**5,365**	5,081

32.1 Interest is payable semi-annually on 10 February and 10 August commencing 10 February 2000. Part of the fixed rate funding has been converted to floating rate at three-month LIBOR + 1.0475% via interest rate swaps. In computing the Group's capital adequacy ratio, these notes qualify as Tier 2 capital.

32.2 Interest is payable semi-annually on 15 April and 15 October commencing 15 October 2000. The fixed rate funding has been converted to floating rate at six-month LIBOR + 0.9569% via interest rate swaps. In computing the Group's capital adequacy ratio, these notes qualify as Tier 2 capital.

32.3 Interest is payable semi-annually on 15 May and 15 November commencing 15 November 2001. The fixed rate funding has been converted to floating rate at three-month LIBOR + 1.252% via interest rate swaps. In computing the Group's capital adequacy ratio, these notes qualify as Tier 2 capital.

32.4 Interest is payable semi-annually on 15 May and 15 November commencing 15 May 2005. Part of the fixed rate funding has been converted to floating rate at three-month LIBOR + 0.611% 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 the Group's capital adequacy ratio, these notes qualify as Tier 2 capital.

32.5 Interest is payable semi-annually on 24 January and 24 July, commencing 24 July 1997.

33 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

Share Capital	The Company	
In $ millions	2005	2004
Authorised		
4,000,000,000 ordinary shares	**4,000**	4,000
500,000,000 non-voting convertible preference shares ("CPS")	**500**	500
500,000,000 non-voting redeemable CPS	**500**	500
	1,000	1,000
Issued and fully paid-up		
1,497,857,345 (2004: 1,492,730,436) ordinary shares	**1,498**	1,493
120,436 (2004: 120,436) non-voting CPS	**#**	#
66,475,374 (2004: 66,475,374) non-voting redeemable CPS	**66**	66
Total Issued and Paid-up Share Capital of the Company	**1,564**	1,559

Amount under $500,000

During the financial year, pursuant to the DBSH Share Option Plan, the Company issued 5,126,909 (2004: 3,289,672) ordinary shares, fully paid in cash upon the exercise of the options granted.

During the financial year, the Company issued nil (2004: 19,475,169) ordinary shares, 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.

The non-voting CPS and non-voting redeemable CPS enjoy the same dividend rate paid on ordinary shares except that the dividend payable is subject to maximum of $0.30 per annum.

Movements in share premium and treasury shares were as follows:

In $ millions	Share premium	Treasury shares
Balance at 1 January 2005	**2,208**	(126)
Exercise of share options	**59**	–
Draw-down of reserves upon vesting of performance shares	**–**	9
Reclassification of reserves upon exercise of share options	**2**	–
Balance at 31 December 2005	**2,269**	(117)
Balance at 1 January 2004	**2,171**	(138)
Exercise of share options	**37**	–
Draw-down of reserves upon vesting of performance shares	**–**	12
Balance at 31 December 2004	**2,208**	(126)

34 RESERVES

34.1 Non-distributable reserves

	The Group	
In $ millions	2005	2004
Revaluation and cash flow hedge reserves	**134**	–
Other non-distributable reserves	**6,707**	6,627
Total	**6,841**	6,627

Movements in revaluation and cash flow hedge reserves during the year were as follows:

	The Group		
In $ millions	Available-for-sale revaluation reserves	Cash flow hedge reserves	Total
On adoption of FRS 39 at 1 January 2005	**292**	**–**	**292**
Net valuation taken to equity	**(87)**	**28**	**(59)**
Transferred to income statement on sale	**(88)**	**–**	**(88)**
Tax on items taken directly to or transferred from equity	**(6)**	**(5)**	**(11)**
Balance at 31 December 2005	**111**	**23**	**134**

Movements in other reserves during the year were as follows:

	The Group					
In $ millions	General reserves [(a)]	Capital reserves [(b)]	Capital redemption reserves [(c)]	Other reserves [(d)]	Share option and Share plan reserves	Total
Balance at 1 January 2005						
– as previously reported	**2,327**	**(41)**	**28**	**4,271**	**–**	**6,585**
– effect of adoption of new or revised FRSs	**–**	**–**	**–**	**–**	**42**	**42**
Balance at 1 January as restated	**2,327**	**(41)**	**28**	**4,271**	**42**	**6,627**
Appropriation from income statement	**35**	**–**	**–**	**–**	**–**	**35**
Net exchange translation adjustments	**–**	**7**	**–**	**–**	**–**	**7**
Share of associates' capital reserves	**–**	**8**	**–**	**–**	**–**	**8**
Cost of share-based payments	**–**	**–**	**–**	**–**	**41**	**41**
Draw-down of reserves upon vesting of performance shares	**–**	**–**	**–**	**–**	**(9)**	**(9)**
Reclassification of reserves upon exercise of share options	**–**	**–**	**–**	**–**	**(2)**	**(2)**
Balance at 31 December 2005	**2,362**	**(26)**	**28**	**4,271**	**72**	**6,707**

	The Group					
In $ millions	General reserves (a)	Capital reserves (b)	Capital redemption reserves (c)	Other reserves (d)	Share option and Share plan reserves	Total
Balance at 1 January 2004						
– as previously reported	2,230	(30)	28	4,271	–	6,499
– effect of adoption of new or revised FRSs	–	–	–	–	11	11
Balance at 1 January as restated	2,230	(30)	28	4,271	11	6,510
Appropriation from income statement	97	–	–	–	–	97
Net exchange translation adjustments	–	(29)	–	–	–	(29)
Cost of share-based payments	–	–	–	–	43	43
Reclassification of reserves upon exercise of share options	–	–	–	–	(12)	(12)
Goodwill transferred to revenue reserves on disposal of subsidiaries	–	18	–	–	–	18
Balance at 31 December 2004	2,327	(41)	28	4,271	42	6,627

(a) The movements in General reserves relate to the amounts transferred to the Reserve Fund to comply with the Banking Act, and the other statutory regulations.

(b) The Capital reserves include net exchange translation adjustments arising from translation differences on net investments in foreign subsidiaries, associates and branches, and the related foreign currency borrowings designated as a hedge.

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

(d) Other reserves relate 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 26 June 1999.

34.2 Revenue reserves

	The Group	
In $ millions	2005	2004
Balance at 1 January		
– as previously reported	**6,150**	4,670
– effect of adoption of new or revised FRSs	**26**	49
Balance at 1 January as restated	**6,176**	4,719
On adoption of FRS 39 at 1 January 2005	**(25)**	–
Net profit attributable to shareholders	**824**	1,995
Transfer to general reserves	**(35)**	(97)
Goodwill transferred from capital reserves on disposal of subsidiaries	**–**	(18)
Amount available for distribution	**6,940**	6,599
Less: Final dividend on ordinary shares of $0.22 (2004: $0.16) net of tax paid for the previous financial year	**263**	191
Final dividend on non-voting CPS and non-voting redeemable CPS of $0.12 (2004: $0.16) net of tax paid for the previous financial year	**6**	8
Interim dividends on ordinary shares of $0.41 (2004: $0.18) net of tax paid for the current financial year	**488**	215
Interim dividends on non-voting CPS and non-voting redeemable CPS of $0.30 (2004: $0.18) net of tax paid for the current financial year	**16**	9
Balance at 31 December	**6,167**	6,176

34.3 Proposed dividend

Proposed final dividends on ordinary shares of $0.17, net of tax, are not accounted for in the financial statements for the year ended 31 December 2005, until they have been approved at the Annual General Meeting on 30 March 2006.

35 MINORITY INTERESTS

	The Group	
In $ millions	2005	2004
Preference shares issued by DBS Bank (Note 35.1)	**1,100**	1,100
Preference shares issued by DBS Capital Funding Corporation (Note 35.2)	**1,298**	1,275
Other subsidiaries	**68**	56
Total	**2,466**	2,431

35.1 $1,100 million 6% non-cumulative non-convertible perpetual preference shares and a liquidation preference of $100 each, was issued on 28 May 2001 by DBS Bank, a subsidiary of the Company, to third parties. They qualify as Tier 1 capital for the calculation of the Group's capital adequacy ratios. Dividends, if declared by the Board of Directors of DBS Bank, are payable semi-annually on 15 May and 15 November at a fixed rate of 6% gross of the liquidation preference per annum, ending on or prior to 15 May 2011, and thereafter on 15 February, 15 May, 15 August and 15 November in each year at a floating rate per annum equal to the three-month Singapore Swap Offer Rate plus 2.28%.

35.2 US$725 million 7.657% non-cumulative guaranteed preference shares, Series A, each with a liquidation preference of US$1,000 and $100 million 5.35% non-cumulative guaranteed preference shares, Series B, each with a liquidation preference of $10,000 were issued on 21 March 2001 by DBS Capital Funding Corporation, a subsidiary of the Company. Dividends, when declared by the Board of Directors of DBS Capital Funding Corporation, are payable in arrears on 15 March and 15 September each year at a fixed rate of 7.657% per annum (Series A) and 5.35% per annum (Series B), up to 15 March 2011. Thereafter, dividends are payable quarterly in arrears on 15 March, 15 June, 15 September and 15 December each year at a floating rate of three-month London Interbank Offer Rate ("LIBOR") + 3.2% per annum (Series A) and three-month Singapore Swap Offer Rate + 2.52% per annum (Series B). In computing the Group's capital adequacy ratio, these guaranteed preference shares qualify as Tier 1 capital.

36 CONTINGENT LIABILITIES

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

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

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

	The Group	
In $ millions	2005	2004
Guarantees on account of customers	**4,052**	4,582
Endorsements and other obligations on account of customers		
– Letters of credit	**4,217**	3,500
– Others	**412**	360
Other contingent items	**88**	87
Total	**8,769**	8,529
Industry Breakdown		
Manufacturing	**1,735**	1,842
Building and construction	**862**	402
General commerce	**2,920**	2,346
Transportation, storage and communications	**660**	703
Financial institutions, investment and holding companies	**1,016**	1,082
Professionals and private individuals (except housing loans)	**354**	765
Others	**1,222**	1,389
Total	**8,769**	8,529

36.1 DBS Bank, a wholly-owned subsidiary of the Company, has existing outsourcing agreements for the provision of information technology and related support to the Group's operations in Singapore, Hong Kong and China. There are various termination clauses in the agreement that could require the Group to pay a penalty on early termination of the contract in certain circumstances. The exact amount of any penalty cannot be reliably determined, as it is dependent on business volumes generated over the period of the contract and on the time of termination.

36.2 Included in "Other contingent items" at 31 December 2005, is an amount of $85 million (2004: $87 million), representing the termination fee payable by DBS Bank should a distribution agreement be terminated prematurely now, prior to the expiry date, December 2011.

37 COMMITMENTS

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

In $ millions	The Group 2005	2004
Loans and other facilities		
– Undrawn credit facilities	**75,168**	66,112
– Undisbursed commitments in debt securities and equities	**103**	108
Sub-total	**75,271**	66,220
Capital commitments	**68**	57
Operating lease commitments	**465**	184
Total	**75,804**	66,461
Undrawn commitments on loans and other facilities analysed by industry		
Manufacturing	**9,775**	7,671
Building and construction	**3,369**	3,414
Housing loans	**1,915**	1,934
General commerce	**7,704**	6,695
Transportation, storage and communications	**5,509**	4,546
Financial institutions, investment and holding companies	**23,330**	23,805
Professionals and private individuals (except housing loans)	**13,892**	12,023
Others	**9,777**	6,132
Total	**75,271**	66,220

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

In $ millions	The Group 2005	2004
Not later than 1 year	**107**	70
Later than 1 year but not later than 5 years	**231**	102
Later than 5 years	**127**	12
Total	**465**	184

The operating lease commitments include those for DBS Tower One and Tower Two. See Note 26.2 for further information.

38 FINANCIAL DERIVATIVES

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

Interest rate contracts

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

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

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

Interest rate caps and floors give the buyer the ability to fix the maximum or minimum rate of interest. There is no facility to deposit or draw down funds; instead the writer pays to the buyer the amount by which the market rate exceeds or is less than the cap rate or the floor rate respectively. A combination of an interest rate cap and floor is known as an interest rate collar.

Exchange rate contracts

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

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

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

Equity-related contracts

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

Credit-related contracts

Credit derivatives are off-balance sheet instruments that allow for the isolation and transfer of credit risk from one party to another 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.

38.1 Trading derivatives

Most of the Group's derivatives relate to sales and trading activities. Sale activities include the structuring and marketing of derivatives to

customers to enable them to take, transfer, modify or reduce current or expected risks. Trading activities are entered into principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. Trading includes market making, positioning and arbitrage activities. Market making involves quoting bid and offer prices to other market participants with the intention of generating revenues based on spread and volume. Positioning involves managing market risk positions with the expectation of profiting from favourable movements in prices, rates or indices. Arbitrage activities involve identifying and profiting from price differentials between the same product in different markets or the same economic factor in different products.

38.2 Hedging derivatives

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

The Group's fair value hedges consist principally of interest rate swaps used for managing interest rate gaps. Derivatives are also used by the Group to hedge its exposures to variability in cash flows or forecasted transactions, and its net investment in foreign operations.

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

In the financial statements, trading derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected in "Positive replacement values" or "Negative replacement values" respectively.

The contractual or underlying principal amounts of derivative financial instruments of bank and non-bank counterparties amounted to $1,150 billion (2004: $1,264 billion) and $210 billion (2004: $259 billion) respectively.

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

In $ millions	2005 Underlying notional	2005 Year-end positive replacement values	2005 Year-end negative replacement values	2004 Underlying notional	2004 Year-end positive replacement values	2004 Year-end negative replacement values
Derivatives held for trading						
Interest rate derivatives						
Forward rate agreements bought	**9,512**	**28**	**1**	34,210	20	17
Forward rate agreements sold	**10,515**	**1**	**26**	32,857	18	19
Interest rate swaps	**875,433**	**5,481**	**5,570**	924,723	6,575	6,325
Financial futures bought	**19,190**	**3**	**6**	23,035	4	6
Financial futures sold	**11,090**	**2**	**10**	26,429	10	8
Interest rate options bought	**6,063**	**74**	**–**	9,944	136	–
Interest rate options sold	**10,251**	**–**	**67**	12,220	–	110
Interest rate futures options bought	**2,930**	**–**	**–**	17,529	7	–
Interest rate futures options sold	**5,743**	**–**	**9**	8,339	–	–
Interest rate caps/floors bought	**19,659**	**230**	**1**	21,206	112	6
Interest rate caps/floors sold	**18,726**	**–**	**254**	17,699	18	115
Sub-total	**989,112**	**5,819**	**5,944**	1,128,191	6,900	6,606
Foreign exchange derivatives						
FX contracts	**223,968**	**1,220**	**821**	242,236	2,180	1,873
Currency swaps	**35,694**	**686**	**510**	39,413	836	822
Currency options bought	**32,557**	**325**	**–**	26,066	415	–
Currency options sold	**28,218**	**–**	**379**	24,843	–	352
Sub-total	**320,437**	**2,231**	**1,710**	332,558	3,431	3,047
Equity derivatives						
Equity options bought	**3,865**	**179**	**2**	2,972	124	–
Equity options sold	**5,231**	**–**	**348**	10,542	–	342
Sub-total	**9,096**	**179**	**350**	13,514	124	342

In $ millions	2005 Underlying notional	2005 Year-end positive replacement values	2005 Year-end negative replacement values	2004 Underlying notional	2004 Year-end positive replacement values	2004 Year-end negative replacement values
Credit derivatives						
Credit default swaps	**32,434**	**263**	**368**	15,697	87	121
Sub-total	**32,434**	**263**	**368**	15,697	87	121
Total derivatives held for trading	**1,351,079**	**8,492**	**8,372**	1,489,960	10,542	10,116
Derivatives held for hedging						
Interest rate swaps held for fair value hedge	**8,539**	**272**	**165**	–	–	–
FX contracts held for fair value hedge	**4**	**–**	**–**	–	–	–
FX contracts held for hedge of net investment	**39**	**–**	**–**	–	–	–
Equity options held for cash flow hedge	**274** [(a)]	**28**	**–**	–	–	–
Derivatives held for hedging – pre FRS 39	**–**	**–**	**–**	32,860	746 [(b)]	570 [(b)]
Total derivatives held for hedging	**8,856**	**300**	**165**	32,860	746	570
Total derivatives	**1,359,935**	**8,792**	**8,537**	1,522,820	11,288	10,686
Positive/negative replacement values		**8,792**	**8,537**		10,542	10,116

(a) The forecasted transaction will occur in 2006.

(b) The replacement values were not recognised on the balance sheet prior to the adoption of FRS 39.

39 CASH AND CASH EQUIVALENTS

In $ millions	The Group 2005	The Group 2004
Cash on hand	**802**	877
Non-restricted balances with central banks (Note 15)	**1,723**	8,079
Trading Singapore Government securities and treasury bills (Note 16)	**4,258**	4,199
Trading other government securities and treasury bills (Note 17)	**2,625**	1,745
Total	**9,408**	14,900

40 SHARE-BASED COMPENSATION PLANS

40.1 DBSH Share Ownership Scheme

The DBSH Share Ownership Scheme is a fund set up to hold units of the Company's ordinary shares. All employees with at least one year of service and who are not participating in the DBSH Share Option Plan or DBSH Performance Share Plan are eligible. Under the Scheme, participants and the Group contribute up to 10% and 5% of monthly base salary respectively to buy units of the Company's ordinary shares. Amounts contributed by the Group under the Scheme are recognised as personnel expenses when paid.

	Ordinary shares Number 2005	Number 2004	Market value ($ millions) 2005	Market value ($ millions) 2004
Balance, 1 January	**3,477,829**	3,580,829	**56**	53
Balance, 31 December	**3,507,829**	3,477,829	**58**	56

40.2 DBSH Share Option Plan

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

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

The share options vest over a period of three years in accordance with a vesting schedule determined by the Compensation Committee, and are exercisable after the first anniversary of the date of the grant up to the date of expiration of the options. The share options have a validity period of ten years from the date of grant, unless they have been forfeited or have lapsed prior to that date. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

On 1 March 2005, options ("2005 Options") on 2,815,600 shares with an exercise price of $15.07 per ordinary share were granted pursuant to the Option Plan. The 2005 Options are exercisable from 1 March 2006 and expire on 28 February 2015.

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

	2005 Unissued number of ordinary shares under outstanding options	2005 Weighted average exercise price ($)	2004 Unissued number of ordinary shares under outstanding options	2004 Weighted average exercise price ($)
Balance at 1 January	**46,749,383**	**14.71**	46,174,036	14.53
Movements during the year:				
– Granted	**2,815,600**	**15.07**	7,494,000	14.73
– Exercised	**(5,126,909)**	**12.52**	(3,289,672)	12.34
– Forfeited	**(4,963,793)**	**15.90**	(3,628,981)	14.54
Balance at 31 December	**39,474,281**	**14.87**	46,749,383	14.71
Additional information:				
Outstanding options exercisable at 31 December	**27,624,463**	**15.67**	26,040,488	16.22
Weighted average remaining contractual life of options outstanding at 31 December	**6.4 years**		6.2 years	
Range of exercise price of options outstanding at 31 December	**$9.18 to $22.33**		$9.18 to $22.33	

In 2005, 5,126,909 options (2004: 3,289,672) were exercised at their contractual exercise prices. During this period, the average market price of the Company's shares was $15.68 (2004: $15.50). The fair value of options granted during the year determined using the Binomial option valuation model was $3.74 (2004: $4.11). The fair value determined using the model was based on a share price of $14.70 (2004: $14.40) at the date of grant, and an expected life of 7.53 years. The risk-free interest rates are based on the yield curve of Singapore Government securities as at grant date. The expected volatility is 34.2% (2004: 40.3%) based on a statistical analysis of weekly share prices over the past five years.

40.3 DBSH Performance Share Plan

Under the DBSH Performance Share Plan (the "PSP") the Company's ordinary shares ("PSP shares") could be granted to Group executives who hold the rank of Vice President (or equivalent) and above and selected employees below the rank of Vice President (or equivalent).

Participants are awarded ordinary shares of the Company, their equivalent cash value or a combination of both, when prescribed Group performance targets are met over a three-year period. Since the inception of the PSP, there have been no cash-settled awards under the Plan.

The PSP shares will vest two years from the date of grant. The fair value of PSP shares awarded is computed based on the market price of the ordinary shares at the time of the award and is amortised through the income statement over the two-year vesting period. At each balance sheet date, the Group revises its estimates of the number of PSP shares expected to vest based on non-market vesting conditions and corresponding adjustments are made to the income statement and Share plan reserves.

The following table sets out the movement of the PSP shares granted pursuant to the Plan for the financial year ended 31 December 2005 and their fair values at grant date.

(Number of shares)	March 2005 grant	March 2004 grant
Balance, 1 January	Not applicable	685,080
Granted during the year	2,913,630	Not applicable
Forfeited during the year	(284,780)	(58,300)
Balance, 31 December	2,628,850	626,780
Fair value per share at grant date	$14.70	$14.40

40.4 DBSH Employee Share Plan

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

Under the ESP, eligible employees are awarded ordinary shares of the Company, their equivalent cash value or combinations of both when prescribed Group performance targets are met. The ESP awards are granted at the absolute discretion of the Compensation Committee.

During the current and previous financial years, there were no awards granted to eligible employees under the ESP.

41 RELATED PARTY TRANSACTIONS

41.1 Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this Note.

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

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

41.3 Total compensation paid to Company directors and key management personnel (a), as well as fees paid to Company directors and directors of subsidiaries were as follows:

In $ millions	The Group 2005	2004
Short-term benefits	**38**	36
Post-employment benefits	**#**	#
Share-based payments	**6**	2
Total	**44**	38
Comprise amounts paid to:		
– Company directors	**14**	13
– Directors of subsidiaries	**15**	13
– Key management personnel	**15**	12
Total	**44**	38

In $ millions	The Group 2005	2004
Fees of Company directors	**1**	1
Fees of subsidiaries directors	**#**	#
Total compensation and fees	**45**	39

 # Amount under $500,000
(a) Refers to members of the Management Committee, excluding members who are also the Company directors.

41.4 Share options granted to Company directors and key management personnel
The aggregate number of share options granted to Company directors and key management personnel during the financial year were 107,000 and 191,400 (2004: 76,000 and 190,000) respectively. The share options were granted on the same terms and conditions as those offered to other employees of the Group. The outstanding number of share options granted to Company directors and key management personnel at the end of the financial year were 888,225 and 1,645,550 (2004: 781,225 and 1,454,150) respectively.

41.5 Performance shares granted to Company directors and key management personnel
During the financial year, 204,080 and 209,620 (2004: 33,940 and 66,190) awards in respect of DBSH ordinary shares were granted to Company directors and key management personnel respectively. The awards represented a 100% payout. The payout at the end of the performance period could have ranged from a minimum of 50% of the shares awarded to 200%, depending on the Group's performance as measured by return on equity.

42 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The following table presents the financial instruments, which were carried at fair values through profit or loss, at 31 December 2005:

In $ millions	Note	The Group Total
Financial assets at fair value through profit or loss		
Trading		
Singapore Government securities and treasury bills	16	4,223
Other government securities	17	2,625
Corporate debt securities	17	9,725
Equity securities	17	719
Securities pledged	21	1,397
Derivatives (positive replacement values)	38	8,792
Other financial assets		3,406
Fair value designated		
Singapore Government securities and treasury bills	16	35
Corporate debt securities	17	1,920
Other financial assets		107

In $ millions	Note	The Group Total
Financial liabilities at fair value through profit or loss		
Trading		
Other debt securities in issue	31	3,409
Derivatives (negative replacement values)	38	8,537
Due to non-bank customers – fixed deposits (a)	29	6,097
Payable in respect of short sale of debt securities	30	6,799
Other financial liabilities		441
Fair value designated (b)		
Due to non-bank customers – fixed deposits (a)	29	3,924
Other debt securities in issue	31	2,153

(a) These are structured deposits at fair value through profit or loss.
(b) Changes in the fair value of the financial liabilities designated as at fair value through profit or loss are attributable mainly to equity, interest and currency risk changes. The remaining change that is not attributable to changes in the benchmark interest rate is considered not significant. Unrealised gain for the fair value designated liabilities amount to $249 million at 31 December 2005.

For financial assets and liabilities not carried at fair values on the financial statements, the Group has ascertained that their fair values were not materially different from the carrying amounts at year-end. The basis of arriving at their fair values are as follows:

(a) Cash and balances with central banks and Due from 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.

(b) Non-trading investments
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. Unquoted equities of $105 million as at 31 December 2005 were stated at cost because the fair values cannot be obtained directly from quoted market prices or indirectly using valuation techniques supported by observable market data.

(c) Loans and advances to customers
The estimated fair value takes into account the relevant market interest rates and credit spread by product types.

(d) Due to banks and Due to 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.

(e) Other debt securities issued and bills payable
The fair value approximates their carrying amounts.

(f) 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.

43 FINANCIAL INSTRUMENTS – USAGE AND RISK MANAGEMENT

43.1 Use of financial instruments
The Group may act as principal, broker or advisor in the use of financial instruments.

The 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 trading, market making or to meet customers' needs.

The Group's investment portfolio comprises mainly 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.

43.2 Financial risk management objectives and policies
As part of overall corporate governance, the Group Board has approved comprehensive Risk Governance Framework covering risk governance for all risk types for all entities within the Group.

This framework defines authority levels, oversight responsibilities, policy structures and risk appetite limits to manage the risks that arise in connection with the use of financial instruments.

On a day-to-day basis, business units have primary responsibility for managing specific risk exposures while Group Risk exercises independent risk oversight on the Group as a whole.

(a) 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.

The Group's trading and investment market risk appetite is determined by the Board of Directors, with detailed limit frameworks recommended by the appropriate risk committee and approved by senior management.

The principal market risk appetite measures are Value at Risk (VaR) and stress loss. VaR estimates the potential loss on the current portfolio assuming a specified time horizon and level of confidence. Stress loss is assessed against a set of scenarios using stress moves in the market variables.

At the business unit level, trading exposures are measured and controlled by more granular risk and loss limits such as risk sensitivity-based limits, stress limits and management action triggers.

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.

(b) 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. Examples of financial assets and liabilities which have fixed and floating interest rate exposure include debt securities, loans and derivatives.

The Group manages its interest rate risk by changing the 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.

The following tables summarise the Group's assets and liabilities at carrying amounts at 31 December, categorised by the earlier of contractual repricing or maturity dates. Actual dates may differ from contractual dates owing to prepayments and the exercise of options. It should also be noted that any representation of interest rate risk at a specific date offers only a snapshot of the risks taken by the Group, since the position is 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
2005								
Cash and balances with central banks	**553**	**312**	**755**	**112**	**–**	**–**	**3,254**	**4,986**
Due from banks	**3,491**	**8,465**	**6,782**	**2,764**	**979**	**573**	**762**	**23,816**
Securities [a]	**789**	**2,726**	**5,710**	**6,528**	**10,910**	**21,449**	**2,205**	**50,317**
Loans and advances to customers	**28,139**	**22,258**	**11,337**	**11,388**	**2,751**	**2,220**	**1,369**	**79,462**
Other assets [b]	**–**	**–**	**–**	**–**	**–**	**–**	**21,623**	**21,623**
Total assets	**32,972**	**33,761**	**24,584**	**20,792**	**14,640**	**24,242**	**29,213**	**180,204**
Due to banks	**3,310**	**1,680**	**2,474**	**1,413**	**12**	**11**	**59**	**8,959**
Due to non-bank customers	**70,806**	**19,608**	**12,160**	**6,597**	**2,303**	**5,410**	**–**	**116,884**
Other liabilities [c]	**1,052**	**1,052**	**1,598**	**874**	**793**	**3,400**	**21,037**	**29,806**
Subordinated term debts	**–**	**–**	**–**	**–**	**435**	**4,930**	**–**	**5,365**
Total liabilities	**75,168**	**22,340**	**16,232**	**8,884**	**3,543**	**13,751**	**21,096**	**161,014**
Minority interests	**–**	**–**	**–**	**–**	**–**	**–**	**2,466**	**2,466**
Shareholders' funds	**–**	**–**	**–**	**–**	**–**	**–**	**16,724**	**16,724**
Total equity	**–**	**–**	**–**	**–**	**–**	**–**	**19,190**	**19,190**
On-balance sheet interest rate gap	**(42,196)**	**11,421**	**8,352**	**11,908**	**11,097**	**10,491**	**(11,073)**	**–**
Off-balance sheet interest rate gap								
– Financial derivatives	**6,366**	**8,528**	**4,656**	**2,795**	**(17,394)**	**(4,951)**	**–**	**–**
2004								
Cash and balances with central banks	615	1,003	2,555	3,767	–	–	2,539	10,479
Due from banks	2,783	8,460	9,878	3,421	77	136	414	25,169
Securities [a]	980	2,253	6,476	5,290	10,889	19,289	1,921	47,098
Loans and advances to customers	14,967	29,171	9,821	11,637	1,880	1,746	437	69,659
Other assets [b]	–	–	–	–	–	–	23,266	23,266
Total assets	19,345	40,887	28,730	24,115	12,846	21,171	28,577	175,671
Due to banks	3,968	2,661	2,535	1,614	85	7	69	10,939
Due to non-bank customers	73,786	19,161	5,936	5,505	2,498	6,320	–	113,206
Other liabilities [c]	587	1,345	1,586	1,389	1,377	1,721	19,565	27,570
Subordinated term debts	–	–	–	–	427	4,654	–	5,081
Total liabilities	78,341	23,167	10,057	8,508	4,387	12,702	19,634	156,796
Minority interests	–	–	–	–	–	–	2,431	2,431
Shareholders' funds	–	–	–	–	–	–	16,444	16,444
Total equity	–	–	–	–	–	–	18,875	18,875
On-balance sheet interest rate gap	(58,996)	17,720	18,673	15,607	8,459	8,469	(9,932)	–
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, securities at fair value through profit or loss, non-trading securities and securities pledged.
(b) Other assets include positive replacement values, investments in associates, goodwill on consolidation, properties and other fixed assets, deferred tax assets and other assets.
(c) Other liabilities include negative replacement values, bills payable, current and deferred tax liabilities, other debt securities in issue and other liabilities.

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

	2005			2004		
	Singapore dollar, %	US dollar, %	Hong Kong dollar, %	Singapore dollar, %	US dollar, %	Hong Kong dollar, %
Assets						
Cash and balances with central banks	**–**	**–**	**–**	–	–	–
Due from banks	**2.66 – 3.41**	**3.85 – 4.28**	**4.23**	1.26 – 1.34	2.06 – 2.31	0.46
Securities [a]	**2.47 – 4.11**	**3.12 – 6.17**	**3.74 – 5.27**	1.24 – 3.94	2.62 – 4.04	1.23 – 5.14
Loans and advances to customers	**3.33 – 4.41**	**3.72 – 6.91**	**5.75 – 14.56**	2.77 – 4.07	2.70 – 5.11	2.87 – 11.84
Liabilities						
Due to banks	**2.49 – 2.60**	**3.86 – 4.25**	**4.44**	1.02 – 1.06	2.15 – 2.18	0.43
Due to non-bank customers	**0 – 1.20**	**1.82 – 4.12**	**2.71 – 4.16**	0 – 0.33	0.58 – 1.60	0.09 – 0.73
Subordinated term debts	**–**	**5.00 – 7.88**	**–**	–	5.00 – 7.88	–

(a) Securities include Singapore Government securities and treasury bills, debt securities at fair value through profit or loss, pledged debt securities and non-trading debt securities, and excludes equities.

(c) 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 the Group's assets and liabilities at carrying amounts at 31 December, categorised by currency:

In $ millions	Singapore dollar	US dollar	Hong Kong dollar	Others	Total
2005					
Cash and balances with central banks	**4,716**	**36**	**70**	**164**	**4,986**
Due from banks	**5,325**	**9,126**	**1,692**	**7,673**	**23,816**
Securities [a]	**12,992**	**21,545**	**3,191**	**12,589**	**50,317**
Loans and advances to customers	**32,843**	**15,984**	**24,323**	**6,312**	**79,462**
Other assets [b]	**11,472**	**6,080**	**2,953**	**1,118**	**21,623**
Total assets	**67,348**	**52,771**	**32,229**	**27,856**	**180,204**
Due to banks	**660**	**4,618**	**798**	**2,883**	**8,959**
Due to non-bank customers	**64,112**	**22,676**	**19,736**	**10,360**	**116,884**
Other liabilities [c]	**5,513**	**12,168**	**6,470**	**5,655**	**29,806**
Subordinated term debts	**–**	**5,365**	**–**	**–**	**5,365**
Total liabilities	**70,285**	**44,827**	**27,004**	**18,898**	**161,014**
Minority interests	**2,466**	**–**	**–**	**–**	**2,466**
Shareholders' funds	**16,724**	**–**	**–**	**–**	**16,724**
Total equity	**19,190**	**–**	**–**	**–**	**19,190**
Net on-balance sheet position	**(22,127)**	**7,944**	**5,225**	**8,958**	**–**
Net off-balance sheet position	**21,870**	**(15,785)**	**(3,279)**	**(2,806)**	**–**

In $ millions	Singapore dollar	US dollar	Hong Kong dollar	Others	Total
2004					
Cash and balances with central banks	9,986	143	240	110	10,479
Due from banks	3,596	14,944	1,885	4,744	25,169
Securities [(a)]	13,285	19,069	3,751	10,993	47,098
Loans and advances to customers	31,829	11,809	21,433	4,588	69,659
Other assets [(b)]	12,708	6,280	3,206	1,072	23,266
Total assets	71,404	52,245	30,515	21,507	175,671
Due to banks	727	7,781	821	1,610	10,939
Due to non-bank customers	62,052	23,709	17,900	9,545	113,206
Other liabilities [(c)]	5,926	7,225	9,000	5,419	27,570
Subordinated term debts	–	5,081	–	–	5,081
Total liabilities	68,705	43,796	27,721	16,574	156,796
Minority interests	2,431	–	–	–	2,431
Shareholders' funds	16,444	–	–	–	16,444
Total equity	18,875	–	–	–	18,875
Net on-balance sheet position	(16,176)	8,449	2,794	4,933	–
Net off-balance sheet position	15,203	(9,272)	(1,958)	(3,973)	–

(a) Securities include Singapore Government securities and treasury bills, securities at fair value through profit or loss, non-trading securities and securities pledged.
(b) Other assets include positive replacement values, investments in associates, goodwill on consolidation, properties and other fixed assets, deferred tax assets and other assets.
(c) Other liabilities include negative replacement values, bills payable, current and deferred tax liabilities, other debt securities in issue and other liabilities.

The table below analyses the Group's net structural currency exposure by functional currency at 31 December:

In $ millions	Net investments in overseas operations [(a)]	Financial instruments which hedge the net investments [(b)]	Remaining structural currency exposures
2005			
US dollar	**350**	**349**	**1**
Hong Kong dollar	**4,445**	**4,394**	**51**
Others	**1,381**	**718**	**663**
Total	**6,176**	**5,461**	**715**
2004			
US dollar	295	285	10
Hong Kong dollar	4,104	4,017	87
Others	1,092	525	567
Total	5,491	4,827	664

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

(d) Credit risk

Credit risk represents the loss, which the 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. The Group is guided by a set of Group-wide credit principles and policies which 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. The Group also uses credit derivative instruments to manage its credit risk exposures through risk transfer to third parties.

The maximum exposure to credit risk is limited to the amounts on the balance sheet as well as commitments to extend credit, without taking into account the fair value of any collateral and master netting arrangements.

– Derivatives

At any one time, the credit exposure of derivative transactions is limited to the positive mark-to-market value to the 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 the Group enters into collateralised margin transactions with counterparties.

– Master netting arrangements

The 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.

– Credit-related commitments

Financial guarantees and standby letters of credit, which represent undertakings that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans even though they are of contingent nature. Documentary and commercial letters of credit, which are undertakings by the Group on behalf of a customer, are usually collateralised by the underlying shipments of goods to which they relate and therefore exhibit different risk characteristics from direct borrowing.

Commitments to extend credit include unused portions of loan commitments, guarantees or letters of credit. The majority of unused commitments are contingent upon customers observing or meeting certain credit terms and conditions.

44 CONCENTRATION RISK

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

44.1 Cross-border exposures

At 31 December 2005, the Group had exposures to various countries where net exposure exceeded 1% of the Group's total assets. The exposures are determined based on the location of the credit risk of the customers and counterparties regardless of where the transactions are booked.

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

In $ millions Assets in	Loans and debt securities: Banks (1)	Central banks and Government securities (2)	Non–banks [(a)] (3)	Investments (4)	Total exposure: Amount (5)=(1+2+3+4)	As a % of Total assets (6)
2005						
Top 10 countries (Net exposure >1% of Total assets)						
Hong Kong	**1,186**	**2,199**	**27,702**	**272**	**31,359**	**17.4**
United States	**1,392**	**2,937**	**4,619**	**370**	**9,318**	**5.2**
South Korea	**3,106**	**791**	**1,963**	**–**	**5,860**	**3.3**
United Kingdom	**3,002**	**28**	**2,266**	**100**	**5,396**	**2.9**
Germany	**3,163**	**507**	**569**	**7**	**4,246**	**2.4**
China	**1,235**	**59**	**2,519**	**43**	**3,856**	**2.1**
Australia	**2,644**	**–**	**1,100**	**32**	**3,776**	**2.1**
India	**2,370**	**365**	**771**	**41**	**3,547**	**2.0**
Indonesia	**564**	**1,005**	**1,630**	**5**	**3,204**	**1.8**
Netherlands	**2,187**	**19**	**929**	**5**	**3,140**	**1.7**
Total	**20,849**	**7,910**	**44,068**	**875**	**73,702**	**40.9**

In $ millions	Loans and debt securities				Total exposure	
Assets in	Banks (1)	Central banks and Government securities (2)	Non–banks [(a)] (3)	Investments (4)	Amount (5)=(1+2+3+4)	As a % of Total assets (6)
2004						
Top 10 countries						
(Net exposure >1% of Total assets)						
Hong Kong	1,169	2,500	24,842	351	28,862	16
United States	2,184	2,540	4,257	314	9,295	5.3
United Kingdom	3,909	15	1,678	113	5,715	3.3
South Korea	2,619	1,230	1,144	18	5,011	2.9
Netherlands	2,740	21	1,002	7	3,770	2.1
Taiwan	1,732	910	919	13	3,574	2.0
Australia	2,736	–	541	–	3,277	1.9
Germany	2,319	732	193	–	3,244	1.8
France	2,150	245	582	18	2,995	1.7
Malaysia	724	255	1,794	64	2,837	1.6
Total	22,282	8,448	36,952	898	68,580	39

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

45 LIQUIDITY RISK

Liquidity risk is the potential earnings volatility arising from being unable to fund portfolio assets at reasonable rates over required maturities. Liquidity obligations arise from withdrawals of deposits, repayments of purchased funds at maturity, extensions of credit and working capital needs. DBS seeks to manage its liquidity to meet its obligations under normal as well as adverse circumstances, and take advantage of arising lending and investment opportunities. As part of its liquidity risk management, the Group focuses on a number of components, including tapping available sources of liquidity, preserving necessary funding capacity and contingency planning.

The table below analyses assets and liabilities of the Group at 31 December based on the remaining period at balance sheet date to the contractual maturity date. However, contractual terms may not be representative of the behavior 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
2005								
Cash and balances with central banks	**2,391**	**267**	**755**	**107**	**67**	**–**	**1,399**	**4,986**
Due from banks	**3,959**	**8,341**	**6,180**	**2,569**	**1,719**	**859**	**189**	**23,816**
Securities [(a)]	**14,671**	**1,069**	**2,634**	**4,551**	**12,359**	**12,828**	**2,205**	**50,317**
Loans and advances to customers	**7,186**	**7,413**	**8,428**	**10,962**	**10,771**	**34,597**	**105**	**79,462**
Other assets [(b)]	**253**	**23**	**24**	**14**	**29**	**14**	**21,266**	**21,623**
Total assets	**28,460**	**17,113**	**18,021**	**18,203**	**24,945**	**48,298**	**25,164**	**180,204**
Due to banks	**3,338**	**1,497**	**2,067**	**1,175**	**351**	**523**	**8**	**8,959**
Due to non-bank customers	**70,806**	**19,608**	**12,160**	**6,597**	**2,303**	**5,410**	**–**	**116,884**
Other liabilities [(c)]	**1,959**	**1,108**	**1,086**	**1,756**	**3,880**	**7,743**	**12,274**	**29,806**
Subordinated term debts	**–**	**–**	**–**	**–**	**435**	**4,930**	**–**	**5,365**
Total liabilities	**76,103**	**22,213**	**15,313**	**9,528**	**6,969**	**18,606**	**12,282**	**161,014**
Minority interests	**–**	**–**	**–**	**–**	**–**	**–**	**2,466**	**2,466**
Shareholders' funds	**–**	**–**	**–**	**–**	**–**	**–**	**16,724**	**16,724**
Total equity	**–**	**–**	**–**	**–**	**–**	**–**	**19,190**	**19,190**
Net liquidity gap	**(47,643)**	**(5,100)**	**2,708**	**8,675**	**17,976**	**29,692**	**(6,308)**	**–**

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
2004								
Cash and balances with central banks	2,422	1,000	2,552	3,650	122	–	733	10,479
Due from banks	3,030	8,455	9,559	3,353	401	333	38	25,169
Securities [(a)]	14,040	766	1,893	4,735	12,270	11,474	1,920	47,098
Loans and advances to customers	7,876	6,288	7,764	7,672	10,712	29,326	21	69,659
Other assets [(b)]	486	26	6	21	31	34	22,662	23,266
Total assets	27,854	16,535	21,774	19,431	23,536	41,167	25,374	175,671
Due to banks	4,063	2,246	2,272	1,563	486	309	–	10,939
Due to non-bank customers	73,786	19,161	5,936	5,505	2,498	6,320	–	113,206
Other liabilities [(c)]	1,641	1,906	1,364	1,889	2,926	6,026	11,818	27,570
Subordinated term debts	–	–	–	–	427	4,654	–	5,081
Total liabilities	79,490	23,313	9,572	8,957	6,337	17,309	11,818	156,796
Minority interests	–	–	–	–	–	–	2,431	2,431
Shareholders' funds	–	–	–	–	–	–	16,444	16,444
Total equity	–	–	–	–	–	–	18,875	18,875
Net liquidity gap	(51,636)	(6,778)	12,202	10,474	17,199	23,858	(5,319)	–

(a) Securities include Singapore Government securities and treasury bills, securities at fair value through profit or loss, non-trading securities and securities pledged.

(b) Other assets include positive replacement values, investments in associates, goodwill on consolidation, properties and other fixed assets, deferred tax assets and other assets.

(c) Other liabilities include negative replacement values, bills payable, current and deferred tax liabilities, other debt securities in issue and other liabilities.

46 SEGMENTAL REPORTING

46.1 Business segment reporting

The business segment results are prepared based on information and data generated from the Group's internal financial reporting systems and adjusted to reflect the organisation's management reporting structure. The activities of the 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 consistent 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.

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 customer/other segments.

The various customer segments are described below:

– Consumer Banking

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

– Enterprise Banking

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

– Corporate and Investment Banking

Corporate and Investment Banking provides tailored and unique financial solutions to large corporate and institutional clients. The products and services offered to customers include direct lending, corporate finance and advisory banking services for mergers and acquisitions, capital raising through debt and equity markets, capital restructuring, syndicated finance, securities and fiduciary services, cash management and trade services, and private equity.

– Global Financial Markets

Global Financial Markets provides treasury services to corporations, institutional and private investors, financial institutions and other market participants. It is primarily involved in market making, structuring, equity and debt sales and trading across a broad range of financial products including foreign exchange, interest rate/credit/equity and other structured derivatives. Income from financial products and services relating to other customer segments, e.g. Consumer Banking, Enterprise Banking and Corporate and Investment Banking, is reflected in the respective customer segments. Global Financial Markets also provides equity services through DBS Vickers Securities ("DBSV"). DBSV offers a wide range of services to retail and corporate customers including research, sales and trading, share placement, nominees and securities custodian services and distribution of primary and secondary issues.

– Central Treasury Unit
Central Treasury Unit is responsible for the management of the Group's asset and liability interest rate positions and investment of the Group's excess liquidity and shareholders' funds.

– 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 funding costs of the Group's associates and subsidiaries and gains/losses on properties. Private banking activities and asset management activities are included in this segment.

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

In $ millions	Consumer Banking	Enterprise Banking	Corporate and Investment Banking	Global Financial Markets	Central Treasury Unit	Central Operations	Total
2005							
Operating income	**1,731**	**738**	**818**	**618**	**187**	**549**	**4,641**
Operating profit before tax and goodwill charges	**792**	**373**	**473**	**235**	**176**	**417**	**2,466**
Income tax expense							**(353)**
Net profit after tax and before goodwill charges							**1,952**
Goodwill charges							**(1,128)**
Net profit attributable to shareholders							**824**
Other Information							
Total assets before goodwill	**29,518**	**18,396**	**32,824**	**68,758**	**24,047**	**858**	**174,401**
Goodwill on consolidation							**5,803**
Total assets							**180,204**
Total liabilities	**68,415**	**17,862**	**17,953**	**32,980**	**1,417**	**22,387**	**161,014**
Capital expenditure	**34**	**19**	**7**	**23**	**9**	**133**	**225**
Depreciation	**29**	**15**	**3**	**20**	**7**	**74**	**148**
2004							
Operating income	1,594	744	706	961	361	610	4,976
Operating profit before tax and goodwill charges	571	366	500	578	332	659	3,006
Income tax expense							(420)
Net profit after tax and before goodwill charges							2,435
Goodwill charges							(440)
Net profit attributable to shareholders							1,995
Other Information							
Total assets before goodwill	28,125	16,045	27,097	71,529	23,292	2,652	168,740
Goodwill on consolidation							6,931
Total assets							175,671
Total liabilities	65,125	15,233	15,482	39,221	2,468	19,267	156,796
Capital expenditure	14	7	3	12	3	61	100
Depreciation	30	14	4	19	6	74	147

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46.2 Geographical segment reporting

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

In $ millions	The Group Total assets	Operating income	Net profit
2005			
Singapore	**116,087**	**3,037**[(a)]	**1,374**[(a)]
Hong Kong	**41,393**	**1,266**	**481**
Rest of Greater China [(b)]	**5,861**	**92**	**4**
South and Southeast Asia [(c)]	**3,781**	**141**	**100**
Rest of the World [(d)]	**7,279**	**105**	**(7)**
Sub-total	**174,401**	**4,641**	**1,952**
Goodwill	**5,803**	**–**	**(1,128)**
Total	**180,204**	**4,641**	**824**

In $ millions	The Group Total assets	Operating income	Net profit
2004			
Singapore	115,665	3,279[(a)]	1,716[(a)]
Hong Kong	40,111	1,384	588
Rest of Greater China [(b)]	3,783	68	19
South and Southeast Asia [(c)]	2,756	168[(b)]	111
Rest of the World [(d)]	6,425	77	1
Sub-total	168,740	4,976	2,435
Goodwill	6,931	–	(440)
Total	175,671	4,976	1,995

(a) Includes one-time gains of $303 million and $497 million in 2005 and 2004 respectively.
(b) Rest of Greater China, includes branch operations in China and Taiwan.
(c) South and Southeast Asia, includes branch and subsidiary operations in India, Indonesia, Malaysia, Thailand and the Philippines.
(d) Rest of the World, includes branch operations in South Korea, Japan, United States of America and United Kingdom.

47 LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

The significant operating subsidiaries in the Group are listed below:

	Name of subsidiary	Principal activities	Country of incorporation	Share capital Currency	In millions	Effective shareholding % 2005	2004
	Held by the Company						
1.	DBS Bank Ltd	Retail, corporate and investment banking services	Singapore	SGD	1,962	**100**	100
	Held by DBS Bank						
2.	DBS Vickers Securities Holdings Pte Ltd	Investment holding	Singapore	SGD	207	**100**	100
3.	DBS Asset Management Ltd	Investment management services	Singapore	SGD	4	**100**	100
4.	DBS Nominees Pte Ltd	Nominee services	Singapore	SGD	#	**100**	100
5.	DBS Trustee Ltd	Trustee services	Singapore	SGD	3	**100**	100
6.	DBS China Square Ltd	Property investment holding	Singapore	SGD	125	**70**	70
7.	DBS Asia Capital Limited *	Corporate finance and advisory services	Hong Kong	HKD	92	**100**	100
8.	PT Bank DBS Indonesia *	Commercial banking and financial services	Indonesia	IDR	1,300,000	**99**	99
9.	DBSAM Funds	Collective investment scheme	Luxembourg	USD	15	**68**	77
10.	DBS Diamond Holdings Ltd	Investment holding	Bermuda	USD	2,245	**100**	100
11.	DBS Capital Funding Corporation **	Capital funding	Cayman Islands	USD	#	**100**	100
	Held by other subsidiaries						
12.	DBS Vickers Securities (Singapore) Pte Ltd	Securities and futures broker	Singapore	SGD	50	**100**	100
13.	DBS Vickers Securities Online (Singapore) Pte Ltd	Securities broker	Singapore	SGD	10	**100**	100
14.	DBS Vickers Securities Online Holdings Pte Ltd	Investment holding	Singapore	SGD	42	**73**	73

	Name of subsidiary	Principal activities	Country of incorporation	Share capital Currency	Share capital In millions	Effective shareholding % 2005	Effective shareholding % 2004
15.	DBS Asset Management (United States) Pte Ltd	Investment management services	Singapore	SGD	#	**100**	100
16.	DBS Vickers Research Singapore Pte Ltd	Investment advisory services	Singapore	SGD	1	**100**	100
17.	DBS Vickers Securities Nominees (Singapore) Pte Ltd	Nominee services	Singapore	SGD	#	**100**	100
18.	DBS Bank (Hong Kong) Limited *	Retail, corporate and investment banking services	Hong Kong	HKD	5,200	**100**	100
19.	DBS Asset Management (Hong Kong) Ltd *	Investment management services	Hong Kong	HKD	13	**100**	100
20.	DBS Corporate Services (Hong Kong) Limited *	Investment holding and corporate services	Hong Kong	HKD	1	**100**	100
21.	DHB Limited *	Investment holding	Hong Kong	HKD	500	**100**	100
22.	DBS Vickers Securities Online (HK) Limited *	Securities broker	Hong Kong	HKD	137	**100**	100
23.	DBS Vickers (Hong Kong) Limited *	Securities and futures broker	Hong Kong	HKD	150	**100**	100
24.	Kenson Asia Ltd *	Corporate services	Hong Kong	HKD	#	**100**	100
25.	Kingly Management Ltd *	Corporate services	Hong Kong	HKD	#	**100**	100
26.	Worldson Services Ltd *	Corporate services	Hong Kong	HKD	#	**100**	100
27.	Ting Hong Nominees Limited *	Nominee services	Hong Kong	HKD	#	**100**	100
28.	DBS Vickers Securities Nominees (Hong Kong) Limited *	Nominee services	Hong Kong	HKD	#	**100**	100
29.	PT DBS Vickers Securities (Indonesia)*	Securities broker	Indonesia	IDR	55,000	**99**	75
30.	DBS Vickers Securities (Thailand) Co. Ltd *	Securities broker	Thailand	THB	396	**100**	100
31.	DHJ Management Limited *	Corporate services	British Virgin Islands	USD	#	**100**	100
32.	JT Administration Limited *	Corporate services	British Virgin Islands	USD	#	**100**	100
33.	Market Success Limited *	Corporate services	British Virgin Islands	USD	#	**100**	100
34.	Kendrick Services Limited **	Corporate directorship services	British Virgin Islands	USD	#	**100**	100
35.	Lushington Investment Limited **	Corporate shareholding services	British Virgin Islands	USD	#	**100**	100
36.	Quickway Limited **	Corporate directorship services	British Virgin Islands	USD	#	**100**	–
37.	DBS Group (Hong Kong) Limited *	Investment holding	Bermuda	USD	356	**100**	100
38.	DBS Vickers Securities (UK) Ltd *	Securities broker	United Kingdom	GBP	#	**100**	100
39.	DBS Vickers Securities (USA), Inc *	Securities broker	United States	USD	#	**100**	100
40.	DBS Trustee H.K. (Jersey) Limited *	Trustee services	Jersey	GBP	#	**100**	100

\# *Amount under $500,000*

* *Audited by Ernst & Young firms outside Singapore.*

** *No statutory audit was performed for these companies as it is not mandatory under local laws and regulations.*

The significant joint ventures in the Group are listed below:

	Name of joint venture	Principal activities	Country of incorporation	Share capital Currency	Share capital In millions	Effective shareholding % 2005	Effective shareholding % 2004
	Held by DBS Bank						
1.	Ayala DBS Holdings Inc.	Investment holding	The Philippines	PHP	3,340	**40**	40
	Held by other subsidiaries						
2.	Hutchinson DBS Card Limited	Provision of credit card services	British Virgin Islands	HKD	1	**50**	50

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The significant associates in the Group are listed below:

	Name of associate	Principal activities	Country of incorporation	Share capital Currency	Share capital In millions	Effective shareholding % 2005	Effective shareholding % 2004
	Quoted – Held by DBS Bank						
1.	Bank of the Philippine Islands	Commercial banking and financial services	The Philippines	PHP	22,386	**20.4**	20.4
2.	Cholamandalam Investments and Finance Company Limited	Consumer finance	India	INR	379	**20.0**	–
	Quoted – Held by other subsidiaries						
3.	Hwang – DBS (Malaysia) Bhd	Investment holding	Malaysia	RM	259	**23.1**	22.9
	Unquoted – Held by DBS Bank						
4.	Capital OK Company Limited	Consumer finance	Thailand	THB	2,200	**40.0**	40.0
5.	Century Horse Group Limited	Investment holding	British Virgin Islands	USD	#	**20.0**	20.0
6.	Clearing and Payment Services Pte Ltd	Provides service infrastructure for clearing payment and settlement of financial transactions	Singapore	SGD	#	**33.3**	33.3
7.	Investment and Capital Corporation of the Philippines	Financial services	The Philippines	PHP	300	**20.0**	20.0
8.	Network for Electronic Transfers (Singapore) Pte Ltd	Electronic funds transfer	Singapore	SGD	1	**33.3**	33.3
9.	Nextmall Holdings Corporation	Supermarket	Cayman Islands	USD	#	**33.7**	33.7
10.	Orix Leasing Singapore Ltd	Lease and hire-purchase financing of equipment	Singapore	SGD	3	**30.0**	30.0
	Unquoted – Held by other subsidiaries						
11.	Hwang-DBS Investment Management Berhad (formerly known as Hwang-DBS Unit Trust Berhad)	Investment management services	Malaysia	RM	10	**42.3**	42.1
12.	Hwang-DBS Resources Sdn Bhd (formerly known as Hwang-DBS Asset Management (Malaysia) Sdn Bhd)	Leasing of movable assets	Malaysia	RM	3	**23.1**	37.5
13.	Hwang-DBS Vickers Research (Malaysia) Sdn Bhd [(a)]	Investment management	Malaysia	RM	3	**49.0**	49.0
14.	Singapore Africa Investment Management Pte Ltd	Investment management	Singapore	USD	#	**30.0**	30.0
15.	Southern Africa Investment Pte Ltd	Venture capital investment	Singapore	USD	#	**25.0**	25.0
16.	Singapore Consortium Investment Management Ltd	Investment management services	Singapore	SGD	1	**33.3**	33.3

\# *Amount under $500,000*

(a) *Effective shareholding is 60.8% (2004: 60.7%) due to indirect shareholding of 11.8% (2004: 11.7%) through Hwang-DBS (Malaysia) Bhd. There is no control over indirect shareholding, thus consolidation was not applied.*