

Notes to the Supplementary Financial Statements

Year ended 31 December

The supplementary financial statements of DBS Bank Ltd (“DBS Bank”) are extracted from the Audited Statutory Accounts of DBS Bank for the financial year ended 31 December 2005. The statutory accounts of DBS Bank, which contained an unqualified audit report, will be delivered to the Accounting & Corporate Regulatory Authority in accordance with the Singapore Companies Act.

1 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by DBS Bank are consistent with those applied by the Group as disclosed in Note 2 of the “Notes to the Financial Statements” (“Notes”) in DBSH Consolidated Financial Statements.

2 OTHER INCOME

Other income included dividend income received from subsidiaries and associates as follows:

In \$ millions	2005	2004
Dividends from subsidiaries	33	26
Dividends from associates	38	32
Total	71	58

3 SUBSIDIARIES

In \$ millions	2005	2004
Cost	11,344	11,439
Impairment allowance	(873)	(141)
	10,471	11,298
Due from subsidiaries	595	849
Total	11,066	12,147

For the year ended 31 December 2005, an impairment charge of \$732 million has been recorded in “Provision for credit and other losses” in the income statement. This is attributed to the investment in DBS Bank (Hong Kong) Ltd, where the carrying value has been written down to its recoverable amount. The recoverable amount is determined based on value-in-use calculation.

4 DUE TO SUBSIDIARIES

	The Company	
In \$ millions	2005	2004
Subordinated term debts	1,352	1,283
Amounts due to subsidiaries	1,582	1,137
Total	2,934	2,420

The subordinated term debts were issued by DBS Bank to DBS Capital Funding Corporation, both wholly-owned subsidiaries of DBSH, on 21 March 2001 and mature on 15 March 2051. The notes comprised Series A Subordinated Note of US\$725 million and Series B Subordinated Note of S\$100 million. Interest is payable in arrears on 15 March and 15 September each year at a fixed rate of 7.657% per annum (Series A) and 5.35% per annum (Series B), up to 15 March 2011. Thereafter, interest is payable quarterly in arrears on 15 March, 15 June, 15 September and 15 December each year at a floating rate of three-month London Interbank Offer Rate (“LIBOR”) + 3.2% per annum (Series A) and three-month Singapore Swap Offer Rate + 2.52% per annum (Series B).

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Year ended 31 December

5 SHARE CAPITAL OF THE COMPANY

In \$ millions	2005	2004
Authorised		
2,000,000,000 ordinary shares	2,000	2,000
600,000,000 non-redeemable convertible preference shares	1,200	1,200
300,000,000 non-voting convertible preference shares	300	300
800,000 non-cumulative redeemable non-convertible perpetual preference shares and each with a liquidation preference	#	#
17,500 non-cumulative redeemable non-convertible perpetual preference shares and each with a liquidation preference	#	#
1,100,000,000 non-cumulative non-convertible perpetual preference shares and each with a liquidation preference	11	11
100 non-cumulative redeemable preference shares and each with a liquidation preference	#	#
100 non-cumulative Class A redeemable preference shares and each with a liquidation preference	#	#
	1,511	1,511

Issued and fully paid-up		
1,962,302,697 (2004: 1,962,302,697) ordinary shares	1,962	1,962
11,000,000 (2004: 11,000,000) non-cumulative non-convertible perpetual preference shares	#	#
Total Issued and Paid-up Share Capital of the Company	1,962	1,962

Amount under \$500,000

There was no movement in share capital during the current financial year.

6 RESERVES

6.1 Non-distributable reserves

In \$ millions	2005	2004
Revaluation and cash flow hedge reserves	235	–
Other non-distributable reserves	2,430	2,462
	2,665	2,462

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

In \$ millions	Available-for-sale investments revaluation reserves	Cash flow hedge reserves	Total
On adoption of FRS 39 at 1 January 2005	297	–	297
Net valuation taken to equity	(3)	28	25
Transferred to income statement on sale	(71)	–	(71)
Tax on items taken directly to or transferred from equity	(11)	(5)	(16)
Balance at 31 December 2005	212	23	235

Movements in other non-distributable reserves during the year were as follows:

In \$ millions	General reserves ^(a)	Capital reserves ^(b)	Share plan reserves	Total
Balance at 1 January 2005				
– as previously reported	2,233	221	–	2,454
– effect of adoption of new or revised FRS	–	–	8	8
Balance at 1 January as restated	2,233	221	8	2,462
Appropriation from income statement	36	–	–	36
Net exchange translation adjustments	–	(85)	–	(85)
Cost of share-based payments	–	–	23	23
Draw-down of reserves upon vesting of performance shares	–	–	(6)	(6)
Balance at 31 December 2005	2,269	136	25	2,430
Balance at 1 January 2004				
– as previously reported	2,136	177	–	2,313
– effect of adoption of new or revised FRS	–	–	2	2
Balance at 1 January as restated	2,136	177	2	2,315
Appropriation from income statement	97	–	–	97
Net exchange translation adjustments	–	44	–	44
Cost of share-based payments	–	–	6	6
Balance at 31 December 2004	2,233	221	8	2,462

(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.

6.2 Revenue reserves

In \$ millions	2005	2004
Balance at 1 January		
– as previously reported	3,205	1,841
– effect of adoption of new or revised FRS	(18)	(8)
Balance at 1 January as restated	3,187	1,833
On adoption of FRS 39 at 1 January 2005	(122)	–
Net profit for the year	715	1,927
Transfer to general reserves	(36)	(97)
Amount available for distribution	3,744	3,663
Less: \$0.33 (2004: \$0.22) tax exempt ordinary dividends	651	423
6% on preference dividends, net of 20% tax paid	53	53
Balance at 31 December	3,040	3,187