

# Notes to the Supplementary Financial Statements

for the year ended 31 December 2006

The supplementary financial statements of DBS Bank Ltd ("the Bank") are extracted from the Audited Statutory Accounts of DBS Bank Ltd and its subsidiaries ("the Bank Group") for the financial year ended 31 December 2006. The statutory accounts of the Bank, and the Bank Group which contained an unqualified audit report, will be delivered to the Accounting & Corporate Regulatory Authority in accordance with the Singapore Companies Act.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

## 2 OTHER INCOME

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

In \$ millions	2006	2005
Dividends from subsidiaries	64	33
Dividends from associates	39	38
Total	103	71

## 3 SUBSIDIARIES

In \$ millions	2006	2005
Unquoted equity shares, at cost	10,125	11,344
Impairment allowances	(821)	(873)
Due from subsidiaries	486	595
Total	9,790	11,066

Movements in impairment allowances during the year were as follows:

In \$ millions	2006	2005
Balance at 1 January	(873)	(141)
Charge/(write-back) to income statement	52	(732)
Balance at 31 December	(821)	(873)

## 4 DUE TO SUBSIDIARIES

In \$ millions	2006	2005
Subordinated term debts	1,236	1,352
Amounts due to subsidiaries	3,301	1,582
Total	4,537	2,934

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

## 5 SHARE CAPITAL

In \$ millions	2005
<b>Authorised</b>	
2,000,000,000 ordinary shares	2,000
600,000,000 non-redeemable convertible preference shares ("CPS")	1,200
300,000,000 non-voting convertible CPS	300
800,000 non-cumulative redeemable non-convertible perpetual preference shares and each with a liquidation preference	#
17,500 non-cumulative redeemable non-convertible perpetual preference shares and each with a liquidation preference	#
1,100,000,000 non-cumulative non-convertible perpetual preference shares and each with a liquidation preference	11
	1,511

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 Bank's share capital henceforth.

In \$ millions	2006	2005
<b>Issued and fully paid-up</b>		
1,962,302,697 (2005: 1,962,302,697) ordinary shares	<b>1,962</b>	1,962
11,000,000 (2005: 11,000,000) non-cumulative non-convertible perpetual preference shares	<b>#</b>	#
Total Issued and Paid-up Share Capital	<b>1,962</b>	1,962
# Amounts under \$500,000		

Movements in issued share capital and share premium were as follows:

In \$ millions	Issued share capital	Share premium
Balance at 1 January 2006	<b>1,962</b>	<b>10,134</b>
Effects of Companies (Amendment) Act 2005	<b>10,134</b>	<b>(10,134)</b>
Balance at 31 December 2006	<b>12,096</b>	–

There was no movement in issued share capital and share premium during the previous financial year.

## 6 OTHER RESERVES

### 6.1 Other reserves

In \$ millions	2006	2005
Available-for-sale revaluation reserves	<b>482</b>	212
Cash flow hedge reserves	–	23
General reserves	<b>2,330</b>	2,269
Capital reserves	<b>296</b>	136
Share option and share plan reserves	<b>35</b>	25
Total	<b>3,143</b>	2,665

Movements in other reserves during the year were as follows:

In \$ millions	Available-for-sale revaluation reserves	Cash flow hedge reserves	General reserves <sup>(a)</sup>	Capital reserves <sup>(b)</sup>	Share option and share plan reserves	Total
Balance at 1 January 2006	<b>212</b>	<b>23</b>	<b>2,269</b>	<b>136</b>	<b>25</b>	<b>2,665</b>
Appropriation from income statement	–	–	<b>61</b>	–	–	<b>61</b>
Net exchange translation adjustments	–	–	–	<b>160</b>	–	<b>160</b>
Cost of share-based payments	–	–	–	–	<b>15</b>	<b>15</b>
Draw-down of reserves upon vesting of performance shares	–	–	–	–	<b>(5)</b>	<b>(5)</b>
Available-for-sale/cash flow hedge:						
– net valuation taken to equity	<b>407</b>	<b>(29)</b>	–	–	–	<b>378</b>
– transferred to income statement on sale	<b>(87)</b>	–	–	–	–	<b>(87)</b>
– tax on items taken directly to or transferred from equity	<b>(50)</b>	<b>6</b>	–	–	–	<b>(44)</b>
Balance at 31 December 2006	<b>482</b>	–	<b>2,330</b>	<b>296</b>	<b>35</b>	<b>3,143</b>

In \$ millions	Available-for-sale revaluation reserves	Cash flow hedge reserves	General reserves <sup>(a)</sup>	Capital reserves <sup>(b)</sup>	Share option and share plan reserves	Total
Balance at 1 January 2005						
– as previously reported	–	–	2,233	221	–	2,454
– effect of adoption of new or revised FRSs	–	–	–	–	8	8
Balance at 1 January as restated	–	–	2,233	221	8	2,462
On adoption of FRS 39 at 1 January 2005	297	–	–	–	–	297
Appropriation from income statement	–	–	36	–	–	36
Net exchange translation adjustments	–	–	–	(85)	–	(85)
Cost of share-based payments	–	–	–	–	23	23
Draw-down of reserves upon vesting of performance shares	–	–	–	–	(6)	(6)
Available-for-sale/cash flow hedge:						
– net valuation taken to equity	(3)	28	–	–	–	25
– transferred to income statement on sale	(71)	–	–	–	–	(71)
– tax on items taken directly to or transferred from equity	(11)	(5)	–	–	–	(16)
Balance at 31 December 2005	212	23	2,269	136	25	2,665

(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

## 6.2 Revenue reserves

In \$ millions	2006	2005
Balance at 1 January		
– as previously reported	3,040	3,205
– effect of adoption of new or revised FRSs	–	(18)
Balance at 1 January as restated	3,040	3,187
On adoption of FRS 39 at 1 January 2005	–	(122)
Net profit attributable to shareholders	1,825	715
Transfer to general reserves	(61)	(36)
Amount available for distribution	4,804	3,744
Less: \$0.08 (2005: \$0.10) tax exempt ordinary final dividends	154	189
\$0.32 (2005: \$0.23) tax exempt ordinary interim dividends	630	462
6% preference dividends net of tax paid	53	53
Balance at 31 December	3,967	3,040