Notes to the Financial Statements *for the year ended 31 December 2006*

These Notes are integral to the financial statements.

The consolidated financial statements for the year ended 31 December 2006 were authorised for issue by the directors on 15 February 2007.

1 DOMICILE AND ACTIVITIES

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

The Company is listed on the Singapore Exchange.

The principal activity of the Company is that of an investment holding company and the principal 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 ("the Group") and the Group's interests in associates and joint ventures.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group are prepared in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations promulgated by the 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" 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. In addition, the carrying amounts of assets and liabilities that are designated as hedged items in a fair value hedge are adjusted for fair value changes attributable to the hedged risks.

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

On 1 January 2006, the Group adopted the new or revised FRS and Interpretations to FRS ("INT FRS") that are applicable in the current financial year. The 2006 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 19 (revised)	Employee Benefits
FRS 21 (revised)	The Effects of Changes in Foreign Exchange Rates
FRS 24 (revised)	Related Party Disclosures
FRS 32 (revised)	Financial Instruments: Disclosure and Presentation
FRS 37 (revised)	Provisions, Contingent Liabilities, and Contingent Assets
FRS 38 (revised)	Intangible Assets
FRS 39 (revised)	Financial Instruments: Recognition and Measurement
INT FRS 104	Determining whether an Arrangement contains a Lease

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.

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.

The purchase method is used to account for the acquisition of subsidiaries. Subsidiaries are consolidated from the date control is transferred to the Group to the date control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus cost directly attributable to the acquisition. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value on the date of acquisition, irrespective of the extent of any minority interest. Refer to Note 2.10 for the Group's accounting policy on "Goodwill".

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

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

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

Associates
Associates are entities 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 recognises its investment in associates using the equity method of accounting. Investment in associates in the consolidated balance sheet includes goodwill (net of accumulated impairment loss) identified on acquisition.

Under the equity method of accounting, the Group's investment in associates is initially carried at cost. The initial cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities assumed at the date of exchange, plus costs directly attributable to the acquisition. The carrying amount is increased or decreased to recognise the Group's share of net assets of the associate, less any impairment in value after the date of acquisition. Where the Group's share of losses in an associate equals or exceeds its interest in the associate, 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 are taken from the latest audited accounts or unaudited management accounts of the associates, prepared at dates not more than three months prior to the end of the financial year of the Group.

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

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

Alignment of accounting policies
Where necessary, adjustments are made to the financial statements of subsidiaries, associates and joint ventures to 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 in the following manner:

i. Assets and liabilities are translated at the exchange rate ruling at the balance sheet date;
ii. 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
iii. All resulting exchange differences are taken to the 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 the 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
Net interest income
Net interest income, being interest income less interest expense, is recognised on a time-proportionate basis using the effective interest method. The effective interest rate is the rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period to its carrying amount. The calculation includes significant fees and transaction costs that are integral to the effective interest rate, as well as premiums or discounts. No interest expense is accrued on the Group's structured investment deposits which are carried at fair value through profit or loss.

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

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

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

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

2.6 Cash and cash equivalents
For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, non-restricted balances with central banks, and 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 of the reclassification in and out of the financial assets at fair value through profit or loss category.

The classification of financial assets is as follows:

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

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

 Financial assets designated under the fair value option meet at least one of the following criteria upon designation:
 i. it eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring financial assets, or recognising gains or losses on them, using different bases; or
 ii. the financial asset contains an embedded derivative that would need to be separately recorded.

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

(c) **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. The fair value of a financial asset on initial recognition is usually the transaction price.

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

Realised or unrealised gains or losses of financial assets held for trading and financial assets designated under the fair value option are taken to "Net trading income" and "Net income from financial instruments designated at fair value" respectively in the income statement in the period they arise. Unrealised gains or losses arising from changes in fair value of 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 financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets held by the Group are the current bid prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models refined to reflect the issuer's specific circumstances.

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

Financial assets carried at amortised cost
The Group carries out regular and systematic reviews of all credit facilities extended to customers.

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

A specific allowance for credit losses is 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 allowance for credit loss is reported as an increase in other liabilities. Specific allowances 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 an allowance is made when existing facts, conditions or valuations indicate that the Group is not likely to collect part or all of the principal and interest due contractually on the claim. An allowance is reversed only when there has been an identifiable event that led to an improvement in the collectibility of the claim.

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

Available-for-sale financial assets
When there is objective evidence of an impairment of an available-for-sale financial asset, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from the revaluation reserve within equity and recognised in the income statement. Impairment losses recognised in the income statement on equity investments are not reversed through the income statement, until the equity investments are disposed of. A subsequent recovery in the value of an available-for-sale debt instrument whose value is impaired is reversed through the income statement if there has been an identifiable event that led to the recovery.

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

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

Amounts paid and received 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 values of the identifiable assets acquired, liabilities and contingent liabilities assumed at the date of exchange. Goodwill is stated at cost less impairment losses and it is tested at least annually for impairment.

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

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

2.11 Properties and other fixed assets

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

The basis of depreciation is as follows:

Properties

Leasehold land, where the balance of the leasehold period is 100 years or less, is depreciated over the remaining period of the lease. Leasehold land where the unexpired lease period is more than 100 years is not depreciated.

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

Other fixed assets

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

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

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

On disposal of an item of properties and other fixed assets, the difference between the net disposal proceeds and its carrying amount is taken to the income statement.

2.12 Impairment of non-financial assets

Goodwill

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

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

Properties and other fixed assets, and investment in subsidiaries, associates and joint ventures

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

2.13 Financial liabilities

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

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

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

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

i. it eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring financial liabilities, or recognising gains or losses on them, using different bases; or

ii. the financial liability contains an embedded derivative that would need to be separately recorded.

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

The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

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

2.14 Provisions and other liabilities

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

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

2.15 Derivative financial instruments and hedge accounting

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

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

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

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

Fair value hedge

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

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 the income statement over the remaining period to maturity of the hedged item.

Cash flow hedge

The effective portion of changes in the fair value of a derivative designated and qualified as a hedge of future cash flows is recognised directly in the cash flow hedge reserve, 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 under "Net trading income".

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

Hedge of net investment in a foreign operation

Hedges of net investments in the Group's foreign operations are accounted for in a manner similar to cash flow hedges. The gain or loss from the derivative relating to the effective portion of the hedge is recognised in the cash flow hedge reserve. The gain or loss relating to the ineffective portion of the hedge is recognised immediately in the income statement. On disposal of the foreign operations, the cumulative gain or loss in the cash flow hedge reserve is taken to the income statement under "Net trading income".

2.16 Employee benefits

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

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

2.17 Share-based compensation
Employee benefits also include share-based compensation, namely, the DBSH Share Ownership Scheme, the 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 43.

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

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

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

2.19 Financial guarantees
A financial guarantee is initially recognised at its fair value. Subsequently, the amount initially recognised is amortised to the income statement over the period of the financial guarantee. Examples include letter of credit, shipping guarantee, airway guarantee, letter of guarantee etc.

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

2.20 Dividend payment
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.

2.21 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.

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

2.23 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.

2.24 Comparatives
Where applicable, comparative figures have been reclassed in order to adopt the current year's presentation.

3 NEW FRS ISSUED BUT NOT YET EFFECTIVE
The Group has not applied the following FRS and INT FRS that have been issued but not yet effective.

FRS 40: Investment Property
FRS 40 becomes effective for financial years beginning on or after 1 January 2007. There is no expected material impact on the Group's financial statements arising from the Standard. The Group's current policy is to carry its investment properties at historical cost less accumulated depreciation and impairment losses.

FRS 107: Financial Instruments: Disclosures
FRS 107 becomes effective for financial years beginning on or after 1 January 2007 and it introduces new disclosure requirements regarding financial instruments. It requires the disclosure of qualitative and quantitative information about

exposure to risks arising from financial instruments, including minimum disclosures about credit risk, liquidity risk and market risk. It replaces the disclosure requirements currently in FRS 32: Financial Instruments: Disclosure and Presentation.

The adoption of FRS 107 will create additional disclosure requirements for the Group's financial statements.

Amendment to FRS 1: Presentation of Financial Statements – Capital Disclosures
The amendment to FRS 1 becomes effective for financial years beginning on or after 1 January 2007. It introduces disclosures about the level of an entity's capital and how the capital is managed.

The amendment to FRS 1 will create additional disclosure requirements for the Group's financial statements.

INT FRS 108: Scope of FRS 102 – Share-based Payment
INT FRS 108 becomes effective for financial years beginning on or after 1 May 2006. It clarifies the scope of FRS 102 to include transactions in which the entity cannot identify specifically some or all of the goods and services received.

There is no expected material impact on the Group's financial statements arising from this new INT FRS.

INT FRS 109: Reassessment of Embedded Derivatives
INT FRS 109 becomes effective for financial years beginning on or after 1 June 2006. It establishes that the date to assess the existence of an embedded derivative is the date an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows.

There is no expected material impact on the Group's financial statements arising from this new INT FRS.

INT FRS 110: Interim Financial Reporting and Impairment
INT FRS 110 becomes effective for financial years beginning on or after 27 October 2006. It prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date.

There is no expected material impact on the Group's financial statements arising from this new INT FRS.

4 CRITICAL ACCOUNTING ESTIMATES

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

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

4.1 Impairment allowances on claims

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

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

In determining general allowance, 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 exercises judgement in determining the risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors used in the valuation process. Judgement may also 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 CGU to which the goodwill is allocated. The recoverable amount represents the present value of the estimated future cash flows expected to arise from continuing operations.

Therefore, in arriving at the recoverable amount, management exercises judgement in estimating the future cash flows, growth rate and discount rate.

4.4 Income taxes

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

5 NET INTEREST INCOME

In $ millions	The Group 2006	The Group 2005
Cash and balances with central banks and Due from banks	**1,001**	656
Loans and advances to customers	**4,559**	3,152
Debt securities	**2,249**	1,734
Total interest income	**7,809**	5,542
Due to banks	**538**	415
Due to non-bank customers	**2,746**	1,494
Others	**934**	690
Total interest expense	**4,218**	2,599
Net interest income	**3,591**	2,943

In $ millions	The Group 2006	The Group 2005
Interest income for financial assets at fair value through profit or loss	**1,005**	732
Interest income for financial assets not at fair value through profit or loss	**6,804**	4,810
Interest expense for financial liabilities at fair value through profit or loss	**(492)**	(206)
Interest expense for financial liabilities not at fair value through profit or loss	**(3,726)**	(2,393)
Total	**3,591**	2,943

6 NET FEE AND COMMISSION INCOME

In $ millions	The Group 2006	The Group 2005
Fee and commission income	**1,400**	1,177
Fee and commission expense	**245**	191
Net fee and commission income	**1,155**	986
Comprising:		
Trade and remittances	**190**	172
Wealth management	**170**	129
Loan-related	**166**	157
Investment banking	**150**	134
Stock broking	**141**	106
Credit card	**115**	90
Deposit-related	**79**	77
Fund management	**62**	53
Guarantees	**30**	28
Others	**52**	40
Net fee and commission income	**1,155**	986

7 NET TRADING INCOME

In $ millions	The Group 2006	The Group 2005
From trading businesses		
– Foreign exchange	**379**	94
– Interest rates, credit and equities	**153**	206
Other businesses	**(10)**	20
Total	**522**	320

8 NET INCOME FROM FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE

In $ millions	The Group 2006	The Group 2005
Financial assets designated at fair value	**(2)**	4
Financial liabilities designated at fair value	**(190)**	(117)
Total	**(192)**	(113)

Gains or losses from changes in fair value of financial liabilities designated at fair value, not attributable to changes in market conditions, are not material. Refer to Note 32.

9 NET INCOME FROM FINANCIAL INVESTMENTS

In $ millions	The Group 2006	2005
Debt securities	**38**	10
Equity securities[(a)]	**133**	92
Total	**171**	102
Comprising gains transferred from:		
Available-for-sale revaluation reserves	**101**	88

(a) 2006 included $16 million profits on sale of unquoted equity securities which were stated at cost. Their carrying amounts were $1 million at the time of sale

10 OTHER INCOME

In $ millions	The Group 2006	2005
Dividend income	**58**	49
Rental income	**14**	30
Net gain on properties and other fixed assets[(a)]	**104**	314
Others	**15**	10
Total	**191**	403

(a) Included in 2006 were one-time gains of $50 million and $54 million from the sale of DBS Tampines Centre and Hong Kong Queen's Road Office respectively. 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. Refer to Note 28

11 EMPLOYEE BENEFITS

In $ millions	The Group 2006	2005
Salary and bonus	**1,067**	883
Contributions to defined contribution plans	**55**	57
Share-based expenses	**28**	40
Others	**94**	72
Total	**1,244**	1,052

12 OTHER EXPENSES

In $ millions	The Group 2006	2005
Computerisation expenses	**349**	261
Occupancy expenses	**161**	134
Revenue-related expenses	**105**	99
Others	**380**	332
Total	**995**	826

Included in the above table were:

In $ millions	The Group 2006	2005
Hire and maintenance of fixed assets, including building-related expenses	**98**	95
Audit fees payable to Ernst & Young Singapore	**3**	3
Audit fees payable to Ernst & Young firms outside Singapore	**2**	2
Non audit fees payable to Ernst & Young Singapore	**1**	#
Non audit fees payable to Ernst & Young firms outside Singapore	**#**	#

 # Amount under $500,000

13 ALLOWANCES FOR CREDIT AND OTHER LOSSES

In $ millions	The Group 2006	2005
Loans and advances to customers (Note 20)	**228**	237
Financial investments (Note 22)	**(32)**	3
Properties and other fixed assets (Note 28)	**(71)**	(46)
Off-balance sheet credit exposures (Note 33)	**31**	(31)
Others (bank loans and sundry debtors)	**(21)**	40
Total	**135**	203

14 INCOME TAX EXPENSE

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

	The Group	
In $ millions	**2006**	**2005**
Current tax expense		
– Current year	**459**	366
– Prior years' provision	**50**	–
Deferred tax expense		
– Reversal/(Origination) of temporary differences	**61**	(13)
– Prior years' provision	**5**	–
Total	**575**	353

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

	The Group	
In $ millions	**2006**	**2005**
Accelerated tax depreciation	**(6)**	–
Allowances for loan losses	**75**	(7)
Other temporary differences	**(3)**	(6)
Deferred tax expense charged/ (credited) to income statement	**66**	(13)

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

	The Group	
In $ millions	**2006**	**2005**
Profit	**2,934**	1,284
Prima facie tax calculated at a tax rate of 20% (2005 : 20%)	**587**	257
Effect of different tax rates in other countries	**(1)**	(11)
Income not subject to tax	**(14)**	(63)
Income taxed at concessionary rate	**(68)**	(89)
Non-tax deductible provisions	**(14)**	5
Reversal of temporary differences	**61**	–
Goodwill charges	**–**	226
Others	**24**	28
Income tax expense charged to income statement	**575**	353

Refer to Note 29 for further information on deferred tax assets/ liabilities.

15 EARNINGS PER ORDINARY SHARE

		The Group	
In $ millions		**2006**	**2005**
Weighted average number of ordinary shares in issue	(a)	**1,504**	1,490
Dilutive effect of share options		**4**	2
Full conversion of non-voting redeemable CPS		**66**	66
Weighted average number of ordinary shares in issue (diluted)	(aa)	**1,574**	1,558

		The Group	
In $ millions		**2006**	**2005**
Net profit attributable to shareholders ("Net Profit")	(b)	**2,269**	824
Net profit (less preference dividends)	(c)	**2,253**	808
Net profit (exclude goodwill charges)	(d)	**2,269**	1,952
Net profit (exclude goodwill charges and less preference dividends)	(e)	**2,253**	1,936
Earnings per ordinary share ($)			
Basic	(c)/(a)	**1.50**	0.54
Basic (exclude goodwill charges)	(d)/(a)	**1.50**	1.30
Diluted	(b)/(aa)	**1.45**	0.53
Diluted (exclude goodwill charges)	(e)/(aa)	**1.45**	1.25

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

16 MEASUREMENT BASIS OF FINANCIAL INSTRUMENTS

The Group 2006							
In $ millions	**Held for trading**	**Designated at fair value through profit or loss**	**Loans and receivables/ amortised cost**	**Available-for-sale**	**Fair value hedging instruments**	**Cash flow hedging instruments**	**Total**
Assets							
Cash and balances with central banks	–	–	11,846	–	–	–	11,846
Singapore Government securities and treasury bills	3,319	–	–	9,524	–	–	12,843
Due from banks	–	–	25,202	71	–	–	25,273
Financial assets at fair value through profit or loss	14,300	2,196	–	–	–	–	16,496
Positive replacement values	8,080	–	–	–	135	–	8,215
Loans and advances to customers	–	–	85,149	–	–	–	85,149
Financial investments	–	–	1,930	20,331	–	–	22,261
Securities pledged	1,483	–	–	1,383	–	–	2,866
Other assets	–	–	4,479	–	–	–	4,479
Total financial assets	27,182	2,196	128,606	31,309	135	–	189,428
Other asset items outside the scope of FRS 39							7,944
Total assets							197,372
Liabilities							
Due to banks	–	–	7,863	–	–	–	7,863
Due to non-bank customers	–	–	122,092	–	–	–	122,092
Financial liabilities at fair value through profit or loss	13,895	5,813	–	–	–	–	19,708
Negative replacement values	7,789	–	–	–	84	–	7,873
Bills payable	–	–	511	–	–	–	511
Other liabilities	–	–	6,677	–	–	–	6,677
Other debt securities in issue	–	–	3,950	–	–	–	3,950
Subordinated term debts	–	–	6,749	–	–	–	6,749
Total financial liabilities	21,684	5,813	147,842	–	84	–	175,423
Other liability items outside the scope of FRS 39							903
Total liabilities							176,326

In $ millions	Held for trading	Designated at fair value through profit or loss	Loans and receivables/ amortised cost	Available-for-sale	Fair value hedging instruments	Cash flow hedging instruments	Total
	The Group 2005						
Assets							
Cash and balances with central banks	–	–	4,986	–	–	–	4,986
Singapore Government securities and treasury bills	4,223	35	–	5,588	–	–	9,846
Due from banks[(a)]	–	–	22,015	114	–	–	22,129
Financial assets at fair value through profit or loss[(a)]	16,475	2,027	–	–	–	–	18,502
Positive replacement values	8,492	–	–	–	272	28	8,792
Loans and advances to customers[(a)]	–	–	77,636	–	–	–	77,636
Financial investments	–	–	1,864	21,238	–	–	23,102
Securities pledged	1,397	–	–	983	–	–	2,380
Other assets	–	–	4,730	–	–	–	4,730
Total financial assets	30,587	2,062	111,231	27,923	272	28	172,103
Other asset items outside the scope of FRS 39							8,101
Total assets							180,204
Liabilities							
Due to banks[(a)]	–	–	8,950	–	–	–	8,950
Due to non-bank customers[(a)]	–	–	106,431	–	–	–	106,431
Financial liabilities at fair value through profit or loss[(a)]	16,746	6,077	–	–	–	–	22,823
Negative replacement values	8,372	–	–	–	165	–	8,537
Bills payable	–	–	378	–	–	–	378
Other liabilities[(a)]	–	–	5,475	–	–	–	5,475
Other debt securities in issue[(a)]	–	–	2,440	–	–	–	2,440
Subordinated term debts	–	–	5,365	–	–	–	5,365
Total financial liabilities	25,118	6,077	129,039	–	165	–	160,399
Other liability items outside the scope of FRS 39							615
Total liabilities							161,014

(a) *Assets and Liabilities in the 2005 Balance Sheet have been re-grouped by investment intention to enhance readability and to provide more relevant and useful information to investors. This presentation does not have any impact on the income statement and retained earnings of the Group*

17 CASH AND BALANCES WITH CENTRAL BANKS

In $ millions	The Group 2006	2005
Cash on hand	**988**	802
Balances with central banks		
– Restricted balances	**2,556**	2,461
– Non-restricted balances	**8,302**	1,723
Total	**11,846**	4,986

18 SINGAPORE GOVERNMENT SECURITIES AND TREASURY BILLS

In $ millions	The Group 2006	2005
Fair value through profit or loss		
– Trading	**3,319**	4,223
– Fair value designated	**–**	35
Available-for-sale	**9,524**	5,588
Total	**12,843**	9,846
Market value	**12,843**	9,846

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

In $ millions	The Group 2006	2005
Trading		
Other government securities and treasury bills	**2,509**	2,625
Corporate debt securities	**8,606**	9,725
Equity securities	**790**	719
Loans and advances to customers	**1,153**	1,719
Other financial assets (due to banks)	**1,242**	1,687
Sub-total	**14,300**	16,475
Fair value designated		
Corporate debt securities	**1,868**	1,920
Loans and advances to customers	**328**	107
Sub-total	**2,196**	2,027
Total	**16,496**	18,502
Analysed by industry		
Manufacturing	**918**	786
Building and construction	**129**	180
General commerce	**111**	223
Transportation, storage and communications	**641**	982
Financial institutions, investment and holding companies	**8,849**	11,139
Government	**2,509**	2,625
Others	**3,339**	2,567
Total	**16,496**	18,502
Fair value designated loans & advances and related credit derivatives/enhancements		
Maximum credit exposure	**343**	119
Credit derivatives/enhancements – protection bought	**(343)**	(119)
Cumulative change in fair value arising from changes in credit risk	**318**	104
Cumulative change in fair value of related credit derivatives/enhancements	**(318)**	(104)

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

The movement in changes in fair value attributable to credit risk is as follows:

Fair value designated loans and advances

In $ millions	2006	2005
Balance at 1 January	**104**	148
New deals	**238**	56
Amount recognised in income statement	**1**	(20)
Matured deals	**(25)**	(80)
Balance at 31 December	**318**	104

Credit derivatives/enhancements

In $ millions	2006	2005
Balance at 1 January	**(104)**	(148)
New deals	**(238)**	(56)
Amount recognised in income statement	**(1)**	20
Matured deals	**25**	80
Balance at 31 December	**(318)**	(104)

20 LOANS AND ADVANCES TO CUSTOMERS

In $ millions	The Group 2006	2005
Gross	**86,599**	79,123
Less: Specific allowances	**564**	636
General allowances	**886**	851
Net total	**85,149**	77,636
Comprising:		
Bills receivable	**2,926**	2,606
Loans	**82,223**	75,030
Net total	**85,149**	77,636
Analysed by industry		
Manufacturing	**10,854**	8,523
Building and construction	**10,883**	8,956
Housing loans	**25,043**	25,005
General commerce	**8,930**	8,639
Transportation, storage and communications	**7,709**	6,878
Financial institutions, investment and holding companies	**8,521**	8,001
Professionals and private individuals (except housing loans)	**7,948**	7,183
Others	**6,711**	5,938
Gross total	**86,599**	79,123

In $ millions	The Group 2006	2005
Analysed by products		
Long-term loans	**36,188**	28,693
Short-term facilities	**19,117**	19,254
Overdrafts	**3,262**	3,482
Housing loans	**25,043**	25,005
Trade financing	**2,989**	2,689
Gross total	**86,599**	79,123
Analysed by currency and fixed/variable rates		
Fixed rate[(a)]		
Singapore dollar	**7,941**	7,171
Hong Kong dollar	**633**	409
US dollar	**229**	208
Others	**820**	428
Sub-total	**9,623**	8,216
Variable rate[(b)]		
Singapore dollar	**27,671**	26,322
Hong Kong dollar	**24,309**	24,312
US dollar	**15,068**	14,912
Others	**9,928**	5,361
Sub-total	**76,976**	70,907
Gross total	**86,599**	79,123

(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 allowances during the year were as follows:

In $ millions	The Group 2006	2005
Specific allowances		
Balance at 1 January	**636**	557
Charge to income statement	**159**	196
Write-off during the year	**(216)**	(112)
Exchange and other movements	**(15)**	(5)
Balance at 31 December	**564**	636
General allowances		
Balance at 1 January	**851**	805
Charge to income statement	**69**	41
Exchange and other movements	**(34)**	5
Balance at 31 December	**886**	851

21 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 allowances
2006		
Substandard	**939**	**82**
Doubtful	**243**	**216**
Loss	**351**	**351**
Total	**1,533**	**649**
2005		
Substandard	1,220	156
Doubtful	276	244
Loss	369	369
Total	1,865	769

Non-performing assets by industry

In $ millions	The Group NPAs	Specific allowances
2006		
Customer loans		
Manufacturing	**314**	**170**
Building and construction	**107**	**50**
Housing loans	**224**	**56**
General commerce	**336**	**146**
Transportation, storage and communications	**25**	**12**
Financial institutions, investment and holding companies	**173**	**47**
Professional and private individuals (except housing loans)	**142**	**65**
Others	**139**	**79**
Sub-total[(a)]	**1,460**	**625**
Debt securities	**36**	**15**
Contingent items	**37**	**9**
Total	**1,533**	**649**

In $ millions	The Group NPAs	Specific allowances
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, investment and holding companies	164	47
Professional and private individuals (except housing loans)	204	84
Others	133	71
Sub-total[(a)]	1,691	693
Debt securities	130	57
Contingent items	44	19
Total	1,865	769

(a) NPAs and specific allowances for customer loans each included $53 million (2005: $57 million) in interest receivables

Non-performing assets by region

In $ millions	The Group NPAs	Specific allowances
2006		
Singapore	**840**	**366**
Hong Kong	**363**	**151**
Rest of Greater China	**68**	**20**
South and Southeast Asia	**156**	**77**
Rest of the World	**106**	**35**
Total	**1,533**	**649**
2005		
Singapore	999	441
Hong Kong	402	140
Rest of Greater China	91	36
South and Southeast Asia	181	85
Rest of the World	192	67
Total	1,865	769

Non-performing assets by overdue period

In $ millions	The Group 2006	2005
Not overdue	**413**	697
< 90 days overdue	**332**	353
91–180 days overdue	**128**	157
> 180 days overdue	**660**	658
Total	**1,533**	1,865

Restructured non-performing assets

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

In $ millions	The Group NPAs	Specific allowances
2006		
Substandard	**218**	**29**
Doubtful	**66**	**48**
Loss	**42**	**42**
Total	**326**	**119**
2005		
Substandard	429	85
Doubtful	26	27
Loss	41	41
Total	496	153

22 FINANCIAL INVESTMENTS

In $ millions	The Group 2006	2005
Available-for-sale		
Quoted other government securities and treasury bills	**2,858**	4,133
Quoted corporate debt securities	**15,343**	15,643
Quoted equity securities	**1,996**	1,262
Unquoted equity securities	**298**	358
Less: Impairment allowances[(a)]	**164**	158
Available-for-sale financial investments	**20,331**	21,238
Loans and receivables		
Corporate debt securities	**1,957**	1,928
Less: Impairment allowances	**27**	64
Loans and receivables financial investments	**1,930**	1,864
Total	**22,261**	23,102
Market value of quoted securities	**22,137**	22,927

(a) Comprised impairment allowances on unquoted equities and general allowances for credit related exposures

In $ millions	2006	2005
Analysed by industry		
Manufacturing	**545**	932
Building and construction	**1,019**	1,070
General commerce	**121**	255
Transport, storage and communications	**830**	1,184
Financial institutions, investment and holding companies	**13,521**	12,938
Government	**2,858**	4,133
Others	**3,367**	2,590
Total carrying value	**22,261**	23,102

Movements in impairment allowances during the year were as follows:

In $ millions	The Group 2006	2005
Balance at 1 January	**222**	341
On adoption of FRS 39 at 1 January 2005	**–**	(110)
(Write-back)/charge to income statement	**(32)**	3
Write-off during the year	**(10)**	(10)
Exchange and other movements	**11**	(2)
Balance at 31 December	**191**	222

23 SECURITIES PLEDGED

In $ millions	The Group 2006	2005
Securities pledged		
Singapore Government securities and treasury bills	**317**	20
Other government securities and treasury bills	**2,549**	2,360
Total securities pledged[(a)]	**2,866**	2,380
Related liabilities	**2,451**	2,178

(a) Included financial assets at fair value through profit or loss of $1,483 million (2005: $1,397 million)

24 SUBSIDIARIES

In $ millions	The Company 2006	2005
Unquoted equity shares, at cost	**6,726**	6,731
Due from subsidiaries	**201**	59
Total	**6,927**	6,790

Refer to Note 50 for details of significant subsidiaries.

25 JOINT VENTURES

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

In $ millions	The Group 2006	2005
Income statement		
Share of income	**43**	29
Share of expenses	**(37)**	(22)
Balance sheet		
Share of total assets	**540**	142
Share of total liabilities	**463**	108

Refer to Note 50 for details of significant joint ventures.

On 4 January 2006, DBS Bank purchased 17.5% shareholdings of Cholamandalam DBS Finance Limited (formerly known as Cholamandalam Investments and Finance Company Limited) 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.

26 INVESTMENTS IN ASSOCIATES

In $ millions	The Group 2006	2005
Unquoted		
Cost	**57**	84
Impairment allowances	**(28)**	(28)
Share of post acquisition reserves	**52**	34
Sub-total	**81**	90
Quoted		
Cost	**1,275**	1,312
Goodwill written off	**(837)**	(837)
Net exchange translation adjustments	**(46)**	(45)
Share of post acquisition reserves	**130**	65
Sub-total	**522**	495
Total	**603**	585
Market value – quoted associates	**1,160**	864

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

In $ millions	The Group 2006	2005
Income statement		
Share of income	**368**	327
Share of expenses	**(301)**	(273)
Balance sheet		
Share of total assets	**4,133**	3,912
Share of total liabilities	**3,563**	3,327

Refer to Note 50 for details of significant associates.

27 GOODWILL ON CONSOLIDATION

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

In $ millions	The Group 2006	2005
Balance at 1 January	**5,803**	6,931
Impairment charge	**–**	(1,128)
Acquisition of a subsidiary and a joint venture	**39**	–
Exchange difference	**(2)**	–
Balance at 31 December	**5,840**	5,803

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

In $ millions	As at 31 December 2006	2005
DBS Bank (Hong Kong) Limited	**5,649**	5,649
DBS Vickers Securities Holdings Pte Ltd	**154**	154
Cholamandalam DBS Finance Limited (formerly known as Cholamandalam Investments and Finance Company Limited)	**31**	–
Primefield Company Pte Ltd	**6**	–
Total	**5,840**	5,803

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%

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 above. The growth rates do not exceed the long-term average growth rate for the market in which the businesses operate.

For the year ended 31 December 2006, no impairment charge was required for goodwill arising from the acquisition of subsidiaries and joint ventures. Management believes that any reasonably possible change to the key assumptions applied is not likely to cause the recoverable amounts to be lower than the carrying amounts.

For the year ended 31 December 2005, an impairment charge of $1,128 million was recorded in 'Goodwill charges' in the income statement. This was attributed to goodwill arising from acquisition of DBS Bank (Hong Kong) Limited.

28 PROPERTIES AND OTHER FIXED ASSETS

In $ millions	Total properties	The Group Other assets[a]	Total
2006			
Cost			
Balance at 1 January	**1,790**	**628**	**2,418**
Additions	**29**	**210**	**239**
Disposals	**(337)**	**(121)**	**(458)**
Exchange differences	**(78)**	**(17)**	**(95)**
Balance at 31 December	**1,404**	**700**	**2,104**
Less: Accumulated depreciation			
Balance at 1 January	**164**	**280**	**444**
Depreciation charge	**32**	**98**	**130**
Disposals	**(57)**	**(79)**	**(136)**
Exchange differences	**(6)**	**(3)**	**(9)**
Balance at 31 December	**133**	**296**	**429**
Less: Allowances for impairment	**194**	**–**	**194**
Net book value, 31 December	**1,077**	**404**	**1,481**
Market value, 31 December	**1,468**	**–**	**–**
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: Allowances for impairment	312	–	312
Net book value, 31 December	1,314	348	1,662
Market value, 31 December	1,730	–	–

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

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

In $ millions	The Group 2006	2005
Balance at 1 January	**312**	355
Write-back to income statement	**(71)**	(46)
Disposals	**(39)**	–
Exchange and other movements	**(8)**	3
Balance at 31 December	**194**	312

28.1 The net book value of PWC Building, being a property held for the purpose of generating rental income, was $390 million as at 31 December 2006 (2005: $347 million). Its fair value was independently appraised at $390 million (2005: $347 million).

28.2 On 7 December 2006, Tampines Assets Limited, a special purpose entity consolidated in the Group financials, sold its DBS Tampines Centre for a cash consideration of $212 million, and the building was derecognised on the balance sheet as at that date. A gain of $50 million, being the excess of the sales proceeds over the net book value and after deducting related expenses and amounts attributable to senior note holders, was recognised in the income statement.

28.3 On 18 May 2006, DBS Bank (Hong Kong) Limited sold its office premises in Hong Kong for a cash consideration of HK$655 million (S$126 million), and the premises were derecognised on the balance sheet as at that date. A net gain of HK$267 million (S$54 million) being the excess of the sales proceeds over the net book value and after deducting related expenses, was recognised in the income statement.

29 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 2006	2005
Deferred tax assets	**20**	51
Deferred tax liabilities	**(137)**	(58)
Total	**(117)**	(7)

The movement in deferred tax is as follows:

In $ millions	The Group 2006	2005
Balance at 1 January	**(7)**	40
On adoption of FRS 39 at 1 January 2005	**–**	(49)
(Charge)/credit to income statement	**(66)**	13
Charge to equity	**(44)**	(11)
Balance at 31 December	**(117)**	(7)

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

In $ millions	The Group 2006	2005
Deferred income tax assets		
Allowances for loan losses	**78**	153
Other temporary differences	**30**	28
	108	181
Deferred income tax liabilities		
Accelerated tax depreciation	**(121)**	(126)
Available-for-sale investments/cash flow hedge	**(104)**	(61)
Other temporary differences	**–**	(1)
	(225)	(188)
Total	**(117)**	(7)

30 OTHER ASSETS

In $ millions	The Group 2006	2005
Accrued interest receivable	**1,136**	935
Deposits and prepayments	**298**	316
Clients' monies receivable from securities business	**885**	401
Sundry debtors and others	**2,160**	3,078
Total	**4,479**	4,730

31 DUE TO NON-BANK CUSTOMERS

In $ millions	The Group 2006	2005
Analysed by currency		
Singapore dollar	**65,927**	59,181
US dollar	**21,374**	21,078
Hong Kong dollar	**21,698**	15,812
Others	**13,093**	10,360
Total	**122,092**	106,431
Analysed by product		
Savings accounts	**47,491**	45,409
Current accounts	**14,109**	14,004
Fixed deposits	**57,707**	44,564
Other deposits	**2,785**	2,454
Total	**122,092**	106,431

32 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

In $ millions	The Group 2006	2005
Trading		
Other debt securities in issue (Note 32.1)	**2,951**	3,409
Due to non-bank customers		
– structured investments	**6,436**	6,097
– others	**270**	432
Payable in respect of short sale of debt securities	**3,564**	6,799
Other financial liabilities	**674**	9
Sub-total	**13,895**	16,746
Fair value designated[(a)]		
Due to non-bank customers		
– structured investments	**2,575**	3,924
Other debt securities in issue (Note 32.2)	**3,238**	2,153
Sub-total	**5,813**	6,077
Total	**19,708**	22,823

(a) 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 $177 million at 31 December 2006 (2005: $249 million)

32.1 Other debt securities in issue (Trading)

Details of other debt securities issued and outstanding at 31 December 2006 were as follows:

In $ millions			The Group	
Type	Issue Date	Maturity Date	2006	2005
Issued by DBS Bank				
Equity linked notes	19 May 2003 to 29 Dec 2006	2 Jan 2007 to 21 May 2014	**723**	806
Credit linked notes	15 Nov 2001 to 21 Nov 2006	13 Jan 2007 to 20 Jun 2016	**1,528**	1,932
Interest linked notes	23 Jan 2002 to 19 Dec 2006	6 Jan 2007 to 3 Dec 2019	**643**	585
Exchange linked notes	6 May 2005 to 18 Dec 2006	2 Jan 2007 to 21 Dec 2007	**57**	86
Total			**2,951**	3,409
Due within 1 year			**863**	827
Due after 1 year			**2,088**	2,582
Total			**2,951**	3,409

32.2 Other debt securities in issue (Fair value designated)

	The Group	
In $ millions	2006	2005
Negotiable certificate of deposits	**149**	1,010
Other debt securities	**3,089**	1,143
Total	**3,238**	2,153
Due within 1 year	**1,605**	453
Due after 1 year	**1,633**	1,700
Total	**3,238**	2,153

Details of negotiable certificate of deposits issued and outstanding at 31 December 2006 were as follows:

In $ millions				The Group	
Face Value	Interest Rate and Repayment Terms	Issue Date	Maturity Date	2006	2005
Issued by other subsidiaries					
HK$671m	3-mth HIBOR* -0.1% to +0.01%, payable quarterly	3 Feb 2004 to 31 May 2005	26 Feb 2007 to 6 Apr 2010	**133**	168
US$10m	3-mth LIBOR**, payable quarterly	30 Mar 2005 to 31 May 2005	29 Oct 2007 to 7 Apr 2008	**16**	23
HK$1,150m	Fixed rate, payable quarterly	–	–	**–**	244
HK$50m	Fixed rate, payable half yearly	–	–	**–**	11
HK$2,680m	Fixed rate, payable yearly	–	–	**–**	564
Total				**149**	1,010

* *HIBOR: Hong Kong Interbank Offer Rate*

** *LIBOR: London Interbank Offer Rate*

Details of other debt securities issued and outstanding at 31 December 2006 were as follows:

In $ millions			The Group	
Type	Issue Date	Maturity Date	2006	2005
Issued by DBS Bank				
Credit linked notes	2 Jul 2004 to 18 Dec 2006	17 Jan 2007 to 12 Sep 2011	**474**	109
Exchange linked notes	29 Dec 2006	17 Jan 2007	**3**	–
Stapled notes with non-voting redeemable preference shares and fixed rate notes (Note (a))	13 Sep 2006 to 13 Dec 2006	15 Nov 2007 to 30 Dec 2007	**1,263**	–
Issued by other subsidiaries				
Equity linked notes	21 Mar 2005 to 10 Nov 2006	10 Nov 2009 to 10 Nov 2011	**50**	30
Credit linked notes	9 Oct 2003 to 22 Nov 2006	9 Oct 2008 to 22 Nov 2013	**1,268**	939
Secured asset-backed medium term notes (Note (b))	30 Nov 2001	25 Apr 2008	**31**	65
Total			**3,089**	1,143

(a) The notes consist of non-voting redeemable preference shares and fixed rate notes which are issued and stapled together. The payments at maturity can be either dividends and nominal interest, or full interest on issue value of the stapled securities. The non-voting redeemable preference shares are classified as liabilities instead of shareholders' equity in accordance with the substance of the transaction.

(b) The notes issued by New Heights Investment Limited would be redeemed at a fixed interest rate on the maturity provided that 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 holder 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.

33 OTHER LIABILITIES

	The Group	
In $ millions	2006	2005
Sundry creditors	**2,911**	2,992
Cash collaterals received in respect of valuation shortfalls on derivative portfolios	**539**	460
Interest payable	**593**	421
Valuation reserves	**195**	181
Loss allowances for off-balance sheet credit exposures	**126**	95
Other payables	**2,313**	1,326
Total	**6,677**	5,475

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

	The Group	
In $ millions	2006	2005
Balance at 1 January	**95**	126
Charge/(Write-back) to income statement	**31**	(31)
Balance at 31 December	**126**	95

34 OTHER DEBT SECURITIES IN ISSUE

In $ millions	The Group 2006	2005
Negotiable certificate of deposits	**536**	522
Other debt securities	**3,414**	1,918
Total	**3,950**	2,440
Due within 1 year	**3,682**	1,410
Due after 1 year	**268**	1,030
Total	**3,950**	2,440

Details of negotiable certificate of deposits issued and outstanding at 31 December 2006 were as follows:

In $ millions Face Value	Interest Rate and Repayment Terms	Issue Date	Maturity Date	The Group 2006	2005
Issued by DBS Bank					
TWD900m	1.705%, payable on maturity	9 Nov 2006	9 Jan 2007	**42**	187
Issued by other subsidiaries					
HK$750m	2.13% to 8.34%, payable quarterly	10 May 2000 to 16 Feb 2005	5 Jan 2007 to 23 Feb 2008	**147**	113
HK$1,343m	2.175% to 4.12%, payable yearly	6 Sep 2004 to 10 May 2006	16 May 2007 to 9 Mar 2009	**261**	22
HK$436m	3-mth HIBOR* +0.01% to +0.07%, payable quarterly	30 Nov 2004 to 31 May 2005	7 Jun 2007 to 7 Dec 2007	**86**	200
Total				**536**	522

* *HIBOR: Hong Kong Interbank Offer Rate*

Details of other debt securities issued and outstanding at 31 December 2006 were as follows:

In $ millions Type	Issue Date	Maturity Date	The Group 2006	2005
Issued by DBS Bank				
Stapled notes with non-voting redeemable preference shares and fixed rate notes (Note (a))	20 Dec 2005 to 13 Dec 2006	15 Nov 2007 to 30 Dec 2007	**2,023**	934
Issued by other subsidiaries/joint ventures				
Equity linked notes	28 Nov 2006 to 13 Dec 2006	3 Jan 2007 to 19 Jan 2007	**2**	–
Collaterialised floating rate notes (Note (b))	–	–	**–**	66
Senior secured bonds (Note (c))	–	–	**–**	108
Asset-backed short term notes (AUD 654 million at 6.24% to 6.38% payable at maturity and $349 million at 3.38% to 3.44% payable at maturity) (Note (d))	10 Oct 2006 to 29 Dec 2006	3 Jan 2007 to 21 Mar 2007	**1,141**	810

In $ millions			**The Group**	
Type	**Issue Date**	**Maturity Date**	**2006**	**2005**
Redeemable non-convertible debentures (Note (e))				
– Fixed rate at 7.2% to 9.35%	15 Dec 2005 to 12 Dec 2006	6 Sep 2007 to 31 May 2012	**73**	–
– Floating rate at INBMK* +0.25% to +1.3%	3 Mar 2005 to 31 Jul 2006	3 Mar 2008 to 31 Jul 2009	**36**	–
– Floating rate at MIBOR** -0.1% to +2.18%	27 Dec 2004 to 29 Dec 2006	23 Feb 2007 to 31 Jul 2009	**87**	–
Commercial papers (INR 1.5 billion discounted at 7.39% to 8.2%)	1 Sep 2006 to 30 Nov 2006	28 Feb 2007 to 17 Apr 2007	**52**	–
Total			**3,414**	1,918

* *INBMK: Indian Benchmark*

** *MIBOR: Mumbai Interbank Offer Rate*

(a) The notes issued by DBS Bank consist of non-voting redeemable preference shares and fixed rate notes which are issued and stapled together. The payments at maturity can be either dividends and nominal interest, or full interest on issue value of the stapled securities. The non-voting redeemable preference shares are classified as liabilities instead of shareholders' equity in accordance with the substance of the transaction.

(b) The notes issued by DBS China Square Ltd, a subsidiary of DBS Bank, were fully redeemed on 30 November 2006.

(c) The bonds were issued by Tampines Asset Limited, a special purpose entity, in connection with the securitisation of Tampines Centre. These bonds were fully redeemed on 7 December 2006.

(d) 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 property, assets, rights and undertakings of the issuer.

(e) The notes were issued by Cholamandalam DBS Finance Limited, a joint venture. The medium-term debentures amounting to INR 1.7 billion are secured on a pari passu by way of specific charge on assets under hypothecation, hire-purchase assets and immovable property.

35 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**	**2006**	**2005**
Issued by DBS Bank					
US$750m	7 7/8% Subordinated Notes (Note 35.1)	10 Aug 1999	10 Aug 2009	**1,204**	1,333
US$500m	7 7/8% Subordinated Notes (Note 35.2)	15 Apr 2000	15 Apr 2010	**808**	898
US$850m	7 1/8% Subordinated Notes (Note 35.3)	15 May 2001	15 May 2011	**1,341**	1,480
US$750m	5.00% Subordinated Notes callable with step-up in 2014 (Note 35.4)	1 Oct 2004	15 Nov 2019	**1,116**	1,219
US$900m	Floating Rate Subordinated Notes callable with step-up in 2016 (Note 35.5)	16 Jun 2006	15 Jul 2021	**1,379**	–
S$500m	4.47% Subordinated Notes callable with step-up in 2016 (Note 35.6)	11 Jul 2006	15 Jul 2021	**500**	–
Issued by other subsidiaries					
US$262m	7.75% Fixed Rate Subordinated Notes (Note 35.7)	24 Jan 1997	24 Jan 2007	**401**	435
Total				**6,749**	5,365

In $ millions	The Group 2006	2005
Due within 1 year	**401**	–
Due after 1 year	**6,348**	5,365
Total	**6,749**	5,365

35.1 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.

35.2 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.

35.3 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.

35.4 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.

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

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

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

36 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

Share Capital In $ millions	The Company 2005
Authorised	
4,000,000,000 ordinary shares	4,000
500,000,000 non-voting convertible preference shares ("CPS")	500
500,000,000 non-voting redeemable CPS	500
	1,000

The Companies (Amendment) Act 2005 came into effect on 30 January 2006 whereby the concept of par value, authorised share capital and share premium were abolished. On 30 January 2006, amount previously classified as share premium was transferred to share capital and became part of the Company's share capital henceforth.

Share Capital In $ millions	The Company 2006	2005
Issued and fully paid-up		
1,510,835,033 (2005: 1,497,857,345) ordinary shares	**1,511**	1,498
120,436 (2005: 120,436) non-voting CPS	**#**	#
66,475,374 (2005: 66,475,374) non-voting redeemable CPS	**66**	66
Total Issued and Paid-up Share Capital of the Company	**1,577**	1,564

Amounts under $500,000

During the financial year, pursuant to the DBSH Share Option Plan, the Company issued 12,977,688 (2005: 5,126,909) ordinary shares, fully paid in cash upon the exercise of the options granted. The newly issued shares rank pari passu in all respects with the previously issued shares. The movements in ordinary shares and CPS were as follows:

Share Capital Number of shares ($ millions)	The Company 2006	2005
Balance at 1 January	**1,564**	1,559
Exercise of share options	**13**	5
Balance at 31 December	**1,577**	1,564

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 capital and treasury shares were as follows:

In $ millions	Issued share capital	Share premium	Treasury shares
Balance at 1 January 2006	**1,564**	**2,269**	**(117)**
Exercise of share options	**165**	**7**	**–**
Effects of Companies (Amendment) Act 2005	**2,304**	**(2,276)**	**–**
Draw-down of reserves upon vesting of performance shares	**–**	**–**	**6**
Reclassification of reserves upon exercise of share options	**9**	**–**	**–**
Balance at 31 December 2006	**4,042**	**–**	**(111)**
Balance at 1 January 2005	1,559	2,208	(126)
Exercise of share options	5	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	1,564	2,269	(117)

37 OTHER RESERVES

37.1 Other reserves

In $ millions	The Group 2006	2005	The Company 2006	2005
Available-for-sale revaluation reserves	**414**	111	**–**	–
Cash flow hedge reserves	**–**	23	**–**	–
General reserves	**2,423**	2,362	**–**	–
Capital reserves	**(11)**	(26)	**–**	–
Capital redemption reserves	**–**	28	**–**	28
Share option and share plan reserves	**85**	72	**53**	49
Others	**4,271**	4,271	**–**	–
Total	**7,182**	6,841	**53**	77

Movements in other reserves during the year were as follows:

	The Group							
In $ millions	Available-for-sale revaluation reserves	Cash flow hedge reserves	General reserves[(a)]	Capital reserves[(b)]	Capital redemption reserves[(c)]	Share option and share plan reserves	Other reserves[(d)]	Total
Balance at 1 January 2006	**111**	**23**	**2,362**	**(26)**	**28**	**72**	**4,271**	**6,841**
Effects of Companies (Amendment) Act 2005	**–**	**–**	**–**	**–**	**(28)**	**–**	**–**	**(28)**
Appropriation from income statement	**–**	**–**	**61**	**–**	**–**	**–**	**–**	**61**
Net exchange translation adjustments	**–**	**–**	**–**	**(6)**	**–**	**–**	**–**	**(6)**
Share of associates' capital reserves	**–**	**–**	**–**	**21**	**–**	**–**	**–**	**21**
Cost of share-based payments	**–**	**–**	**–**	**–**	**–**	**28**	**–**	**28**
Draw-down of reserves upon vesting of performance shares	**–**	**–**	**–**	**–**	**–**	**(6)**	**–**	**(6)**
Reclassification of reserves upon exercise of share options	**–**	**–**	**–**	**–**	**–**	**(9)**	**–**	**(9)**
Available-for-sale/cash flow hedge:								
– net valuation taken to equity	**454**	**(29)**	**–**	**–**	**–**	**–**	**–**	**425**
– transferred to income statement on sale	**(101)**	**–**	**–**	**–**	**–**	**–**	**–**	**(101)**
– tax on items taken directly to or transferred from equity	**(50)**	**6**	**–**	**–**	**–**	**–**	**–**	**(44)**
Balance at 31 December 2006	**414**	**–**	**2,423**	**(11)**	**–**	**85**	**4,271**	**7,182**
Balance at 1 January 2005								
– as previously reported	–	–	2,327	(41)	28	–	4,271	6,585
– effect of adoption of new or revised FRSs	292	–	–	–	–	42	–	42
Balance at 1 January as restated	–	–	2,327	(41)	28	42	4,271	6,627
On adaptation of FRS 39 at 1 January	292	–	–	–	–	–	–	292
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)
Available-for-sale/cash flow hedge:								
– 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	2,362	(26)	28	72	4,271	6,841

In $ millions	The Company Capital redemption reserves[(c)]	 Share option and share plan reserves	 Total
Balance at 1 January 2006	**28**	**49**	**77**
Effects of Companies (Amendment) Act 2005	**(28)**	**–**	**(28)**
Cost of share-based payments	**–**	**13**	**13**
Reclassification of reserves upon exercise of share options	**–**	**(9)**	**(9)**
Balance at 31 December 2006	**–**	**53**	**53**
Balance at 1 January 2005			
– as previously reported	28	–	28
– effect of adoption of new or revised FRSs	–	34	34
Balance at 1 January as restated	28	34	62
Cost of share-based payments	–	17	17
Reclassification of reserves upon exercise of share options	–	(2)	(2)
Balance at 31 December 2005	28	49	77

(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. This reserve is non-distributable unless approved by the relevant authorities

(b) The Capital reserves include net exchange translation adjustments arising from translation differences on net investments in foreign subsidiaries, joint ventures, associates and branches, and the related foreign currency 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

37.2 Revenue reserves

In $ millions	The Group 2006	 2005
Balance at 1 January		
– as previously reported	**6,167**	6,150
– effect of adoption of new or revised FRSs	**–**	26
Balance at 1 January as restated	**6,167**	6,176
On adoption of FRS 39 at 1 January 2005	**–**	(25)
Share of associates' reserves	**18**	–
Net profit attributable to shareholders	**2,269**	824
Transfer to general reserves	**(61)**	(35)
Amount available for distribution	**8,393**	6,940
Less: Final dividend on ordinary shares of $0.17 (2005: $0.22) net of tax paid for the previous financial year	**203**	263
Final dividend on non-voting CPS and non-voting redeemable CPS of $Nil (2005: $0.12) net of tax paid for the previous financial year	**–**	6
Interim dividends on ordinary shares of $0.51 (2005: $0.41) net of tax paid for the current financial year	**612**	488
Interim dividends on non-voting CPS and non-voting redeemable CPS of $0.30 (2005: $0.30) net of tax paid for the current financial year	**16**	16
Balance at 31 December	**7,562**	6,167

37.3 Proposed dividend

Proposed final dividends on ordinary shares of $0.20 per share, net of tax, as well as a special dividend of $0.05 per share, net of tax, are not accounted for in the financial statements for the year ended 31 December 2006, until they have been approved at the Annual General Meeting on 4 April 2007.

38 MINORITY INTERESTS

	The Group	
In $ millions	**2006**	**2005**
Preference shares issued by DBS Bank (Note 38.1)	**1,100**	1,100
Preference shares issued by DBS Capital Funding Corporation (Note 38.2)	**1,196**	1,298
Other subsidiaries	**75**	68
Total	**2,371**	2,466

38.1 $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%.

38.2 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 DBS Bank. Dividends, when declared by the Board of Directors of DBS Capital Funding Corporation, are payable in arrears on 15 March and 15 September each year at a fixed rate of 7.657% 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.

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

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

	The Group	
In $ millions	**2006**	**2005**
Guarantees on account of customers	**6,909**	4,052
Endorsements and other obligations on account of customers		
– Letters of credit	**4,495**	4,217
– Others	**708**	412
Other contingent items	**75**	88
Total	**12,187**	8,769
Analysed by Industry		
Manufacturing	**2,414**	1,735
Building and construction	**778**	862
General commerce	**2,576**	2,920
Transportation, storage and communications	**940**	660
Financial institutions, investment and holding companies	**3,227**	1,016
Professionals and private individuals (except housing loans)	**180**	354
Others	**2,072**	1,222
Total	**12,187**	8,769

39.1 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 agreements that could require the Group to pay termination fees on early termination of the contract or part thereof. The termination fees are stipulated in the agreements and are determined based on the year when the agreements or part thereof are terminated.

39.2 Included in "Other contingent items" at 31 December 2006, is an amount of $75 million (2005: $85 million), representing the termination fee payable by DBS Bank should a distribution agreement be terminated prematurely prior to December 2011.

40 COMMITMENTS

The Group's commitments at 31 December comprised the following:

In $ millions	The Group 2006	2005
Loans and other facilities		
– Undrawn credit facilities	**85,520**	75,168
– Undisbursed commitments in debt securities and equities	**88**	103
Sub-total	**85,608**	75,271
Capital commitments	**40**	68
Operating lease commitments	**417**	465
Total	**86,065**	75,804
Undrawn commitments on loans and other facilities analysed by industry		
Manufacturing	**11,630**	9,775
Building and construction	**4,825**	3,369
Housing loans	**2,571**	1,915
General commerce	**9,579**	7,704
Transportation, storage and communications	**5,372**	5,509
Financial institutions, investment and holding companies	**23,727**	23,330
Professionals and private individuals (except housing loans)	**15,218**	13,892
Others	**12,686**	9,777
Total	**85,608**	75,271

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

In $ millions	The Group 2006	2005
Not later than 1 year	**109**	107
Later than 1 year but not later than 5 years	**220**	231
Later than 5 years	**88**	127
Total	**417**	465

41 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.

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

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

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

41.1 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 arbitraging 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. Arbitraging involves identifying and profiting from price differentials of the same product in different markets or the same economic factor in different products.

41.2 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 tables summarise 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 value" or "Negative replacement value" respectively.

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

In $ millions	2006 Underlying notional	2006 Year-end positive replacement values	2006 Year-end negative replacement values	2005 Underlying notional	2005 Year-end positive replacement values	2005 Year-end negative replacement values
Derivatives held for trading						
Interest rate derivatives						
Forward rate agreements bought	**2,811**	**–**	**1**	9,512	28	1
Forward rate agreements sold	**3,648**	**1**	**–**	10,515	1	26
Interest rate swaps	**705,248**	**3,923**	**3,819**	875,433	5,481	5,570
Financial futures bought	**21,430**	**–**	**11**	19,190	3	6
Financial futures sold	**20,104**	**12**	**1**	11,090	2	10
Interest rate options bought	**5,858**	**48**	**–**	6,063	74	–
Interest rate options sold	**6,757**	**–**	**45**	10,251	–	67
Interest rate futures options bought	**2,956**	**–**	**–**	2,930	–	–
Interest rate futures options sold	**6,253**	**–**	**–**	5,743	–	9
Interest rate caps/floors bought	**14,101**	**108**	**–**	19,659	230	1
Interest rate caps/floors sold	**14,019**	**–**	**161**	18,726	–	254
Sub-total	**803,185**	**4,092**	**4,038**	989,112	5,819	5,944
Foreign exchange ("FX") derivatives						
FX contracts	**316,857**	**1,730**	**1,488**	223,968	1,220	821
Currency swaps	**51,598**	**946**	**774**	35,694	686	510
Currency options bought	**65,323**	**540**	**–**	32,557	325	–
Currency options sold	**64,567**	**–**	**535**	28,218	–	379
Sub-total	**498,345**	**3,216**	**2,797**	320,437	2,231	1,710
Equity derivatives						
Equity options bought	**3,801**	**248**	**–**	3,407	179	2
Equity options sold	**5,279**	**–**	**344**	4,878	–	328
Equity swaps	**1,849**	**45**	**81**	811	–	20
Sub-total	**10,929**	**293**	**425**	9,096	179	350
Credit derivatives						
Credit default swaps	**60,112**	**479**	**529**	32,434	263	368
Sub-total	**60,112**	**479**	**529**	32,434	263	368
Commodity derivatives						
Commodity swaps	**61**	**–**	**–**	–	–	–
Sub-total	**61**	**–**	**–**	–	–	–
Total derivatives held for trading	**1,372,632**	**8,080**	**7,789**	1,351,079	8,492	8,372
Derivatives held for hedging						
Interest rate swaps held for fair value hedge	**6,227**	**135**	**84**	8,539	272	165
FX contracts held for fair value hedge	**10**	**–**	**–**	4	–	–
FX contracts held for hedge of net investment	**47**	**–**	**–**	39	–	–
Equity options held for cash flow hedge	**–**	**–**	**–**	274[(a)]	28	–
Total derivatives held for hedging	**6,284**	**135**	**84**	8,856	300	165
Total derivatives	**1,378,916[(b)]**	**8,215**	**7,873**	1,359,935[(b)]	8,792	8,537
Positive/negative replacement values		**8,215**	**7,873**		8,792	8,537

(a) The forecasted transaction has occurred in 2006

(b) The contractual or underlying principal amounts of derivative financial instruments of bank and non-bank counterparties amounted to $1,170 billion (2005: $1,150 billion) and $209 billion (2005: $210 billion) respectively

42 CASH AND CASH EQUIVALENTS

In $ millions	The Group 2006	2005
Cash on hand (Note 17)	**988**	802
Non-restricted balances with central banks (Note 17)	**8,302**	1,723
Trading Singapore Government securities and treasury bills (Note 18)	**3,319**	4,258
Trading other government securities and treasury bills (Note 19)	**2,509**	2,625
Total	**15,118**	9,408

43 SHARE-BASED COMPENSATION PLANS

43.1 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 employee benefits when paid.

	Ordinary shares Number 2006	2005	Market value ($ millions) 2006	2005
Balance, 1 January	**3,507,829**	3,477,829	**58**	56
Balance, 31 December	**2,922,829**	3,507,829	**65**	58

43.2 DBSH Share Option Plan

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

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

These share options vest over a period 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.

During the current financial year, there were no awards granted to eligible employees under the Option Plan.

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.

	2006 Unissued number of ordinary shares under outstanding options	2006 Weighted average exercise price ($)	2005 Unissued number of ordinary shares under outstanding options	2005 Weighted average exercise price ($)
Balance at 1 January	**39,474,281**	**14.87**	46,749,383	14.71
Movements during the year:				
– Granted	**–**	**–**	2,815,600	15.07
– Exercised	**(12,977,688)**	**13.98**	(5,126,909)	12.52
– Forfeited	**(1,481,786)**	**16.95**	(4,963,793)	15.90
Balance at 31 December	**25,014,807**	**15.21**	39,474,281	14.87
Additional information:				
Outstanding options exercisable at 31 December	**20,987,537**	**15.28**	27,624,463	15.67
Weighted average remaining contractual life of options outstanding at 31 December	**5.9 years**		6.4 years	
Range of exercise price of options outstanding at 31 December	**$10.40 to $22.33**		$9.18 to $22.33	

In 2006, 12,977,688 options (2005: 5,126,909) were exercised at their contractual exercise prices. During this period, the average market price of the Company's shares was $18.24 (2005: $15.68).

43.3 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 three 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 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 the 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 2006 and their fair values at grant date.

(Number of shares)	March 2006 grant	March 2005 grant
Balance, 1 January 2006	**Not applicable**	**2,913,630**
Granted in 2006	**3,738,190**	**Not applicable**
Forfeited in 2006	**(362,500)**	**(284,780)**
Balance, 31 December 2006	**3,375,690**	**2,628,850**
Fair value per share at grant date	**$16.20**	**$14.70**

At an Extraordinary General Meeting held on 30 March 2006, the shareholders of the Company adopted the change of name of the PSP from "DBSH Performance Share Plan" to "DBSH Share Plan" to better reflect the Group's ability to also grant time-based awards. Such time-based awards will only be granted from 2007.

43.4 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.

44 RELATED PARTY TRANSACTIONS

44.1 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.

44.2 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 performance shares were also granted.

44.3 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 2006	The Group 2005
Short-term benefits	**51**	30
Post-employment benefits	**#**	#
Share-based payments	**7**	6
Total	**58**	36
Comprise amounts[(b)] paid to:		
– Company directors	**11**	10
– Directors of subsidiaries	**19**	14
– Key management personnel	**28**	12
Total	**58**	36
Fees of Company directors	**2**	1
Fees of subsidiaries' directors	**#**	#
Total compensation and fees	**60**	37

(a) Refers to members of the Management Committee, excluding members who are also the Company directors

(b) Includes cash bonus based on amount accrued during the year, to be paid in the following year

 # Amount under $500,000

44.4 Share options granted to Company directors and key management personnel

No share options were granted to Company directors and key management personnel during the financial year. 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 1,127,550 (2005: 888,225 and 1,645,550) respectively.

44.5 Performance shares granted to Company directors and key management personnel

During the financial year, 240,740 and 271,390 (2005: 204,080 and 209,620) 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 100% of the shares awarded to 200%, depending on the Group's performance as measured by return on equity.

45 FINANCIAL ASSETS AND LIABILITIES NOT CARRIED AT FAIR VALUE

For financial assets and liabilities not carried at fair value on the financial statements, the Group has ascertained that their fair values were not materially different from the carrying amounts at year-end. The basis of arriving at their fair values is 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) Financial 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 $133 million as at 31 December 2006 (2005: $105 million) were stated at cost because the fair values cannot be reliably estimated 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.

46 FINANCIAL INSTRUMENTS – USAGE AND RISK MANAGEMENT

46.1 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 gold rates and prices. These positions can be for trading, market making or meeting 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.

46.2 Financial risk management objectives and policies

As part of overall corporate governance, the Group Board has approved a comprehensive Integrated Risk 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 or 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
2006								
Cash and balances with central banks	**1,111**	**1,730**	**2,500**	**3,018**	**–**	**–**	**3,487**	**11,846**
Due from banks	**3,500**	**3,371**	**7,761**	**7,371**	**1,255**	**1,139**	**876**	**25,273**
Financial assets at fair value through profit or loss	**652**	**2,258**	**2,032**	**1,604**	**1,461**	**7,689**	**800**	**16,496**
Other securities[(a)]	**679**	**1,464**	**6,789**	**7,352**	**8,356**	**11,124**	**2,206**	**37,970**
Loans and advances to customers	**28,624**	**21,760**	**12,459**	**13,216**	**2,659**	**5,061**	**1,370**	**85,149**
Other assets[(b)]	**–**	**–**	**–**	**–**	**–**	**–**	**20,638**	**20,638**
Total assets	**34,566**	**30,583**	**31,541**	**32,561**	**13,731**	**25,013**	**29,377**	**197,372**
Due to banks	**3,625**	**1,779**	**1,471**	**427**	**–**	**200**	**361**	**7,863**
Due to non-bank customers	**74,120**	**26,261**	**12,223**	**7,634**	**386**	**1,468**	**–**	**122,092**
Financial liabilities at fair value through profit or loss	**624**	**909**	**2,104**	**3,213**	**2,230**	**8,276**	**2,352**	**19,708**
Other liabilities[(c)]	**1,441**	**1,294**	**306**	**124**	**118**	**2,532**	**14,099**	**19,914**
Subordinated term debts	**–**	**401**	**–**	**–**	**–**	**6,348**	**–**	**6,749**
Total liabilities	**79,810**	**30,644**	**16,104**	**11,398**	**2,734**	**18,824**	**16,812**	**176,326**
Minority interests	**–**	**–**	**–**	**–**	**–**	**–**	**2,371**	**2,371**
Shareholders' funds	**–**	**–**	**–**	**–**	**–**	**–**	**18,675**	**18,675**
Total equity	**–**	**–**	**–**	**–**	**–**	**–**	**21,046**	**21,046**
On-balance sheet interest rate gap	**(45,244)**	**(61)**	**15,437**	**21,163**	**10,997**	**6,189**	**(8,481)**	**–**
Off-balance sheet interest rate gap								
– Financial derivatives	**3,890**	**2,159**	**14,240**	**(3,179)**	**(11,482)**	**(5,628)**	**–**	**–**

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	3,331	7,059	6,736	2,689	979	573	762	22,129
Financial assets at fair value through profit or loss	642	3,454	1,187	1,684	1,806	9,450	279	18,502
Other securities[(a)]	850	1,847	4,569	4,947	9,170	12,019	1,926	35,328
Loans and advances to customers	27,596	21,089	11,337	11,360	2,685	2,200	1,369	77,636
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	3,301	1,680	2,474	1,413	12	11	59	8,950
Due to non-bank customers	70,104	19,206	11,285	5,159	–	677	–	106,431
Financial liabilities at fair value through profit or loss	1,206	1,257	1,884	2,200	2,906	6,571	6,799	22,823
Other liabilities[(c)]	557	197	589	112	190	1,562	14,238	17,445
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)	–	–

(a) Other securities include Singapore Government securities and treasury bills, financial investments 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:

	2006			2005		
	Singapore dollar, %	US dollar, %	Hong Kong dollar, %	Singapore dollar, %	US dollar, %	Hong Kong dollar, %
Assets						
Cash and balances with central banks	**–**	**–**	**–**	–	–	–
Due from banks	**3.22 – 3.30**	**4.27 – 6.06**	**2.17 – 4.45**	2.66 – 3.41	3.84 – 4.28	4.23
Financial assets at fair value through profit or loss	**3.04 – 3.92**	**2.58 – 6.06**	**4.57**	2.33 – 3.87	4.20 – 4.98	–
Other securities[(a)]	**2.77 – 3.66**	**2.74 – 6.79**	**3.14 – 4.50**	2.25 – 5.70	2.36 – 6.17	3.74 – 5.27
Loans and advances to customers	**3.04 – 5.75**	**3.41 – 7.95**	**4.15 – 14.35**	3.33 – 4.41	4.56 – 6.91	5.75 – 14.56
Liabilities						
Due to banks	**2.71 – 2.94**	**5.21 – 5.40**	**4.29**	2.48 – 2.71	4.12 – 4.25	4.44
Due to non-bank customers	**0 – 2.05**	**1.97 – 5.73**	**1.39 – 3.68**	0 – 1.20	1.82 – 3.75	2.71 – 3.67
Financial liabilities at fair value through profit or loss	**2.41**	**4.85**	**–**	2.03	3.12 – 3.92	–
Subordinated term debts	**4.47**	**5.00 – 7.88**	**–**	–	5.00 – 7.88	–

(a) Other securities include Singapore Government securities and treasury bills, financial investments (excludes equities) and securities pledged

(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
2006					
Cash and balances with central banks	**11,496**	**37**	**68**	**245**	**11,846**
Due from banks	**2,617**	**17,441**	**1,167**	**4,048**	**25,273**
Financial assets at fair value through profit or loss	**1,925**	**5,321**	**528**	**8,722**	**16,496**
Other securities[(a)]	**15,974**	**9,768**	**4,105**	**8,123**	**37,970**
Loans and advances to customers	**34,812**	**15,202**	**24,560**	**10,575**	**85,149**
Other assets[(b)]	**9,434**	**4,809**	**2,845**	**3,550**	**20,638**
Total assets	**76,258**	**52,578**	**33,273**	**35,263**	**197,372**
Due to banks	**1,341**	**3,566**	**667**	**2,289**	**7,863**
Due to non-bank customers	**65,927**	**21,374**	**21,698**	**13,093**	**122,092**
Financial liabilities at fair value through profit or loss	**9,143**	**4,060**	**3,289**	**3,216**	**19,708**
Other liabilities[(c)]	**3,318**	**13,766**	**2,006**	**824**	**19,914**
Subordinated term debts	**500**	**6,249**	**–**	**–**	**6,749**
Total liabilities	**80,229**	**49,015**	**27,660**	**19,422**	**176,326**
Minority interests	**2,371**	**–**	**–**	**–**	**2,371**
Shareholders' funds	**18,675**	**–**	**–**	**–**	**18,675**
Total equity	**21,046**	**–**	**–**	**–**	**21,046**
Net on-balance sheet position	**(25,017)**	**3,563**	**5,613**	**15,841**	**–**
Net off-balance sheet position	**21,585**	**(28,145)**	**12,344**	**(5,784)**	**–**
2005					
Cash and balances with central banks	4,716	36	70	164	4,986
Due from banks	5,324	8,686	1,692	6,427	22,129
Financial assets at fair value through profit or loss	882	9,199	497	7,924	18,502
Other securities[(a)]	12,189	13,880	2,694	6,565	35,328
Loans and advances to customers	32,765	14,890	24,323	5,658	77,636
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	651	4,618	798	2,883	8,950
Due to non-bank customers	59,181	21,078	15,812	10,360	106,431
Financial liabilities at fair value through profit or loss	8,014	9,072	779	4,958	22,823
Other liabilities[(c)]	3,118	6,284	5,968	2,075	17,445
Subordinated term debts	–	5,365	–	–	5,365
Total liabilities	70,964	46,417	23,357	20,276	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	(22,806)	6,354	8,872	7,580	–
Net off-balance sheet position	21,870	(15,785)	(3,279)	(2,806)	–

(a) Other securities include Singapore Government securities and treasury bills, financial investments 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
2006			
US dollar	**454**	**378**	**76**
Hong Kong dollar	**3,539**	**3,485**	**54**
Others	**1,519**	**740**	**779**
Total	**5,512**	**4,603**	**909**
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

(a) Refer to investment in associates, net tangible assets of subsidiaries and joint ventures 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 derivatives 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 it is 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.

47 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.

47.1 Cross-border exposures

At 31 December 2006, 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)
2006						
Top 10 countries						
(Net exposure >1% of Total assets)						
Hong Kong	**1,761**	**2,486**	**27,953**	**138**	**32,338**	**16.4**
South Korea	**6,506**	**684**	**1,664**	**–**	**8,854**	**4.5**
United States	**1,689**	**657**	**3,827**	**449**	**6,622**	**3.4**
China	**1,990**	**118**	**4,174**	**239**	**6,521**	**3.3**
India	**2,980**	**671**	**1,810**	**438**	**5,899**	**3.0**
United Kingdom	**2,829**	**188**	**2,391**	**42**	**5,450**	**2.8**
Germany	**3,174**	**670**	**1,423**	**4**	**5,271**	**2.7**
Australia	**2,976**	**6**	**1,474**	**52**	**4,508**	**2.3**
Netherlands	**2,978**	**16**	**849**	**9**	**3,852**	**2.0**
Indonesia	**389**	**1,461**	**1,737**	**12**	**3,599**	**1.8**
Total	**27,272**	**6,957**	**47,302**	**1,383**	**82,914**	**42.2**
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

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

48 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. The Group 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
2006								
Cash and balances with central banks	**3,312**	**1,694**	**2,500**	**3,018**	**–**	**–**	**1,322**	**11,846**
Due from banks	**4,046**	**3,118**	**6,356**	**7,421**	**2,269**	**1,990**	**73**	**25,273**
Financial assets at fair value through profit or loss	**650**	**1,869**	**514**	**1,550**	**1,837**	**9,233**	**843**	**16,496**
Other securities[(a)]	**530**	**378**	**2,745**	**7,660**	**10,202**	**14,243**	**2,212**	**37,970**
Loans and advances to customers	**7,217**	**7,584**	**9,443**	**12,893**	**11,064**	**36,354**	**594**	**85,149**
Other assets[(b)]	**899**	**67**	**46**	**41**	**21**	**9**	**19,555**	**20,638**
Total assets	**16,654**	**14,710**	**21,604**	**32,583**	**25,393**	**61,829**	**24,599**	**197,372**
Due to banks	**3,089**	**1,835**	**1,934**	**448**	**–**	**190**	**367**	**7,863**
Due to non-bank customers	**74,120**	**26,261**	**12,223**	**7,634**	**386**	**1,468**	**–**	**122,092**
Financial liabilities at fair value through profit or loss	**826**	**629**	**1,586**	**5,326**	**3,174**	**8,148**	**19**	**19,708**
Other liabilities[(c)]	**1,457**	**1,348**	**451**	**2,252**	**170**	**1,115**	**13,121**	**19,914**
Subordinated term debts	**–**	**401**	**–**	**–**	**–**	**6,348**	**–**	**6,749**
Total liabilities	**79,492**	**30,474**	**16,194**	**15,660**	**3,730**	**17,269**	**13,507**	**176,326**
Minority interests	**–**	**–**	**–**	**–**	**–**	**–**	**2,371**	**2,371**
Shareholders' funds	**–**	**–**	**–**	**–**	**–**	**–**	**18,675**	**18,675**
Total equity	**–**	**–**	**–**	**–**	**–**	**–**	**21,046**	**21,046**
Net liquidity gap	**(62,838)**	**(15,764)**	**5,410**	**16,923**	**21,663**	**44,560**	**(9,954)**	**–**

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	3,799	6,935	6,135	2,493	1,719	859	189	22,129
Financial assets at fair value through profit or loss	10,681	2,769	398	505	947	2,926	276	18,502
Other securities[(a)]	4,693	862	2,282	4,149	11,491	9,922	1,929	35,328
Loans and advances to customers	6,643	6,257	8,427	10,935	10,692	34,577	105	77,636
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	3,329	1,497	2,067	1,175	351	523	8	8,950
Due to non-bank customers	70,103	19,207	11,285	5,159	–	677	–	106,431
Financial liabilities at fair value through profit or loss	1,287	887	1,341	2,903	5,399	10,277	729	22,823
Other liabilities[(c)]	1,384	622	620	291	784	2,199	11,545	17,445
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)	–

(a) Other securities include Singapore Government securities and treasury bills, financial investments 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

49 SEGMENTAL REPORTING

49.1 Business segment reporting

The business segment results are prepared based on information and data generated from the Group's internal financial reporting systems and are reflective of 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, joint ventures 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 by business segments:

	The Group						
In $ millions	**Consumer Banking**	**Enterprise Banking**	**Corporate and Investment Banking**	**Global Financial Markets**	**Central Treasury Unit**	**Central Operations**	**Total**
2006							
Net interest income	**1,765**	**736**	**592**	**595**	**280**	**(377)**	**3,591**
Non-interest income	**514**	**330**	**585**	**274**	**(64)**	**208**	**1,847**
Expenses	**985**	**338**	**376**	**411**	**31**	**228**	**2,369**
Allowances for credit and other losses	**52**	**119**	**77**	**(3)**	**(5)**	**(105)**	**135**
Profit before tax	**1,242**	**609**	**724**	**466**	**190**	**(227)**	**3,004**
Total assets before goodwill	**30,655**	**20,067**	**40,090**	**69,426**	**28,119**	**3,175**	**191,532**
Goodwill on consolidation							**5,840**
Total assets							**197,372**
Total liabilities	**76,237**	**18,827**	**19,733**	**36,114**	**998**	**24,417**	**176,326**
Capital expenditure	**50**	**8**	**37**	**18**	**3**	**123**	**239**
Depreciation	**29**	**10**	**7**	**15**	**6**	**63**	**130**

In $ millions	Consumer Banking	Enterprise Banking	Investment Banking	The Group Corporate and Financial Markets	Global Treasury Unit	Central Central Operations	Total
2005							
Net interest income	1,308	578	475	484	380	(282)	2,943
Non-interest income	483	227	462	111	(167)	582	1,698
Expenses	926	291	319	364	31	95	2,026
Allowances for credit and other losses	77	145	144	–	6	(169)	203
Profit before tax and goodwill charges	788	369	474	236	176	423	2,466
Total assets before goodwill	29,539	18,486	32,824	67,107	24,047	2,398	174,401
Goodwill on consolidation							5,803
Total assets							180,204
Total liabilities	68,903	17,871	17,953	30,974	1,417	23,896	161,014
Capital expenditure	34	19	7	23	9	133	225
Depreciation	29	15	3	20	7	74	148

49.2 Geographical segment reporting

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

In $ millions	Singapore	Hong Kong	The Group Rest of Greater China[b]	South and Southeast Asia[c]	Rest of the World[d]	Total
2006						
Total income	**3,424**[a]	**1,576**[a]	**147**	**181**	**110**	**5,438**
Net profit before goodwill	**1,545**	**680**	**55**	**127**	**22**	**2,429**
Goodwill charges						**–**
Net profit after goodwill						**2,429**
Total assets before goodwill	**126,499**	**44,868**	**7,792**	**5,131**	**7,242**	**191,532**
Goodwill on consolidation						**5,840**
Total assets						**197,372**
2005						
Total income	3,037[a]	1,266	92	141	105	4,641
Net profit before goodwill	1,374[a]	481	4	100	(7)	1,952
Goodwill charges						(1,128)
Net profit after goodwill						824
Total assets before goodwill	116,087	41,393	5,861	3,781	7,279	174,401
Goodwill on consolidation						5,803
Total assets						180,204

(a) Includes one-time net gains of $94 million and $303 million in 2006 and 2005 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

50 LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

The significant subsidiaries in the Group are listed below:

	Name of subsidiary	Principal activities	Country of incorporation	Share capital Currency	Share capital In millions	Effective shareholding % 2006	Effective shareholding % 2005
	Held by the Company						
1.	DBS Bank Ltd	Retail, corporate and investment banking services	Singapore	SGD	12,096	**100**	100
	Held by DBS Bank						
2.	DBS Vickers Securities Holdings Pte Ltd	Investment holding	Singapore	SGD	403	**100**	100
3.	DBS Asset Management Ltd	Investment management services	Singapore	SGD	64	**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	228	**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	12	**86**	68
10.	DBS Diamond Holdings Ltd	Investment holding	Bermuda	USD	4,065	**100**	100
11.	DBS Capital Funding Corporation**	Capital funding	Cayman Islands	USD	#	**100**	100
12.	DBS (China) Investment Co., Ltd*		China	CNY	241	**100**	–
13.	Primefield Company Pte Ltd***	Investment holding	Singapore	SGD	8	**100**	–
14.	DBS HDM Capital Management Sdn Bhd*	Investment company	Malaysia	RM	#	**50**	–
15.	DBSN Services Pte. Ltd.	Nominee services	Singapore	SGD	#	**100**	–
	Held by other subsidiaries						
16.	DBS Vickers Securities (Singapore) Pte Ltd	Securities and futures broker	Singapore	SGD	50	**100**	100
17.	DBS Vickers Securities Online (Singapore) Pte Ltd	Securities broker	Singapore	SGD	56	**100**	100
18.	DBS Vickers Securities Online Holdings Pte Ltd	Investment holding	Singapore	SGD	46	**80**	73
19.	DBS Asset Management (United States) Pte Ltd	Investment management services	Singapore	SGD	#	**100**	100
20.	DBS Vickers Research (Singapore) Pte Ltd	Market research consultants	Singapore	SGD	1	**100**	100
21.	DBS Vickers Securities Nominees (Singapore) Pte Ltd	Nominee services	Singapore	SGD	#	**100**	100
22.	DBS Bank (Hong Kong) Limited*	Retail, corporate and investment banking services	Hong Kong	HKD	5,200	**100**	100
23.	DBS Asset Management (Hong Kong) Ltd*	Investment management services	Hong Kong	HKD	13	**100**	100
24.	DBS Corporate Services (Hong Kong) Limited*	Investment holding and corporate services	Hong Kong	HKD	1	**100**	100
25.	DHB Limited*	Investment holding	Hong Kong	HKD	500	**100**	100
26.	DBS Vickers Securities Online (HK) Limited*	Securities broker	Hong Kong	HKD	137	**100**	100
27.	DBS Vickers (Hong Kong) Limited*	Securities and futures broker	Hong Kong	HKD	150	**100**	100

			Share capital		Effective shareholding %	
Name of subsidiary	Principal activities	Country of incorporation	Currency	In millions	2006	2005
28. Kenson Asia Ltd*	Corporate services	Hong Kong	HKD	#	**100**	100
29. Kingly Management Ltd*	Corporate services	Hong Kong	HKD	#	**100**	100
30. Worldson Services Ltd*	Corporate services	Hong Kong	HKD	#	**100**	100
31. Ting Hong Nominees Limited*	Nominee services	Hong Kong	HKD	#	**100**	100
32. DBS Vickers Securities Nominees (Hong Kong) Limited*	Nominee services	Hong Kong	HKD	#	**100**	100
33. PT DBS Vickers Securities (Indonesia)*	Securities broker	Indonesia	IDR	55,000	**99**	99
34. DBS Vickers Securities (Thailand) Co. Ltd*	Securities broker	Thailand	THB	396	**100**	100
35. DHJ Management Limited**	Corporate services	British Virgin Islands	USD	#	**100**	100
36. JT Administration Limited**	Corporate services	British Virgin Islands	USD	#	**100**	100
37. Market Success Limited**	Corporate services	British Virgin Islands	USD	#	**100**	100
38. Kendrick Services Limited**	Corporate directorship services	British Virgin Islands	USD	#	**100**	100
39. Lushington Investment Limited**	Corporate shareholding services	British Virgin Islands	USD	#	**100**	100
40. Quickway Limited**	Corporate directorship services	British Virgin Islands	USD	#	**100**	100
41. DBS Group (Hong Kong) Limited*	Investment holding	Bermuda	USD	356	**100**	100
42. DBS Vickers Securities (UK) Ltd*	Securities broker	United Kingdom	GBP	#	**100**	100
43. DBS Vickers Securities (USA), Inc*	Securities broker	United States	USD	#	**100**	100
44. DBS Trustee H.K. (Jersey) Limited*	Trustee services	Jersey	GBP	#	**100**	100
45. AXS Infocomm Pte Ltd[(a)]***	Development and operation of multimedia transactional pay phone kiosks	Singapore	SGD	14	**64.8**	–

 # 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*
**** Audited by other auditors*
(a) Shareholding includes 10.8% (2005: Nil) held through DBS Bank. In addition, there is an indirect shareholding of 9.5% (2005: Nil) held through Network for Electronic Transfers (Singapore) Pte Ltd. There is no control over indirect shareholding, thus consolidation was not applied

The significant joint ventures in the Group are listed below:

			Share capital		Effective shareholding %	
Name of joint venture	Principal activities	Country of incorporation	Currency	In millions	2006	2005
Held by DBS Bank						
1. Ayala DBS Holdings Inc.*	Investment holding	The Philippines	PHP	3,340	**40.0**	40.0
2. Cholamandalam DBS Finance Limited (formerly known as Cholamandalam Investments and Finance Company Limited)***	Consumer finance	India	INR	380	**37.5**	20.0
3. DBS HDM Capital Sdn Bhd*	Investment holding	Malaysia	RM	#	**50.0**	–
Held by other subsidiaries						
4. Hutchinson DBS Card Limited*	Provision of credit card services	British Virgin Islands	HKD	1	**50.0**	50.0

 # Amount under $500,000
** Audited by Ernst & Young firms outside Singapore*
**** Audited by other auditors*

The significant associates in the Group are listed below:

	Name of associate	Principal activities	Country of incorporation	Share capital Currency	Share capital In millions	Effective shareholding % 2006	Effective shareholding % 2005
	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
	Quoted – Held by other subsidiaries						
2.	Hwang – DBS (Malaysia) Bhd(a)***	Investment holding	Malaysia	RM	265	**26.2**	23.1
	Unquoted – Held by DBS Bank						
3.	Century Horse Group Limited*	Financial services	British Virgin Islands	USD	#	**20.0**	20.0
4.	Clearing and Payment Services Pte Ltd***	Provides service infrastructure for clearing payment and settlement of financial transactions	Singapore	SGD	#	**33.3**	33.3
5.	Investment and Capital Corporation of the Philippines*	Financial services	The Philippines	PHP	300	**20.0**	20.0
6.	Network for Electronic Transfers (Singapore) Pte Ltd***	Electronic funds transfer	Singapore	SGD	1	**33.3**	33.3
7.	Nextmall Holdings Corporation**	Hypermarket chain	Cayman Islands	USD	#	**33.7**	33.7
8.	Orix Leasing Singapore Ltd***	Leasing and hire-purchase financing of equipment, provision of installment loans & working capital financing	Singapore	SGD	3	**30.0**	30.0
	Unquoted – Held by other subsidiaries						
9.	Hwang-DBS Investment Management Berhad***	Investment management services	Malaysia	RM	10	**30.0**	42.3
10.	Hwang-DBS Resources Sdn Bhd***	Leasing of movable assets	Malaysia	RM	3	**23.1**	23.1
11.	Hwang-DBS Vickers Research (Malaysia) Sdn Bhd(b)***	Investment management	Malaysia	RM	3	**49.0**	49.0
12.	Singapore Africa Investment Management Pte Ltd***	Investment management	Singapore	USD	#	**30.0**	30.0
13.	Southern Africa Investment Pte Ltd(c)***	Investment holding	Singapore	USD	35	**25.0**	25.0
14.	Singapore Consortium Investment Management Ltd***	Investment management services	Singapore	SGD	1	**33.3**	33.3

\# *Amount under $500,000*

* *Audited by Ernst & Young firms outside Singapore*

** *No statutory audit was performed for this company as it is not mandatory under local laws and regulations*

*** *Audited by other auditors*

(a) *Shareholding includes 2.6% held through DBS Bank*

(b) *In addition to the effective shareholding of 49%, there is an indirect shareholding of 13.4% (2005: 11.8%) held through Hwang-DBS (Malaysia) Bhd. There is no control over indirect shareholding, thus consolidation was not applied*

(c) *Shareholding includes 12.5% held through DBS Bank*