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# Consolidated Income Statement

for the year ended 31 December 2007

| In \$ millions   | Note | 2007         | 2006  |
|--|------|--------------|-------|
| <b>Income</b>  |      |              |       |
| Interest income  |      | <b>9,090</b> | 7,809 |
| Interest expense   |      | <b>4,982</b> | 4,218 |
| Net interest income  | 5    | <b>4,108</b> | 3,591 |
| Net fee and commission income                                  | 6    | <b>1,462</b> | 1,155 |
| Net trading income   | 7    | <b>180</b>   | 522   |
| Net income from financial instruments designated at fair value | 8    | <b>(86)</b>  | (192) |
| Net income from financial investments                          | 9    | <b>450</b>   | 229   |
| Other income   | 10   | <b>49</b>    | 133   |
| Total income   |      | <b>6,163</b> | 5,438 |
| <b>Expenses</b>  |      |              |       |
| Employee benefits  | 11   | <b>1,384</b> | 1,244 |
| Depreciation of properties and other fixed assets              | 27   | <b>126</b>   | 130   |
| Other expenses   | 12   | <b>1,108</b> | 995   |
| Allowances for credit and other losses                         | 13   | <b>617</b>   | 135   |
| Total expenses   |      | <b>3,235</b> | 2,504 |
| Share of profits of associates                                 |      | <b>110</b>   | 70    |
| <b>Profit before tax</b>                                       |      | <b>3,038</b> | 3,004 |
| Income tax expense   | 14   | <b>589</b>   | 575   |
| <b>Net profit for the year</b>                                 |      | <b>2,449</b> | 2,429 |
| Attributable to:   |      |              |       |
| <b>Shareholders</b>  |      | <b>2,278</b> | 2,269 |
| Minority interests   |      | <b>171</b>   | 160   |
|  |      | <b>2,449</b> | 2,429 |
| Basic earnings per ordinary share (\$)                         | 15   | <b>1.50</b>  | 1.50  |
| Diluted earnings per ordinary share (\$)                       | 15   | <b>1.44</b>  | 1.45  |

(see notes on pages 54 to 113, which form part of these financial statements)

# Balance Sheets

at 31 December 2007

| In \$ millions   | Note | Group            |           | Company      |       |
|--|------|------------------|-----------|--------------|-------|
|  |      | 2007             | 2006      | 2007         | 2006  |
| <b>Assets</b>  |      |                  |           |              |       |
| Cash and balances with central banks                       | 17   | <b>18,564</b>    | 11,846    |              |       |
| Singapore Government securities and treasury bills         | 18   | <b>15,433</b>    | 12,843    |              |       |
| Due from banks   |      | <b>23,304</b>    | 25,273    |              |       |
| Financial assets at fair value through profit or loss      | 19   | <b>19,543</b>    | 16,496    |              |       |
| Positive replacement values                                | 41   | <b>13,119</b>    | 8,215     |              |       |
| Loans and advances to customers                            | 20   | <b>106,344</b>   | 85,149    |              |       |
| Financial investments                                      | 21   | <b>19,182</b>    | 22,261    |              |       |
| Securities pledged   | 22   | <b>4,115</b>     | 2,866     |              |       |
| Subsidiaries   | 23   | –                | –         | <b>6,748</b> | 6,927 |
| Investments in associates                                  | 25   | <b>715</b>       | 603       |              |       |
| Goodwill on consolidation                                  | 26   | <b>5,842</b>     | 5,840     |              |       |
| Properties and other fixed assets                          | 27   | <b>1,534</b>     | 1,481     |              |       |
| Deferred tax assets  | 28   | <b>25</b>        | 20        |              |       |
| Other assets   | 29   | <b>5,871</b>     | 4,479     |              |       |
| <b>Total assets</b>  |      | <b>233,591</b>   | 197,372   | <b>6,748</b> | 6,927 |
| <b>Liabilities</b>   |      |                  |           |              |       |
| Due to banks   |      | <b>15,464</b>    | 7,863     |              |       |
| Due to non-bank customers                                  | 30   | <b>145,368</b>   | 122,092   |              |       |
| Financial liabilities at fair value through profit or loss | 31   | <b>18,242</b>    | 19,708    |              |       |
| Negative replacement values                                | 41   | <b>12,554</b>    | 7,873     |              |       |
| Bills payable  |      | <b>380</b>       | 511       |              |       |
| Current tax liabilities                                    |      | <b>882</b>       | 766       |              |       |
| Deferred tax liabilities                                   | 28   | <b>172</b>       | 137       |              |       |
| Other liabilities  | 32   | <b>7,218</b>     | 6,677     | <b>7</b>     | 8     |
| Other debt securities in issue                             | 34   | <b>1,199</b>     | 3,950     |              |       |
| Subordinated term debts                                    | 35   | <b>8,954</b>     | 6,749     |              |       |
| <b>Total liabilities</b>                                   |      | <b>210,433</b>   | 176,326   | <b>7</b>     | 8     |
| <b>Net assets</b>  |      | <b>23,158</b>    | 21,046    | <b>6,741</b> | 6,919 |
| <b>Equity</b>  |      |                  |           |              |       |
| Share capital  | 36   | <b>4,164</b>     | 4,042     | <b>4,164</b> | 4,042 |
| Treasury shares  | 36   | <b>(102)</b>     | (111)     | <b>(27)</b>  | –     |
| Other reserves   | 37   | <b>7,680</b>     | 7,182     | <b>37</b>    | 53    |
| Revenue reserves   | 37   | <b>8,739</b>     | 7,562     | <b>2,567</b> | 2,824 |
| <b>Shareholders' funds</b>                                 |      | <b>20,481</b>    | 18,675    | <b>6,741</b> | 6,919 |
| Minority interests   | 38   | <b>2,677</b>     | 2,371     |              |       |
| <b>Total equity</b>  |      | <b>23,158</b>    | 21,046    | <b>6,741</b> | 6,919 |
| <b>Off-balance sheet items</b>                             |      |                  |           |              |       |
| Contingent liabilities                                     | 39   | <b>14,656</b>    | 12,187    |              |       |
| Commitments  | 40   | <b>92,305</b>    | 86,065    |              |       |
| Financial derivatives                                      | 41   | <b>1,816,007</b> | 1,378,916 |              |       |

(see notes on pages 54 to 113, which form part of these financial statements)

# Consolidated Statement of Changes in Equity

for the year ended 31 December 2007

| In \$ millions   | Ordinary<br>shares | Convertible<br>preference<br>shares (CPS) | Share<br>premium | Treasury<br>shares | Other<br>reserves | Revenue<br>reserves | Minority<br>interests | Total<br>equity |
|--|--------------------|---|------------------|--------------------|-------------------|---------------------|-----------------------|-----------------|
| <b>2007</b>  |                    |   |                  |                    |                   |                     |                       |                 |
| Balance at 1 January 2007                                      | 3,976              | 66  | –                | (111)              | 7,182             | 7,562               | 2,371                 | 21,046          |
| Exercise of share options                                      | 106                |   |                  |                    |                   |                     |                       | 106             |
| Net exchange translation adjustments                           |                    |   |                  |                    | (38)              |                     | (73)                  | (111)           |
| Share of associates' reserves                                  |                    |   |                  |                    | 37                |                     |                       | 37              |
| Cost of share-based payments                                   |                    |   |                  |                    | 34                |                     |                       | 34              |
| Draw-down of reserves upon vesting<br>of performance shares    |                    |   |                  | 36                 | (36)              |                     |                       | –               |
| Share buyback during the year                                  |                    |   |                  | (27)               |                   |                     |                       | (27)            |
| Reclassification of reserves upon exercise<br>of share options | 16                 |   |                  |                    | (16)              |                     |                       | –               |
| Available-for-sale investments:                                |                    |   |                  |                    |                   |                     |                       |                 |
| – Net valuation taken to equity                                |                    |   |                  |                    | 940               |                     |                       | 940             |
| – Transferred to income statement on sale                      |                    |   |                  |                    | (395)             |                     |                       | (395)           |
| – Tax on items taken directly to or<br>transferred from equity |                    |   |                  |                    | (58)              |                     |                       | (58)            |
| Net profit for the year  |                    |   |                  |                    |                   | 2,278               | 171                   | 2,449           |
| Appropriation from income statement <sup>(a)</sup>             |                    |   |                  |                    | 30                | (30)                |                       | –               |
| Final dividends paid for previous year                         |                    |   |                  |                    |                   | (310)               |                       | (310)           |
| Interim dividends paid for current year                        |                    |   |                  |                    |                   | (761)               |                       | (761)           |
| Dividends paid to minority interests                           |                    |   |                  |                    |                   |                     | (143)                 | (143)           |
| Change in minority interests                                   |                    |   |                  |                    |                   |                     | 351                   | 351             |
| Balance at 31 December 2007                                    | 4,098              | 66  | –                | (102)              | 7,680             | 8,739               | 2,677                 | 23,158          |
| <b>2006</b>  |                    |   |                  |                    |                   |                     |                       |                 |
| Balance at 1 January 2006                                      | 1,498              | 66  | 2,269            | (117)              | 6,841             | 6,167               | 2,466                 | 19,190          |
| Exercise of share options                                      | 165                |   | 7                |                    |                   |                     |                       | 172             |
| Effects of Companies (Amendment)<br>Act 2005                   | 2,304              |   | (2,276)          |                    | (28)              |                     |                       | –               |
| Net exchange translation adjustments                           |                    |   |                  |                    | (6)               |                     | (103)                 | (109)           |
| Share of associates' reserves                                  |                    |   |                  |                    | 21                | 18                  |                       | 39              |
| Cost of share-based payments                                   |                    |   |                  |                    | 28                |                     |                       | 28              |
| Draw-down of reserves upon vesting<br>of performance shares    |                    |   |                  | 6                  | (6)               |                     |                       | –               |
| Reclassification of reserves upon exercise of<br>share options | 9                  |   |                  |                    | (9)               |                     |                       | –               |
| Available-for-sale investments/Cash flow hedge:                |                    |   |                  |                    |                   |                     |                       |                 |
| – Net valuation taken to equity                                |                    |   |                  |                    | 425               |                     |                       | 425             |
| – Transferred to income statement on sale                      |                    |   |                  |                    | (101)             |                     |                       | (101)           |
| – Tax on items taken directly to or<br>transferred from equity |                    |   |                  |                    | (44)              |                     |                       | (44)            |
| Net profit for the year  |                    |   |                  |                    |                   | 2,269               | 160                   | 2,429           |
| Appropriation from income statement                            |                    |   |                  |                    | 61                | (61)                |                       | –               |
| Final dividends paid for previous year                         |                    |   |                  |                    |                   | (203)               |                       | (203)           |
| Interim dividends paid for current year                        |                    |   |                  |                    |                   | (628)               |                       | (628)           |
| Dividends paid to minority interests                           |                    |   |                  |                    |                   |                     | (147)                 | (147)           |
| Change in minority interests                                   |                    |   |                  |                    |                   |                     | (5)                   | (5)             |
| Balance at 31 December 2006                                    | 3,976              | 66  | –                | (111)              | 7,182             | 7,562               | 2,371                 | 21,046          |

(a) Includes appropriation from prior year's income statement

(see notes on pages 54 to 113, which form part of these financial statements)

# Consolidated Cash Flow Statement

for the year ended 31 December 2007

| In \$ millions  | 2007          | 2006          |
|---|---------------|---------------|
| <b>Cash flows from operating activities</b>                       |               |               |
| Profit before tax   | 3,038         | 3,004         |
| <b>Adjustments for non-cash items:</b>                            |               |               |
| Allowances for credit and other losses                            | 617           | 135           |
| Depreciation of properties and other fixed assets                 | 126           | 130           |
| Share of profits of associates                                    | (110)         | (70)          |
| Net gain on disposal of properties and other fixed assets         | (6)           | (104)         |
| Net gain on disposal of financial investments                     | (450)         | (229)         |
| Profit before changes in operating assets and liabilities         | 3,215         | 2,866         |
| <b>Increase/(Decrease) in:</b>                                    |               |               |
| Due to banks  | 7,601         | (1,087)       |
| Due to non-bank customers   | 23,276        | 15,661        |
| Financial liabilities at fair value through profit or loss        | (1,466)       | (3,115)       |
| Other liabilities including bills payable                         | 4,578         | 163           |
| Debt securities and borrowings                                    | (2,647)       | 1,471         |
| <b>(Increase)/Decrease in:</b>                                    |               |               |
| Change in restricted balances with central banks                  | (55)          | (95)          |
| Singapore Government securities and treasury bills                | (2,341)       | (3,936)       |
| Due from banks  | 1,936         | (3,134)       |
| Financial assets at fair value through profit or loss             | (2,804)       | 1,890         |
| Loans and advances to customers                                   | (21,323)      | (7,741)       |
| Financial investments   | 3,539         | 1,450         |
| Other assets  | (7,265)       | 297           |
| Tax paid  | (501)         | (300)         |
| <b>Net cash generated from operating activities (1)</b>           | <b>5,743</b>  | <b>4,390</b>  |
| <b>Cash flows from investing activities</b>                       |               |               |
| Dividends from associates   | 61            | 37            |
| Purchase of properties and other fixed assets                     | (196)         | (239)         |
| Proceeds from disposal of associates                              | -             | 4             |
| Proceeds from disposal of properties and other fixed assets       | 74            | 387           |
| Acquisition of interest in associates                             | (39)          | (6)           |
| <b>Net cash (used in)/generated from investing activities (2)</b> | <b>(100)</b>  | <b>183</b>    |
| <b>Cash flows from financing activities</b>                       |               |               |
| Increase in share capital   | 122           | 172           |
| Proceeds from issuance of subordinated term debts                 | 3,044         | 1,928         |
| Payment upon maturity of subordinated term debts                  | (402)         | -             |
| Dividends paid to shareholders of the Company                     | (1,071)       | (831)         |
| Dividends paid to minority interests                              | (143)         | (147)         |
| <b>Net cash generated from financing activities (3)</b>           | <b>1,550</b>  | <b>1,122</b>  |
| Exchange translation adjustments (4)                              | (38)          | 15            |
| <b>Net change in cash and cash equivalents (1)+(2)+(3)+(4)</b>    | <b>7,155</b>  | <b>5,710</b>  |
| <b>Cash and cash equivalents at 1 January</b>                     | <b>15,118</b> | <b>9,408</b>  |
| <b>Cash and cash equivalents at 31 December (Note 42)</b>         | <b>22,273</b> | <b>15,118</b> |

(see notes on pages 54 to 113, which form part of these financial statements)

# Notes to the Financial Statements

for the year ended 31 December 2007

These Notes are integral to the financial statements.

The consolidated financial statements for the year ended 31 December 2007 were authorised for issue by the directors on 14 February 2008.

## 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 ("the Bank"), 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 2007, the Group adopted the new or revised FRS and Interpretations to FRS ("INT FRS") that are applicable in the current financial year. The 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 – Capital Disclosures |
| FRS 10 (revised)  | Events after the Balance Sheet Date                        |
| FRS 12 (revised)  | Income Taxes   |
| FRS 14 (revised)  | Segment Reporting  |
| FRS 17 (revised)  | Leases   |
| FRS 19 (revised)  | Employee Benefits  |
| FRS 32 (revised)  | Financial Instruments: Disclosure and Presentation         |
| FRS 33 (revised)  | Earnings per Share   |
| FRS 39 (revised)  | Financial Instruments: Recognition and Measurement         |
| FRS 40 (new)      | Investment Property  |
| FRS 102 (revised) | Share-based Payment  |
| FRS 103 (revised) | Business Combinations                                      |
| FRS 107 (new)     | Financial Instruments: Disclosures                         |
| INT FRS 108       | Scope of FRS 102 – Share-based Payment                     |
| INT FRS 109       | Reassessment of Embedded Derivatives                       |
| INT FRS 110       | Interim Financial Reporting and Impairment                 |

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 on consolidation".

#### ***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.

Unrealised exchange differences arising from non-monetary financial assets classified as fair value through profit or loss are recognised in the income statement. For non-monetary financial assets classified as available-for-sale, unrealised exchange differences are recorded directly in equity until the assets are sold or become impaired.

### **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:

- Assets and liabilities are translated at the exchange rate ruling at the balance sheet date;
- Income and expenses in the income statement are translated at an average exchange rate approximating the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to 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. Dividend income arising from held for trading financial assets is recognised in "Net trading income", while that arising from available-for-sale financial assets is recognised in "Net income from financial investments".

### **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:

- 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:

- 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
- the financial asset contains an embedded derivative that would otherwise 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.

#### **Restructured Loans**

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.

- (c) **Available-for-sale financial assets** are non-derivatives that are either designated in this category or not classified in any other categories. These financial assets are intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

#### **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 substantially 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 on 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.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor, including breach of covenants and/or financial conditions;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- Granting of a concession to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, that the entity would not otherwise consider; and
- High probability of bankruptcy or other financial reorganisation of the borrower.

#### **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.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Recoveries in full or in part of amounts previously written off are credited to the income statement in "Allowances for credit losses".

*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**

The Group assesses at each balance sheet date whether there is objective evidence that an available-for-sale financial asset is impaired. In the case of equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. 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 |

The residual values of fixed assets are reviewed on each balance sheet date.

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:

- 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
- the financial liability contains an embedded derivative that would otherwise 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 on 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 fair value hedges, 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.

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 qualifying 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 capital reserve. The gain or loss relating to the ineffective portion of the hedge is recognised immediately in the income statement under "Net trading income". On disposal of the foreign operations, the cumulative gain or loss in the capital reserve is taken to the income statement under "Net trading income".

## 2.16 Recognition of day one profit

The Group enters into transactions where the fair value is determined using valuation models for which not all inputs are market observable prices or rates. Such financial instruments are initially recognised at transaction price, which is the best indicator of fair value. The difference between the transaction price and the price determined based on the valuation model is not recognised immediately in the income statement. This difference, commonly referred to as "day one profit" is released to the income statement on the earlier of the following: (a) amortised over the tenor of the transaction; (b) when all the market inputs become observable; or (c) on derecognition.

## 2.17 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.

## 2.18 Share-based compensation

Employee benefits also include share-based compensation, namely, the DBSH Share Ownership Scheme, the DBSH Share Option Plan, the DBSH Share Plan (previously known as 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 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.

### 2.19 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.

### 2.20 Financial guarantees

A financial guarantee is initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the initial measurement, less amortisation calculated to recognise the initial measurement in the income statement over the period of the financial guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. 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.

### 2.21 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.

### 2.22 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.

### 2.23 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.

### 2.24 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.

### 2.25 Comparatives

Where applicable, comparative figures have been reclassified 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 108: Operating Segments*

FRS 108 becomes effective for financial years beginning on or after 1 January 2009. It replaces a current accounting standard, FRS 14 – Segment Reporting. FRS 108 introduces the management approach to segment reporting and a single set of operating segments will replace the primary and secondary segments. Information reviewed by the chief operating decision-maker will determine the segments, the measure of segment performance and disclosures.

The adoption of FRS 108 will create additional disclosure requirements for the Group's financial statements.

#### *INT FRS 111: FRS 102 – Group and Treasury Share Transactions*

INT FRS 111 becomes effective for financial years beginning on or after 1 March 2007. INT FRS 111 provides clarification on circumstances when a share-based arrangement should be accounted for as an equity-settled or a cash-settled transaction. It also addresses the accounting for share-based payment transactions involving two or more entities within the Group.

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. 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 |       |
|---|-----------|-------|
|   | 2007      | 2006  |
| Cash and balances with central banks and Due from banks | 1,261     | 1,001 |
| Loans and advances to customers                         | 5,405     | 4,559 |
| Debt securities   | 2,424     | 2,249 |
| Total interest income                                   | 9,090     | 7,809 |
| Due to banks  | 591       | 538   |
| Due to non-bank customers                               | 3,079     | 2,746 |
| Others  | 1,312     | 934   |
| Total interest expense                                  | 4,982     | 4,218 |
| Net interest income                                     | 4,108     | 3,591 |

| In \$ millions  | The Group |         |
|---|-----------|---------|
|   | 2007      | 2006    |
| Interest income for financial assets at fair value through profit or loss           | 975       | 1,005   |
| Interest income for financial assets not at fair value through profit or loss       | 8,115     | 6,804   |
| Interest expense for financial liabilities at fair value through profit or loss     | (675)     | (492)   |
| Interest expense for financial liabilities not at fair value through profit or loss | (4,307)   | (3,726) |
| Total   | 4,108     | 3,591   |

**6 NET FEE AND COMMISSION INCOME**

| In \$ millions                               | The Group    |       |
|--|--------------|-------|
|  | 2007         | 2006  |
| Fee and commission income                    | <b>1,804</b> | 1,400 |
| Fee and commission expense                   | <b>342</b>   | 245   |
| Net fee and commission income                | <b>1,462</b> | 1,155 |
| Comprising:                                  |              |       |
| Stock broking                                | <b>250</b>   | 141   |
| Wealth management                            | <b>249</b>   | 170   |
| Loan-related                                 | <b>232</b>   | 166   |
| Trade and remittances                        | <b>206</b>   | 190   |
| Investment banking                           | <b>171</b>   | 150   |
| Credit card                                  | <b>132</b>   | 115   |
| Deposit-related                              | <b>78</b>    | 79    |
| Fund management                              | <b>43</b>    | 62    |
| Guarantees                                   | <b>36</b>    | 30    |
| Others                                       | <b>65</b>    | 52    |
| Net fee and commission income <sup>(a)</sup> | <b>1,462</b> | 1,155 |

(a) Included net fee and commission income of \$75 million (2006: \$89 million) derived from the provision of trust and other fiduciary services during the year. Net fee and commission income earned from financial assets or liabilities not at fair value through profit or loss is \$440 million (2006: \$355 million) during the year

**7 NET TRADING INCOME**

| In \$ millions                                       | The Group   |      |
|--|-------------|------|
|  | 2007        | 2006 |
| From trading businesses                              |             |      |
| – Foreign exchange                                   | <b>151</b>  | 379  |
| – Interest rates, credit and equities <sup>(a)</sup> | <b>45</b>   | 153  |
| Other businesses                                     | <b>(16)</b> | (10) |
| Total  | <b>180</b>  | 522  |

(a) Included dividend income of \$31 million (2006: \$22 million)

**8 NET INCOME FROM FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE**

| In \$ millions                                 | The Group   |       |
|--|-------------|-------|
|  | 2007        | 2006  |
| Financial assets designated at fair value      | <b>(3)</b>  | (2)   |
| Financial liabilities designated at fair value | <b>(83)</b> | (190) |
| Total  | <b>(86)</b> | (192) |

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 31.

**9 NET INCOME FROM FINANCIAL INVESTMENTS**

| In \$ millions                      | The Group  |      |
|-------------------------------------|------------|------|
|                                     | 2007       | 2006 |
| Debt securities                     |            |      |
| – Available-for-sale                | <b>47</b>  | 35   |
| – Loans and receivables             | <b>1</b>   | 3    |
| Equity securities <sup>(a)(b)</sup> | <b>402</b> | 191  |
| Total                               | <b>450</b> | 229  |

Comprising gains transferred from:  
Available-for-sale revaluation reserves **395** 101

(a) There is no sale of unquoted securities in 2007. Included in 2006 was \$16 million profits on sale of unquoted equity securities which were stated at cost. Their carrying amount was \$1 million at the time of sale  
(b) Included dividend income of \$28 million (2006: \$58 million)

**10 OTHER INCOME**

| In \$ millions   | The Group |      |
|--|-----------|------|
|  | 2007      | 2006 |
| Rental income  | <b>14</b> | 14   |
| Net gain on properties and other fixed assets <sup>(a)</sup> | <b>6</b>  | 104  |
| Others   | <b>29</b> | 15   |
| Total  | <b>49</b> | 133  |

(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

**11 EMPLOYEE BENEFITS**

| In \$ millions                              | The Group    |       |
|---|--------------|-------|
|   | 2007         | 2006  |
| Salary and bonus                            | <b>1,186</b> | 1,067 |
| Contributions to defined contribution plans | <b>55</b>    | 55    |
| Share-based expenses                        | <b>34</b>    | 28    |
| Others                                      | <b>109</b>   | 94    |
| Total                                       | <b>1,384</b> | 1,244 |

**12 OTHER EXPENSES**

| In \$ millions                          | The Group    |      |
|---|--------------|------|
|   | 2007         | 2006 |
| Computerisation expenses <sup>(a)</sup> | <b>370</b>   | 349  |
| Occupancy expenses <sup>(b)</sup>       | <b>189</b>   | 161  |
| Revenue-related expenses                | <b>135</b>   | 105  |
| Others <sup>(c)</sup>                   | <b>414</b>   | 380  |
| Total                                   | <b>1,108</b> | 995  |

(a) Computerisation expenses include hire and maintenance of computer hardware and software

(b) Occupancy expenses include amounts incurred in the maintenance and service of buildings owned by the Group's subsidiary companies, rental expenses of office and branch premises

(c) Others include product and corporate image advertising expenses, office administration expenses (e.g. printing and stationery, telecommunications, etc) and legal and professional fees

Included in the above table are:

| In \$ millions  | The Group |      |
|---|-----------|------|
|   | 2007      | 2006 |
| Hire and maintenance of fixed assets, including building-related expenses | 107       | 98   |
| 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           | 1         | #    |

# Amount under \$500,000

### 13 ALLOWANCES FOR CREDIT AND OTHER LOSSES

| In \$ millions                               | The Group |      |
|--|-----------|------|
|  | 2007      | 2006 |
| Loans and advances to customers (Note 20)    | 128       | 228  |
| Financial investments (Note 21)              | 535       | (32) |
| Properties and other fixed assets (Note 27)  | (86)      | (71) |
| Off-balance sheet credit exposures (Note 32) | 6         | 31   |
| Others (bank loans and sundry debtors)       | 34        | (21) |
| Total  | 617       | 135  |

### 14 INCOME TAX EXPENSE

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

| In \$ millions                                    | The Group |      |
|---|-----------|------|
|   | 2007      | 2006 |
| Current tax expense                               |           |      |
| – Current year                                    | 617       | 459  |
| – Prior years' provision                          | –         | 50   |
| Deferred tax expense                              |           |      |
| – Effect of change in tax rate                    | 4         | –    |
| – (Origination)/Reversal of temporary differences | (32)      | 61   |
| – Prior years' provision                          | –         | 5    |
| Total   | 589       | 575  |

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

| In \$ millions  | The Group |      |
|---|-----------|------|
|   | 2007      | 2006 |
| Accelerated tax depreciation                                | (3)       | (6)  |
| Allowances for loan losses                                  | (8)       | 75   |
| Other temporary differences                                 | (17)      | (3)  |
| Deferred tax expense (credited)/charged to income statement | (28)      | 66   |

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:

| In \$ millions  | The Group |       |
|---|-----------|-------|
|   | 2007      | 2006  |
| Profit  | 2,928     | 2,934 |
| Prima facie tax calculated at a tax rate of 18% (2006: 20%) | 527       | 587   |
| Effect of different tax rates in other countries            | 62        | (1)   |
| Effect of change in tax rate                                | 4         | –     |
| Income not subject to tax                                   | (56)      | (14)  |
| Income taxed at concessionary rate                          | (63)      | (68)  |
| Non-tax deductible provisions                               | 33        | (14)  |
| Others  | 82        | 85    |
| Income tax expense charged to income statement              | 589       | 575   |

The corporate income tax rate applicable to Singapore companies of the Group was reduced from 20% for year of assessment 2007 (refers to financial year 2006) to 18% for year of assessment 2008 (refers to financial year 2007).

Refer to Note 28 for further information on deferred tax assets/liabilities.

### 15 EARNINGS PER ORDINARY SHARE

| In \$ millions  |      | The Group |       |
|---|------|-----------|-------|
|   |      | 2007      | 2006  |
| Weighted average number of ordinary shares in issue           | (a)  | 1,511     | 1,504 |
| Dilutive effect of share options                              |      | 5         | 4     |
| Full conversion of non-voting redeemable CPS                  |      | 66        | 66    |
| Full conversion of non-voting convertible preference shares   |      | #         | #     |
| Weighted average number of ordinary shares in issue (diluted) | (aa) | 1,582     | 1,574 |

# Amount under \$500,000



| In \$ millions   |          | The Group    |       |
|--|----------|--------------|-------|
|  |          | 2007         | 2006  |
| Net profit attributable to shareholders ("Net Profit") | (b)      | <b>2,278</b> | 2,269 |
| Net profit (less preference dividends)                 | (c)      | <b>2,262</b> | 2,253 |
| <b>Earnings per ordinary share (\$)</b>                |          |              |       |
| Basic  | (c)/(a)  | <b>1.50</b>  | 1.50  |
| Diluted  | (b)/(aa) | <b>1.44</b>  | 1.45  |

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

| In \$ millions   | The Group<br>2007 |   |                                       |                    |                  | Total          |
|--|-------------------|---|---------------------------------------|--------------------|------------------|----------------|
|  | Held for trading  | Designated at fair value through profit or loss | Loans and receivables/ amortised cost | Available-for-sale | Held for hedging |                |
| <b>Assets</b>  |                   |   |                                       |                    |                  |                |
| Cash and balances with central banks                       | –                 | –   | <b>18,564</b>                         | –                  | –                | <b>18,564</b>  |
| Singapore Government securities and treasury bills         | <b>3,568</b>      | –   | –                                     | <b>11,865</b>      | –                | <b>15,433</b>  |
| Due from banks   | –                 | –   | <b>23,304</b>                         | –                  | –                | <b>23,304</b>  |
| Financial assets at fair value through profit or loss      | <b>17,148</b>     | <b>2,395</b>                                    | –                                     | –                  | –                | <b>19,543</b>  |
| Positive replacement values                                | <b>12,906</b>     | –   | –                                     | –                  | <b>213</b>       | <b>13,119</b>  |
| Loans and advances to customers                            | –                 | –   | <b>106,344</b>                        | –                  | –                | <b>106,344</b> |
| Financial investments                                      | –                 | –   | <b>2,427</b>                          | <b>16,755</b>      | –                | <b>19,182</b>  |
| Securities pledged   | <b>1,662</b>      | –   | –                                     | <b>2,453</b>       | –                | <b>4,115</b>   |
| Other assets   | –                 | –   | <b>5,871</b>                          | –                  | –                | <b>5,871</b>   |
| Total financial assets                                     | <b>35,284</b>     | <b>2,395</b>                                    | <b>156,510</b>                        | <b>31,073</b>      | <b>213</b>       | <b>225,475</b> |
| Other asset items outside the scope of FRS 39              |                   |   |                                       |                    |                  | <b>8,116</b>   |
| Total assets   |                   |   |                                       |                    |                  | <b>233,591</b> |
| <b>Liabilities</b>   |                   |   |                                       |                    |                  |                |
| Due to banks   | –                 | –   | <b>15,464</b>                         | –                  | –                | <b>15,464</b>  |
| Due to non-bank customers                                  | –                 | –   | <b>145,368</b>                        | –                  | –                | <b>145,368</b> |
| Financial liabilities at fair value through profit or loss | <b>14,625</b>     | <b>3,617</b>                                    | –                                     | –                  | –                | <b>18,242</b>  |
| Negative replacement values                                | <b>12,426</b>     | –   | –                                     | –                  | <b>128</b>       | <b>12,554</b>  |
| Bills payable  | –                 | –   | <b>380</b>                            | –                  | –                | <b>380</b>     |
| Other liabilities  | –                 | –   | <b>6,849</b>                          | –                  | –                | <b>6,849</b>   |
| Other debt securities in issue                             | –                 | –   | <b>1,199</b>                          | –                  | –                | <b>1,199</b>   |
| Subordinated term debts                                    | –                 | –   | <b>8,954</b>                          | –                  | –                | <b>8,954</b>   |
| Total financial liabilities                                | <b>27,051</b>     | <b>3,617</b>                                    | <b>178,214</b>                        | –                  | <b>128</b>       | <b>209,010</b> |
| Other liability items outside the scope of FRS 39          |                   |   |                                       |                    |                  | <b>1,423</b>   |
| Total liabilities  |                   |   |                                       |                    |                  | <b>210,433</b> |

| In \$ millions   | The Group<br>2006 |   |                                       |                    |                  | Total   |
|--|-------------------|---|---------------------------------------|--------------------|------------------|---------|
|  | Held for trading  | Designated at fair value through profit or loss | Loans and receivables/ amortised cost | Available-for-sale | Held for hedging |         |
| <b>Assets</b>  |                   |   |                                       |                    |                  |         |
| 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                                | 8,074             | –   | –                                     | –                  | 141              | 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                                     | 27,176            | 2,196   | 128,606                               | 31,309             | 141              | 189,428 |
| Other asset items outside the scope of FRS 39              |                   |   |                                       |                    |                  | 7,944   |
| Total assets   |                   |   |                                       |                    |                  | 197,372 |
| <b>Liabilities</b>   |                   |   |                                       |                    |                  |         |
| 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                                | 7,762             | –   | –                                     | –                  | 111              | 7,873   |
| Bills payable  | –                 | –   | 511                                   | –                  | –                | 511     |
| Other liabilities  | –                 | –   | 6,356                                 | –                  | –                | 6,356   |
| Other debt securities in issue                             | –                 | –   | 3,950                                 | –                  | –                | 3,950   |
| Subordinated term debts                                    | –                 | –   | 6,749                                 | –                  | –                | 6,749   |
| Total financial liabilities                                | 21,657            | 5,813   | 147,521                               | –                  | 111              | 175,102 |
| Other liability items outside the scope of FRS 39          |                   |   |                                       |                    |                  | 1,224   |
| Total liabilities  |                   |   |                                       |                    |                  | 176,326 |

**17 CASH AND BALANCES WITH CENTRAL BANKS**

| In \$ millions              | The Group     |        |
|-----------------------------|---------------|--------|
|                             | 2007          | 2006   |
| Cash on hand                | <b>1,007</b>  | 988    |
| Balances with central banks |               |        |
| – Restricted balances       | <b>2,611</b>  | 2,556  |
| – Non-restricted balances   | <b>14,946</b> | 8,302  |
| Total                       | <b>18,564</b> | 11,846 |

**18 SINGAPORE GOVERNMENT SECURITIES AND TREASURY BILLS**

| In \$ millions     | The Group     |        |
|--------------------|---------------|--------|
|                    | 2007          | 2006   |
| Held for trading   | <b>3,568</b>  | 3,319  |
| Available-for-sale | <b>11,865</b> | 9,524  |
| Total              | <b>15,433</b> | 12,843 |
| Market value       | <b>15,433</b> | 12,843 |

**19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

| In \$ millions  | The Group     |        |
|---|---------------|--------|
|   | 2007          | 2006   |
| <b>Trading</b>  |               |        |
| Other government securities and treasury bills  | <b>2,752</b>  | 2,509  |
| Corporate debt securities   | <b>9,957</b>  | 8,606  |
| Equity securities   | <b>1,529</b>  | 790    |
| Loans and advances to customers   | <b>1,650</b>  | 1,153  |
| Other financial assets (due from banks)   | <b>1,260</b>  | 1,242  |
| Sub-total   | <b>17,148</b> | 14,300 |
| <b>Fair value designated</b>  |               |        |
| Corporate debt securities   | <b>1,957</b>  | 1,868  |
| Loans and advances to customers   | <b>438</b>    | 328    |
| Sub-total   | <b>2,395</b>  | 2,196  |
| Total   | <b>19,543</b> | 16,496 |
| <b>Analysed by industry</b>   |               |        |
| Manufacturing   | <b>1,314</b>  | 918    |
| Building and construction   | <b>286</b>    | 129    |
| General commerce  | <b>124</b>    | 111    |
| Transportation, storage and communications  | <b>888</b>    | 641    |
| Financial institutions, investment and holding companies                                    | <b>9,909</b>  | 8,849  |
| Government  | <b>2,752</b>  | 2,509  |
| Others  | <b>4,270</b>  | 3,339  |
| Total   | <b>19,543</b> | 16,496 |
| <b>Fair value designated loans and advances and related credit derivatives/enhancements</b> |               |        |
| Maximum credit exposure   | <b>438</b>    | 328    |
| Credit derivatives/enhancements – protection bought   | <b>(438)</b>  | (328)  |
| Cumulative change in fair value arising from changes in credit risk                         | <b>(40)</b>   | (7)    |
| Cumulative change in fair value of related credit derivatives/enhancements                  | <b>40</b>     | 7      |

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.

During the year, the amount of change in the fair value of the loans and advances attributable to credit risk was \$33 million (2006: \$1 million).

During the year, the amount of change in the fair value of the related credit derivatives/enhancements was \$33 million (2006: \$1 million).

**20 LOANS AND ADVANCES TO CUSTOMERS**

| In \$ millions   | The Group      |        |
|--|----------------|--------|
|  | 2007           | 2006   |
| Gross  | <b>107,685</b> | 86,599 |
| Less: Specific allowances                                    | <b>436</b>     | 564    |
| General allowances   | <b>905</b>     | 886    |
| Net total  | <b>106,344</b> | 85,149 |
| Comprising:  |                |        |
| Bills receivable   | <b>3,519</b>   | 2,926  |
| Loans  | <b>102,825</b> | 82,223 |
| Net total  | <b>106,344</b> | 85,149 |
| <b>Analysed by industry</b>                                  |                |        |
| Manufacturing  | <b>14,018</b>  | 10,854 |
| Building and construction                                    | <b>13,004</b>  | 10,883 |
| Housing loans  | <b>26,306</b>  | 25,043 |
| General commerce   | <b>10,042</b>  | 8,930  |
| Transportation, storage and communications                   | <b>11,169</b>  | 7,709  |
| Financial institutions, investment and holding companies     | <b>12,373</b>  | 8,521  |
| Professionals and private individuals (except housing loans) | <b>9,730</b>   | 7,948  |
| Others   | <b>11,043</b>  | 6,711  |
| Gross total  | <b>107,685</b> | 86,599 |
| <b>Analysed by products</b>                                  |                |        |
| Long-term loans  | <b>48,923</b>  | 36,188 |
| Short-term facilities  | <b>25,621</b>  | 19,117 |
| Overdrafts   | <b>3,242</b>   | 3,262  |
| Housing loans  | <b>26,306</b>  | 25,043 |
| Trade financing  | <b>3,593</b>   | 2,989  |
| Gross total  | <b>107,685</b> | 86,599 |
| <b>Analysed by currency and fixed/variable rates</b>         |                |        |
| <i>Fixed rate<sup>(a)</sup></i>                              |                |        |
| Singapore dollar   | <b>10,597</b>  | 7,941  |
| Hong Kong dollar   | <b>614</b>     | 633    |
| US dollar  | <b>1,513</b>   | 229    |
| Others   | <b>2,827</b>   | 820    |
| Sub-total  | <b>15,551</b>  | 9,623  |
| <i>Variable rate<sup>(b)</sup></i>                           |                |        |
| Singapore dollar   | <b>32,050</b>  | 27,671 |
| Hong Kong dollar   | <b>25,398</b>  | 24,309 |
| US dollar  | <b>23,009</b>  | 15,068 |
| Others   | <b>11,677</b>  | 9,928  |
| Sub-total  | <b>92,134</b>  | 76,976 |
| Gross total  | <b>107,685</b> | 86,599 |

(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

The table below shows the movements in specific and general allowances during the year for the Group:

| In \$ millions   | 2007                    |   |                                     |                                    | Balance at<br>31 December |
|--|-------------------------|---|-------------------------------------|------------------------------------|---------------------------|
|  | Balance at<br>1 January | Charge/<br>(Write-back)<br>to income<br>statement | Net write-off<br>during the<br>year | Exchange<br>and other<br>movements |                           |
| <b>Specific allowances</b>                                   |                         |   |                                     |                                    |                           |
| Manufacturing  | 163                     | 118   | (127)                               | –                                  | 154                       |
| Building and construction                                    | 41                      | (11)  | (11)                                | –                                  | 19                        |
| Housing loans  | 54                      | (26)  | 5                                   | –                                  | 33                        |
| General commerce   | 131                     | 4   | (8)                                 | –                                  | 127                       |
| Transportation, storage and communications                   | 12                      | (8)   | –                                   | –                                  | 4                         |
| Financial institutions, investment and holding companies     | 32                      | (28)  | 5                                   | –                                  | 9                         |
| Professionals and private individuals (except housing loans) | 46                      | 25  | (34)                                | –                                  | 37                        |
| Others   | 85                      | 18  | (29)                                | (21)                               | 53                        |
| Total specific allowances                                    | 564                     | 92  | (199)                               | (21)                               | 436                       |
| <b>General allowances</b>                                    |                         |   |                                     |                                    |                           |
| Manufacturing  | 107                     | 32  | –                                   | –                                  | 139                       |
| Building and construction                                    | 108                     | 21  | –                                   | –                                  | 129                       |
| Housing loans  | 250                     | (116)   | –                                   | –                                  | 134                       |
| General commerce   | 88                      | 11  | –                                   | –                                  | 99                        |
| Transportation, storage and communications                   | 77                      | 35  | –                                   | –                                  | 112                       |
| Financial institutions, investment and holding companies     | 85                      | 39  | –                                   | –                                  | 124                       |
| Professionals and private individuals (except housing loans) | 79                      | 18  | –                                   | –                                  | 97                        |
| Others   | 92                      | (4)   | –                                   | (17)                               | 71                        |
| Total general allowances                                     | 886                     | 36  | –                                   | (17)                               | 905                       |
| Total allowances   | 1,450                   | 128   | (199)                               | (38)                               | 1,341                     |

| In \$ millions   | 2006                    |   |                                     |                                    |                           |
|--|-------------------------|---|-------------------------------------|------------------------------------|---------------------------|
|  | Balance at<br>1 January | Charge/<br>(Write-back)<br>to income<br>statement | Net write-off<br>during the<br>year | Exchange<br>and other<br>movements | Balance at<br>31 December |
| <b>Specific allowances</b>                                   |                         |   |                                     |                                    |                           |
| Manufacturing  | 219                     | 38  | (94)                                | –                                  | 163                       |
| Building and construction                                    | 30                      | 13  | (2)                                 | –                                  | 41                        |
| Housing loans  | 63                      | (6)   | (3)                                 | –                                  | 54                        |
| General commerce   | 142                     | 39  | (50)                                | –                                  | 131                       |
| Transportation, storage and communications                   | 13                      | –   | (1)                                 | –                                  | 12                        |
| Financial institutions, investment and holding companies     | 36                      | (5)   | 1                                   | –                                  | 32                        |
| Professionals and private individuals (except housing loans) | 61                      | 37  | (52)                                | –                                  | 46                        |
| Others   | 72                      | 43  | (15)                                | (15)                               | 85                        |
| Total specific allowances                                    | 636                     | 159   | (216)                               | (15)                               | 564                       |
| <b>General allowances</b>                                    |                         |   |                                     |                                    |                           |
| Manufacturing  | 83                      | 24  | –                                   | –                                  | 107                       |
| Building and construction                                    | 89                      | 19  | –                                   | –                                  | 108                       |
| Housing loans  | 249                     | 1   | –                                   | –                                  | 250                       |
| General commerce   | 85                      | 3   | –                                   | –                                  | 88                        |
| Transportation, storage and communications                   | 69                      | 8   | –                                   | –                                  | 77                        |
| Financial institutions, investment and holding companies     | 80                      | 5   | –                                   | –                                  | 85                        |
| Professionals and private individuals (except housing loans) | 71                      | 8   | –                                   | –                                  | 79                        |
| Others   | 125                     | 1   | –                                   | (34)                               | 92                        |
| Total general allowances                                     | 851                     | 69  | –                                   | (34)                               | 886                       |
| Total allowances   | 1,487                   | 228   | (216)                               | (49)                               | 1,450                     |

## 21 FINANCIAL INVESTMENTS

| In \$ millions  | The Group     |        | In \$ millions   | The Group     |        |
|---|---------------|--------|--|---------------|--------|
|   | 2007          | 2006   |  | 2007          | 2006   |
| <b>Available-for-sale</b>                             |               |        | <b>Analysed by industry</b>                              |               |        |
| Quoted other government securities and treasury bills | <b>2,248</b>  | 2,858  | Manufacturing  | <b>1,005</b>  | 545    |
| Quoted corporate debt securities                      | <b>12,216</b> | 15,343 | Building and construction                                | <b>1,664</b>  | 1,019  |
| Quoted equity securities                              | <b>1,987</b>  | 1,996  | General commerce   | <b>266</b>    | 121    |
| Unquoted equity securities                            | <b>442</b>    | 298    | Transport, storage and communications                    | <b>787</b>    | 830    |
| Less: Impairment allowances                           | <b>138</b>    | 164    | Financial institutions, investment and holding companies | <b>10,579</b> | 13,521 |
| Available-for-sale financial investments              | <b>16,755</b> | 20,331 | Government   | <b>2,248</b>  | 2,858  |
| <b>Loans and receivables</b>                          |               |        | Others   | <b>2,633</b>  | 3,367  |
| Corporate debt securities                             | <b>2,720</b>  | 1,957  | Total carrying value                                     | <b>19,182</b> | 22,261 |
| Less: Impairment allowances                           | <b>293</b>    | 27     |  |               |        |
| Loans and receivables financial investments           | <b>2,427</b>  | 1,930  |  |               |        |
| Total   | <b>19,182</b> | 22,261 |  |               |        |
| Market value of quoted securities                     | <b>18,921</b> | 22,137 |  |               |        |

The table below shows the movements in impairment allowances during the year for the Group:

| In \$ millions                           | Balance at<br>1 January | Charge/<br>(Write-back)<br>to income<br>statement | Write-off<br>during the<br>year | Exchange<br>and other<br>movements | Balance at<br>31 December |
|--|-------------------------|---|---------------------------------|------------------------------------|---------------------------|
| <b>2007</b>                              |                         |   |                                 |                                    |                           |
| <b>Available-for-sale</b>                |                         |   |                                 |                                    |                           |
| Quoted corporate debt securities         | 41                      | –   | –                               | (9)                                | 32                        |
| Quoted equity securities                 | –                       | 270   | (270)                           | –                                  | –                         |
| Unquoted equities securities             | 123                     | (8)   | (7)                             | (2)                                | 106                       |
| Available-for-sale financial investments | 164                     | 262   | (277)                           | (11)                               | 138                       |
| <b>Loans and receivables</b>             |                         |   |                                 |                                    |                           |
| Corporate debt securities                | 27                      | 273   | (6)                             | (1)                                | 293                       |
| Total                                    | 191                     | 535   | (283)                           | (12)                               | 431                       |
| <b>2006</b>                              |                         |   |                                 |                                    |                           |
| <b>Available-for-sale</b>                |                         |   |                                 |                                    |                           |
| Quoted corporate debt securities         | 55                      | (12)  | (2)                             | –                                  | 41                        |
| Quoted equity securities                 | –                       | 13  | (13)                            | –                                  | –                         |
| Unquoted equities securities             | 103                     | 9   | 6                               | 5                                  | 123                       |
| Available-for-sale financial investments | 158                     | 10  | (9)                             | 5                                  | 164                       |
| <b>Loans and receivables</b>             |                         |   |                                 |                                    |                           |
| Corporate debt securities                | 64                      | (42)  | (1)                             | 6                                  | 27                        |
| Total                                    | 222                     | (32)  | (10)                            | 11                                 | 191                       |

## 22 SECURITIES PLEDGED

| In \$ millions                                     | The Group |       |
|--|-----------|-------|
|  | 2007      | 2006  |
| <b>Securities pledged</b>                          |           |       |
| Singapore Government securities and treasury bills | 268       | 317   |
| Other government securities and treasury bills     | 3,629     | 2,549 |
| Corporate debt securities                          | 218       | –     |
| Total securities pledged <sup>(a)</sup>            | 4,115     | 2,866 |
| Related liabilities                                | 3,711     | 2,451 |

(a) Included financial assets at fair value through profit or loss of \$1,662 million (2006: \$1,483 million)

The Group enters into securities repurchase agreements and securities lending transactions under which it receives or transfers collateral in accordance with normal market practice.

## 23 SUBSIDIARIES

| In \$ millions                  | The Company |       |
|---------------------------------|-------------|-------|
|                                 | 2007        | 2006  |
| Unquoted equity shares, at cost | 6,726       | 6,726 |
| Due from subsidiaries           | 22          | 201   |
| Total                           | 6,748       | 6,927 |

Refer to Note 53 for details of significant subsidiaries.

## 24 JOINT VENTURES

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

| In \$ millions             | The Group |      |
|----------------------------|-----------|------|
|                            | 2007      | 2006 |
| <b>Income statement</b>    |           |      |
| Share of income            | 83        | 43   |
| Share of expenses          | (72)      | (37) |
| <b>Balance sheet</b>       |           |      |
| Share of total assets      | 829       | 540  |
| Share of total liabilities | 716       | 463  |

Refer to Note 53 for details of significant joint ventures.

## 25 INVESTMENTS IN ASSOCIATES

| In \$ millions                       | The Group |       |
|--------------------------------------|-----------|-------|
|                                      | 2007      | 2006  |
| <b>Unquoted</b>                      |           |       |
| Cost                                 | 92        | 57    |
| Share of post acquisition reserves   | 69        | 52    |
| Less: Impairment allowances          | 42        | 28    |
| Sub-total                            | 119       | 81    |
| <b>Quoted</b>                        |           |       |
| Cost                                 | 1,290     | 1,275 |
| Goodwill written off                 | (837)     | (837) |
| Net exchange translation adjustments | (9)       | (46)  |
| Share of post acquisition reserves   | 152       | 130   |
| Sub-total                            | 596       | 522   |
| Total                                | 715       | 603   |
| Market value – quoted associates     | 1,244     | 1,160 |

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

| In \$ millions             | The Group |       |
|----------------------------|-----------|-------|
|                            | 2007      | 2006  |
| <b>Income statement</b>    |           |       |
| Share of income            | 444       | 368   |
| Share of expenses          | (344)     | (301) |
| <b>Balance sheet</b>       |           |       |
| Share of total assets      | 6,018     | 4,133 |
| Share of total liabilities | 5,070     | 3,563 |

Refer to Note 53 for details of significant associates.

## 26 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 is performed:

| In \$ millions                                  | The Group |       |
|---|-----------|-------|
|   | 2007      | 2006  |
| Balance at 1 January                            | 5,840     | 5,803 |
| Acquisition of a subsidiary and a joint venture | –         | 39    |
| Exchange differences                            | 2         | (2)   |
| Balance at 31 December                          | 5,842     | 5,840 |

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

| In \$ millions                          | As at 31 December |       |
|---|-------------------|-------|
|   | 2007              | 2006  |
| DBS Bank (Hong Kong) Limited            | 5,649             | 5,649 |
| DBS Vickers Securities Holdings Pte Ltd | 154               | 154   |
| Cholamandalam DBS Finance Limited       | 33                | 31    |
| Primefield Company Pte Ltd              | 6                 | 6     |
| Total                                   | 5,842             | 5,840 |

Key assumptions used for value-in-use calculations:

|               | DBS Bank<br>(Hong Kong)<br>Limited | DBS Vickers<br>Securities<br>Holdings<br>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. 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.

**27 PROPERTIES AND OTHER FIXED ASSETS**

| In \$ millions                        | The Group  |                                   | Total |
|---------------------------------------|------------|-----------------------------------|-------|
|                                       | Properties | Other fixed assets <sup>(a)</sup> |       |
| <b>2007</b>                           |            |                                   |       |
| <b>Cost</b>                           |            |                                   |       |
| Balance at 1 January                  | 1,404      | 700                               | 2,104 |
| Additions                             | 6          | 190                               | 196   |
| Disposals                             | (53)       | (212)                             | (265) |
| Write-off                             | (79)       | –                                 | (79)  |
| Exchange differences                  | (39)       | (16)                              | (55)  |
| Balance at 31 December                | 1,239      | 662                               | 1,901 |
| <b>Less: Accumulated depreciation</b> |            |                                   |       |
| Balance at 1 January                  | 133        | 296                               | 429   |
| Depreciation charge                   | 27         | 99                                | 126   |
| Disposals                             | (16)       | (181)                             | (197) |
| Exchange differences                  | (6)        | (10)                              | (16)  |
| Balance at 31 December                | 138        | 204                               | 342   |
| Less: Allowances for impairment       | 25         | –                                 | 25    |
| Net book value at 31 December         | 1,076      | 458                               | 1,534 |
| Market value at 31 December           | 1,706      | –                                 | –     |
| <b>2006</b>                           |            |                                   |       |
| <b>Cost</b>                           |            |                                   |       |
| 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 |
| <b>Less: Accumulated depreciation</b> |            |                                   |       |
| 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 at 31 December         | 1,077      | 404                               | 1,481 |
| Market value at 31 December           | 1,468      | –                                 | –     |

(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 are as follows:

| In \$ millions                 | The Group |      |
|--------------------------------|-----------|------|
|                                | 2007      | 2006 |
| Balance at 1 January           | 194       | 312  |
| Write-back to income statement | (86)      | (71) |
| Disposals                      | (1)       | (39) |
| Write-off                      | (79)      | –    |
| Exchange and other movements   | (3)       | (8)  |
| Balance at 31 December         | 25        | 194  |

**27.1** The net book value of PWC Building, being property held for the purpose of generating rental income, was \$460 million as at 31 December 2007 (2006: \$390 million). Its fair value was independently appraised at \$706 million (2006: \$390 million).

**28 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, are shown in the balance sheet:

| In \$ millions           | The Group |       |
|--------------------------|-----------|-------|
|                          | 2007      | 2006  |
| Deferred tax assets      | 25        | 20    |
| Deferred tax liabilities | (172)     | (137) |
| Total                    | (147)     | (117) |

The movement in deferred tax is as follows:

| In \$ millions                      | The Group |       |
|-------------------------------------|-----------|-------|
|                                     | 2007      | 2006  |
| Balance at 1 January                | (117)     | (7)   |
| Credit/(Charge) to income statement | 28        | (66)  |
| Charge to equity                    | (58)      | (44)  |
| Balance at 31 December              | (147)     | (117) |



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

| In \$ millions                                     | The Group |       |
|--|-----------|-------|
|  | 2007      | 2006  |
| <b>Deferred income tax assets</b>                  |           |       |
| Allowances for losses                              | 87        | 78    |
| Other temporary differences                        | 51        | 30    |
| Sub-total  | 138       | 108   |
| <b>Deferred income tax liabilities</b>             |           |       |
| Accelerated tax depreciation                       | (118)     | (121) |
| Available-for-sale investments/<br>cash flow hedge | (165)     | (104) |
| Other temporary differences                        | (2)       | –     |
| Sub-total  | (285)     | (225) |
| Total  | (147)     | (117) |

## 29 OTHER ASSETS

| In \$ millions   | The Group |       |
|--|-----------|-------|
|  | 2007      | 2006  |
| Accrued interest receivable                            | 1,180     | 1,136 |
| Deposits and prepayments                               | 272       | 298   |
| Clients' monies receivable from<br>securities business | 774       | 885   |
| Sundry debtors and others                              | 3,645     | 2,160 |
| Total  | 5,871     | 4,479 |

## 30 DUE TO NON-BANK CUSTOMERS

| In \$ millions              | The Group |         |
|-----------------------------|-----------|---------|
|                             | 2007      | 2006    |
| <b>Analysed by currency</b> |           |         |
| Singapore dollar            | 79,170    | 65,927  |
| US dollar                   | 25,244    | 21,374  |
| Hong Kong dollar            | 24,776    | 21,698  |
| Others                      | 16,178    | 13,093  |
| Total                       | 145,368   | 122,092 |
| <b>Analysed by product</b>  |           |         |
| Savings accounts            | 51,278    | 47,491  |
| Current accounts            | 16,144    | 14,109  |
| Fixed deposits              | 74,520    | 57,707  |
| Other deposits              | 3,426     | 2,785   |
| Total                       | 145,368   | 122,092 |

## 31 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

| In \$ millions                                    | The Group |        |
|---|-----------|--------|
|   | 2007      | 2006   |
| <b>Trading</b>                                    |           |        |
| Other debt securities in issue<br>(Note 31.1)     | 2,588     | 2,951  |
| Due to non-bank customers                         |           |        |
| – structured investments                          | 5,725     | 6,436  |
| – others  | 1,138     | 270    |
| Payable in respect of short<br>sale of securities | 4,157     | 3,564  |
| Other financial liabilities                       | 1,017     | 674    |
| Sub-total   | 14,625    | 13,895 |
| <b>Fair value designated<sup>(a)</sup></b>        |           |        |
| Due to non-bank customers                         |           |        |
| – structured investments                          | 1,341     | 2,575  |
| Other debt securities in issue<br>(Note 31.2)     | 2,276     | 3,238  |
| Sub-total   | 3,617     | 5,813  |
| Total   | 18,242    | 19,708 |

(a) Changes in the fair value of the financial liabilities designated 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 market conditions that give rise to market risk is considered not significant. Unrealised gain for the fair value designated liabilities amount to \$119 million at 31 December 2007 (2006: \$177 million)

**31.1 Other debt securities in issue (Trading)**

Details of other debt securities issued and outstanding at 31 December 2007 are as follows:

| In \$ millions<br>Type    | Issue Date                    | Maturity Date                 | The Group    |       |
|---------------------------|-------------------------------|-------------------------------|--------------|-------|
|                           |                               |                               | 2007         | 2006  |
| <b>Issued by the Bank</b> |                               |                               |              |       |
| Equity linked notes       | 2 Sep 2003 to<br>31 Dec 2007  | 2 Jan 2008 to<br>21 May 2014  | 845          | 723   |
| Credit linked notes       | 15 Nov 2001 to<br>27 Dec 2007 | 14 Jan 2008 to<br>20 Jun 2016 | 1,192        | 1,528 |
| Interest linked notes     | 12 Aug 2003 to<br>21 Dec 2007 | 28 Jan 2008 to<br>3 Dec 2019  | 531          | 643   |
| Exchange linked notes     | 16 Jan 2007 to<br>14 Sep 2007 | 22 Jan 2008 to<br>25 Mar 2008 | 20           | 57    |
| <b>Total</b>              |                               |                               | <b>2,588</b> | 2,951 |
| Due within 1 year         |                               |                               | 628          | 863   |
| Due after 1 year          |                               |                               | 1,960        | 2,088 |
| <b>Total</b>              |                               |                               | <b>2,588</b> | 2,951 |

**31.2 Other debt securities in issue (Fair value designated)**

| In \$ millions                     | The Group    |       |
|------------------------------------|--------------|-------|
|                                    | 2007         | 2006  |
| Negotiable certificate of deposits | 80           | 149   |
| Other debt securities              | 2,196        | 3,089 |
| <b>Total</b>                       | <b>2,276</b> | 3,238 |
| Due within 1 year                  | 763          | 1,605 |
| Due after 1 year                   | 1,513        | 1,633 |
| <b>Total</b>                       | <b>2,276</b> | 3,238 |

Details of negotiable certificate of deposits issued and outstanding at 31 December 2007 are as follows:

| In \$ millions<br>Face Value        | Interest Rate and Repayment Terms               | Issue Date                    | Maturity Date               | The Group |      |
|-------------------------------------|---|-------------------------------|-----------------------------|-----------|------|
|                                     |   |                               |                             | 2007      | 2006 |
| <b>Issued by other subsidiaries</b> |   |                               |                             |           |      |
| HK\$406m                            | 3-mth HIBOR* 0% to +0.01%,<br>payable quarterly | 10 Jan 2005 to<br>30 Mar 2005 | 8 Apr 2008 to<br>6 Apr 2010 | 75        | 133  |
| US\$3m                              | 3-mth LIBOR**, payable quarterly                | 30 Mar 2005                   | 7 Apr 2008                  | 5         | 16   |
| <b>Total</b>                        |   |                               |                             | <b>80</b> | 149  |

\* HIBOR: Hong Kong Interbank Offer Rate

\*\* LIBOR: London Interbank Offer Rate

Details of other debt securities issued and outstanding at 31 December 2007 are as follows:

| In \$ millions<br>Type   | Issue Date                    | Maturity Date                 | The Group    |       |
|--|-------------------------------|-------------------------------|--------------|-------|
|  |                               |                               | 2007         | 2006  |
| <b>Issued by the Bank</b>  |                               |                               |              |       |
| Credit linked notes  | 29 Jun 2005 to<br>28 Dec 2007 | 22 Feb 2008 to<br>28 Mar 2012 | <b>884</b>   | 474   |
| 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<br>13 Dec 2006 | 15 Nov 2007 to<br>30 Dec 2007 | –            | 1,263 |
| <b>Issued by other subsidiaries</b>  |                               |                               |              |       |
| Equity linked notes  | 21 Mar 2005 to<br>10 Nov 2006 | 10 Nov 2009 to<br>10 Nov 2011 | <b>46</b>    | 50    |
| Credit linked notes  | 9 Oct 2003 to<br>5 Sep 2007   | 9 Oct 2008 to<br>5 Sep 2014   | <b>1,229</b> | 1,268 |
| Secured asset-backed medium term notes (Note (b))  | 30 Nov 2001                   | 25 Apr 2008                   | <b>37</b>    | 31    |
| <b>Total</b>   |                               |                               | <b>2,196</b> | 3,089 |

(a) The notes consist of non-voting redeemable preference shares and fixed rate notes which were issued and stapled together. The notes expired in 2007.

(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.

## 32 OTHER LIABILITIES

| In \$ millions  | The Group    |       |
|---|--------------|-------|
|   | 2007         | 2006  |
| Sundry creditors  | <b>3,738</b> | 2,911 |
| Cash collaterals received in respect of valuation shortfalls on derivative portfolios | <b>567</b>   | 539   |
| Interest payable  | <b>631</b>   | 593   |
| Valuation reserves  | <b>237</b>   | 195   |
| Loss allowances for off-balance sheet credit exposures                                | <b>132</b>   | 126   |
| Clients' monies payable in respect of securities business                             | <b>629</b>   | 796   |
| Other payables  | <b>1,284</b> | 1,517 |
| <b>Total</b>  | <b>7,218</b> | 6,677 |

The table below shows the movements in loss allowances for off-balance sheet credit exposures during the year for the Group:

| In \$ millions         | Balance at<br>1 January | Charge/<br>(Write-back)<br>to income<br>statement | Write-off<br>during the<br>year | Exchange<br>and other<br>movements | Balance at  |
|------------------------|-------------------------|---|---------------------------------|------------------------------------|-------------|
|                        |                         |   |                                 |                                    | 31 December |
| <b>2007</b>            |                         |   |                                 |                                    |             |
| Contingent liabilities | <b>83</b>               | <b>8</b>  | –                               | –                                  | <b>91</b>   |
| Commitments            | <b>43</b>               | <b>(2)</b>  | –                               | –                                  | <b>41</b>   |
| <b>Total</b>           | <b>126</b>              | <b>6</b>  | –                               | –                                  | <b>132</b>  |
| <b>2006</b>            |                         |   |                                 |                                    |             |
| Contingent liabilities | 65                      | 18  | –                               | –                                  | 83          |
| Commitments            | 30                      | 13  | –                               | –                                  | 43          |
| <b>Total</b>           | <b>95</b>               | <b>31</b>   | –                               | –                                  | <b>126</b>  |

**33 DAY ONE PROFIT**

Included in the valuation reserves disclosed under Note 32 are the following reserves relating to deferred day one profit, which arise from financial instruments measured using valuation techniques for which not all the inputs are observable in the market:

| In \$ millions  | The Group |      |
|---|-----------|------|
|   | 2007      | 2006 |
| Balance at 1 January  | 19        | 3    |
| Deferral of profit on new transactions                                  | 8         | 18   |
| Recognised in the income statement during the year through amortisation | (6)       | (2)  |
| Balance at 31 December  | 21        | 19   |

**34 OTHER DEBT SECURITIES IN ISSUE**

| In \$ millions                     | The Group |       |
|------------------------------------|-----------|-------|
|                                    | 2007      | 2006  |
| Negotiable certificate of deposits | 216       | 536   |
| Other debt securities              | 983       | 3,414 |
| Total                              | 1,199     | 3,950 |
| Due within 1 year                  | 960       | 3,682 |
| Due after 1 year                   | 239       | 268   |
| Total                              | 1,199     | 3,950 |

Details of negotiable certificate of deposits issued and outstanding at 31 December 2007 are as follows:

| In \$ millions                      |  |                            |                            | The Group |      |
|-------------------------------------|--|----------------------------|----------------------------|-----------|------|
| Face Value                          | Interest Rate and Repayment Terms                | Issue Date                 | Maturity Date              | 2007      | 2006 |
| <b>Issued by the Bank</b>           |  |                            |                            |           |      |
| TWD2,100m                           | 2.20% to 2.23%, payable on maturity              | 29 Oct 2007 to 4 Dec 2007  | 29 Jan 2008 to 11 Mar 2008 | 93        | 42   |
| INR250m                             | 8.15%, payable on maturity                       | 28 Sep 2007                | 31 Jan 2008                | 9         | –    |
| <b>Issued by other subsidiaries</b> |  |                            |                            |           |      |
| 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   |
| HK\$350m                            | 2.60% to 2.66%, payable quarterly                | 3 Feb 2005 to 16 Feb 2005  | 14 Feb 2008 to 23 Feb 2008 | 65        | 147  |
| HK\$267m                            | 3.38% to 4.12%, payable yearly                   | 27 May 2005 to 3 Mar 2006  | 3 Jun 2008 to 9 Mar 2009   | 49        | 261  |
| Total                               |  |                            |                            | 216       | 536  |

\* HIBOR: Hong Kong Interbank Offer Rate

Details of other debt securities issued and outstanding at 31 December 2007 are as follows:

| In \$ millions<br>Type  | Issue Date                    | Maturity Date                 | The Group  |              |
|---|-------------------------------|-------------------------------|------------|--------------|
|   |                               |                               | 2007       | 2006         |
| <b>Issued by the Bank</b>   |                               |                               |            |              |
| Stapled notes with non-voting redeemable preference shares and fixed rate notes (Note (a))  | 11 Dec 2007                   | 12 Dec 2008                   | <b>636</b> | 2,023        |
| <b>Issued by other subsidiaries/joint ventures</b>  |                               |                               |            |              |
| Equity linked notes   | 29 Nov 2007 to<br>20 Dec 2007 | 7 Jan 2008 to<br>22 Jan 2008  | <b>1</b>   | 2            |
| Asset-backed short term notes (AUD654 million at 6.24% to 6.38% payable at maturity and \$349 million at 3.38% to 3.44% payable at maturity) (Note (b)) | 10 Oct 2006 to<br>29 Dec 2006 | 3 Jan 2007 to<br>21 Mar 2007  | –          | 1,141        |
| Redeemable non-convertible debentures (Note (c))  |                               |                               |            |              |
| – Fixed rate at 7.85% to 12.00%   | 24 Apr 2006 to<br>31 Oct 2007 | 25 Feb 2008 to<br>30 Apr 2013 | <b>243</b> | 73           |
| – Floating rate at INBMK* +0.50% to +1.30%  | 3 Mar 2005 to<br>31 Jul 2006  | 3 Mar 2008 to<br>31 Jul 2009  | <b>23</b>  | 36           |
| – Floating rate at MIBOR** +0.30% to +2.18%   | 27 Dec 2004 to<br>30 Nov 2007 | 22 Feb 2008 to<br>31 Jul 2009 | <b>80</b>  | 87           |
| Commercial paper (INR1.5 billion discounted at 7.39% to 8.20%)  | 1 Sep 2006 to<br>30 Nov 2006  | 28 Feb 2007 to<br>17 Apr 2007 | –          | 52           |
| <b>Total</b>  |                               |                               | <b>983</b> | <b>3,414</b> |

\* INBMK: Indian Benchmark

\*\* MIBOR: Mumbai Interbank Offer Rate

(a) The notes issued by the 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 were issued by Red Orchid Secured Assets Limited. The short-dated notes were secured by a debenture creating a first fixed and floating charge over property, assets, rights and undertakings of the issuer. The notes expired in 2007.

(c) The notes were issued by Cholamandalam DBS Finance Limited, a joint venture. The medium-term debentures amounting to INR25.2 billion (2006: INR1.7 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 | 2007         | 2006  |
| <b>Issued by the Bank</b>         |  |             |               |              |       |
| US\$750m                          | 7.88% Subordinated Notes (Note 35.1)                                       | 10 Aug 1999 | 10 Aug 2009   | <b>1,120</b> | 1,204 |
| US\$500m                          | 7.88% Subordinated Notes (Note 35.2)                                       | 15 Apr 2000 | 15 Apr 2010   | <b>767</b>   | 808   |
| US\$850m                          | 7.13% Subordinated Notes (Note 35.3)                                       | 15 May 2001 | 15 May 2011   | <b>1,292</b> | 1,341 |
| US\$750m                          | 5.00% Subordinated Notes callable with step-up in 2014 (Note 35.4)         | 1 Oct 2004  | 15 Nov 2019   | <b>1,075</b> | 1,116 |
| US\$900m                          | Floating Rate Subordinated Notes callable with step-up in 2016 (Note 35.5) | 16 Jun 2006 | 15 Jul 2021   | <b>1,298</b> | 1,379 |
| S\$500m                           | 4.47% Subordinated Notes callable with step-up in 2016 (Note 35.6)         | 11 Jul 2006 | 15 Jul 2021   | <b>500</b>   | 500   |
| US\$500m                          | 5.13% Subordinated Notes callable with step-up in 2012 (Note 35.7)         | 15 May 2007 | 16 May 2017   | <b>739</b>   | –     |
| US\$1,500m                        | Floating Rate Subordinated Notes callable with step-up in 2012 (Note 35.8) | 15 May 2007 | 16 May 2017   | <b>2,163</b> | –     |
| <b>Issued by other subsidiary</b> |  |             |               |              |       |
| US\$262m                          | 7.75% Fixed Rate Subordinated Notes (Note 35.9)                            | 24 Jan 1997 | 24 Jan 2007   | –            | 401   |
| <b>Total</b>                      |  |             |               | <b>8,954</b> | 6,749 |
| Due within 1 year                 |  |             |               | –            | 401   |
| Due after 1 year                  |  |             |               | <b>8,954</b> | 6,348 |
| <b>Total</b>                      |  |             |               | <b>8,954</b> | 6,749 |

**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 + 1.05% via interest rate swaps. In computing the Group's capital adequacy ratio, these notes qualify as Tier 2 capital, the eligible amount being dependent on regulatory amortisation rules.

**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 + 0.96% via interest rate swaps. In computing the Group's capital adequacy ratio, these notes qualify as Tier 2 capital, the eligible amount being dependent on regulatory amortisation rules.

**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 + 1.25% via interest rate swaps. In computing the Group's capital adequacy ratio, these notes qualify as Tier 2 capital, the eligible amount being dependent on regulatory amortisation rules.

**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 + 0.61% 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 16 May and 16 November commencing 16 November 2007. The fixed rate funding has been converted to floating rate at three-month LIBOR + 0.22% via interest rate swaps. If the notes are not called at the fifth year, the interest rate steps up and will be set at three-month LIBOR + 1.22% on the call date. In computing the Group's capital adequacy ratio, these notes qualify as Tier 2 capital.

**35.8** Interest is payable quarterly on 16 February, 16 May, 16 August and 16 November commencing 16 August 2007. Interest on the notes will be paid initially at three-month LIBOR + 0.22%. If the notes are not called at the fifth year, the interest rate steps up and will be set at three-month LIBOR + 1.22% on the call date. In computing the Group's capital adequacy ratio, these notes qualify as Tier 2 capital.

**35.9** Interest was payable semi-annually on 24 January and 24 July, commencing 24 July 1997. The notes matured in 2007.

### 36 SHARE CAPITAL AND TREASURY SHARES

During the financial year, pursuant to the DBSH Share Option Plan, the Company issued 6,951,829 (2006: 12,977,688) 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 number of ordinary shares and CPS are as follows:

| Share capital<br>Number of shares (millions)            | The Company |       |
|---|-------------|-------|
|   | 2007        | 2006  |
| Balance at 1 January                                    | 1,577       | 1,564 |
| Exercise of share options                               | 7           | 13    |
| Balance at 31 December                                  | 1,584       | 1,577 |
| The balance includes the following:                     |             |       |
| 1,517,786,862 (2006: 1,510,835,033) ordinary shares     | 1,518       | 1,511 |
| 120,436 (2006: 120,436) non-voting CPS                  | #           | #     |
| 66,475,374 (2006: 66,475,374) non-voting redeemable CPS | 66          | 66    |
| Total   | 1,584       | 1,577 |

# Amount under \$500,000

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 carrying amount of share capital and treasury shares are as follows:

| In \$ millions  | The Group            |               |                 |
|---|----------------------|---------------|-----------------|
|   | Issued share capital | Share premium | Treasury shares |
| Balance at 1 January 2007                                   | 4,042                | –             | (111)           |
| Exercise of share options                                   | 106                  | –             | –               |
| Share buy-back during the year                              | –                    | –             | (27)            |
| Draw-down of reserves upon vesting of performance shares    | –                    | –             | 36              |
| Reclassification of reserves upon exercise of share options | 16                   | –             | –               |
| Balance at 31 December 2007                                 | 4,164                | –             | (102)           |
| 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)           |

As at 31 December 2007, the number of treasury shares held by the Group is 4,933,401 (2006: 5,285,596), which is 0.33% (2006: 0.31%) of the total number of issued shares excluding treasury shares.

Movements in the number of treasury shares are as follows:

| Number of shares               | The Company |           |
|--------------------------------|-------------|-----------|
|                                | 2007        | 2006      |
| Balance at 1 January           | 5,285,596   | 5,595,956 |
| Vesting of performance shares  | (1,752,195) | (310,360) |
| Share buy-back during the year | 1,400,000   | –         |
| Balance at 31 December         | 4,933,401   | 5,285,596 |

## 37 OTHER RESERVES

### 37.1 Other reserves

| In \$ millions                          | The Group |       | The Company |      |
|---|-----------|-------|-------------|------|
|   | 2007      | 2006  | 2007        | 2006 |
| Available-for-sale revaluation reserves | 901       | 414   | –           | –    |
| General reserves                        | 2,453     | 2,423 | –           | –    |
| Capital reserves                        | (12)      | (11)  | –           | –    |
| Share option and share plan reserves    | 67        | 85    | 37          | 53   |
| Others                                  | 4,271     | 4,271 | –           | –    |
| Total                                   | 7,680     | 7,182 | 37          | 53   |

Movements in other reserves during the year are as follows:

| In \$ millions  | The Group                               |                          |                                 |                                 |  |                                      |                               | Total |
|---|---|--------------------------|---------------------------------|---------------------------------|--|--------------------------------------|-------------------------------|-------|
|   | Available-for-sale revaluation reserves | Cash flow hedge reserves | General reserves <sup>(a)</sup> | Capital reserves <sup>(b)</sup> | Capital redemption reserves <sup>(c)</sup> | Share option and share plan reserves | Other reserves <sup>(d)</sup> |       |
| Balance at 1 January 2007                                   | 414                                     | –                        | 2,423                           | (11)                            | –  | 85                                   | 4,271                         | 7,182 |
| Appropriation from income statement <sup>(e)</sup>          | –                                       | –                        | 30                              | –                               | –  | –                                    | –                             | 30    |
| Net exchange translation adjustments                        | –                                       | –                        | –                               | (38)                            | –  | –                                    | –                             | (38)  |
| Share of associates' capital reserves                       | –                                       | –                        | –                               | 37                              | –  | –                                    | –                             | 37    |
| Cost of share-based payments                                | –                                       | –                        | –                               | –                               | –  | 34                                   | –                             | 34    |
| Draw-down of reserves upon vesting of performance shares    | –                                       | –                        | –                               | –                               | –  | (36)                                 | –                             | (36)  |
| Reclassification of reserves upon exercise of share options | –                                       | –                        | –                               | –                               | –  | (16)                                 | –                             | (16)  |
| Available-for-sale:   |   |                          |                                 |                                 |  |                                      |                               |       |
| – net valuation taken to equity                             | 940                                     | –                        | –                               | –                               | –  | –                                    | –                             | 940   |
| – transferred to income statement on sale                   | (395)                                   | –                        | –                               | –                               | –  | –                                    | –                             | (395) |
| – tax on items taken directly to or transferred from equity | (58)                                    | –                        | –                               | –                               | –  | –                                    | –                             | (58)  |
| Balance at 31 December 2007                                 | 901                                     | –                        | 2,453                           | (12)                            | –  | 67                                   | 4,271                         | 7,680 |



| In \$ millions  | The Group                               |                          |                                 |                                 |  |                                      |                               | Total |
|---|---|--------------------------|---------------------------------|---------------------------------|--|--------------------------------------|-------------------------------|-------|
|   | Available-for-sale revaluation reserves | Cash flow hedge reserves | General reserves <sup>(a)</sup> | Capital reserves <sup>(b)</sup> | Capital redemption reserves <sup>(c)</sup> | Share option and share plan reserves | Other reserves <sup>(d)</sup> |       |
| 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 |

| In \$ millions  | The Company                                |                                      |       |
|---|--|--------------------------------------|-------|
|   | Capital redemption reserves <sup>(c)</sup> | Share option and share plan reserves | Total |
| Balance at 1 January 2007                                   | –  | 53                                   | 53    |
| Cost of share-based payments                                | –  | #                                    | #     |
| Reclassification of reserves upon exercise of share options | –  | (16)                                 | (16)  |
| Balance at 31 December 2007                                 | –  | 37                                   | 37    |
| 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    |

# Amount under \$500,000

(a) General reserves are maintained in accordance with the provisions of applicable laws and regulations. These reserves are non distributable unless otherwise approved by the relevant authorities. Under the Banking (Reserve Fund) (Transitional Provision) regulations 2007, which came into effect on 11 June 2007, the Bank may distribute or utilise its statutory reserves provided that the amount distributed or utilised for each financial year does not exceed 20% of the reserves as at 30 March 2007

(b) 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) 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 the Bank prior to the restructuring of the 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

(e) Includes appropriation from prior year's income statement

### 37.2 Revenue reserves

| In \$ millions  | The Group |       |
|---|-----------|-------|
|   | 2007      | 2006  |
| Balance at 1 January  | 7,562     | 6,167 |
| Share of associates' reserves   | –         | 18    |
| Net profit attributable to shareholders   | 2,278     | 2,269 |
| Transfer to general reserves <sup>(a)</sup>   | (30)      | (61)  |
| Amount available for distribution   | 9,810     | 8,393 |
| Less: Final dividend on ordinary shares of \$0.20 (2006: \$0.17) net of tax paid for the previous financial year                          | 248       | 203   |
| Special dividend on ordinary shares of \$0.05 (2006: \$Nil) net of tax paid for the previous financial year                               | 62        | –     |
| Interim dividends on ordinary shares of \$0.60 (2006: \$0.51) net of tax paid for the current financial year                              | 745       | 612   |
| Interim dividends on non-voting CPS and non-voting redeemable CPS of \$0.30 (2006: \$0.30) net of tax paid for the current financial year | 16        | 16    |
| Balance at 31 December  | 8,739     | 7,562 |

(a) Includes appropriation from prior year's income statement

### 37.3 Proposed dividend

Proposed final one-tier tax exempt dividends on ordinary shares of \$0.20 per share are not accounted for in the financial statements for the year ended 31 December 2007 until they have been approved at the Annual General Meeting on 2 April 2008.

### 38 MINORITY INTERESTS

| In \$ millions  | The Group |       |
|---|-----------|-------|
|   | 2007      | 2006  |
| Preference shares issued by the Bank (Note 38.1)                        | 1,100     | 1,100 |
| Preference shares issued by DBS Capital Funding Corporation (Note 38.2) | 1,125     | 1,196 |
| Other subsidiaries  | 452       | 75    |
| Total   | 2,677     | 2,371 |

**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 the 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 the Bank, are payable semi-annually on 15 May and 15 November at a fixed rate of 6% 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 + 2.28%.

**38.2** US\$725 million 7.66% non-cumulative guaranteed preference shares, Series A, each with a liquidation preference of US\$1,000 and \$100 million 5.35% non-cumulative guaranteed preference shares, Series B, each with a liquidation preference of \$10,000 were issued on 21 March 2001 by DBS Capital Funding Corporation, a subsidiary of the 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 7.66% 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 LIBOR + 3.20% 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.

| In \$ millions  | The Group     |        |
|---|---------------|--------|
|   | 2007          | 2006   |
| Guarantees on account of customers                              | <b>8,455</b>  | 6,909  |
| Endorsements and other obligations<br>on account of customers   |               |        |
| – Letters of credit   | <b>4,770</b>  | 4,495  |
| – Others  | <b>1,366</b>  | 708    |
| Other contingent items  | <b>65</b>     | 75     |
| <b>Total</b>  | <b>14,656</b> | 12,187 |
| <b>Analysed by industry</b>                                     |               |        |
| Manufacturing   | <b>2,836</b>  | 2,414  |
| Building and construction                                       | <b>898</b>    | 778    |
| General commerce  | <b>2,653</b>  | 2,576  |
| Transportation, storage and<br>communications                   | <b>1,091</b>  | 940    |
| Financial institutions, investment<br>and holding companies     | <b>4,441</b>  | 3,227  |
| Professionals and private individuals<br>(except housing loans) | <b>150</b>    | 180    |
| Others  | <b>2,587</b>  | 2,072  |
| <b>Total</b>  | <b>14,656</b> | 12,187 |

**39.1** The 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 2007, is an amount of \$65 million (2006: \$75 million), representing the termination fee payable by the 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     |        |
|--|---------------|--------|
|  | 2007          | 2006   |
| Loans and other facilities                 |               |        |
| – Undrawn credit facilities                | <b>91,182</b> | 85,520 |
| – Undisbursed commitments in securities    | <b>132</b>    | 88     |
| <b>Sub-total</b>                           | <b>91,314</b> | 85,608 |
| Operating lease commitments <sup>(a)</sup> | <b>907</b>    | 417    |
| Capital commitments                        | <b>84</b>     | 40     |
| <b>Total</b>                               | <b>92,305</b> | 86,065 |

(a) The Group has operating lease commitments for which the payments will be determined in the future based on the prevailing market rates in accordance with the lease agreements. The related amounts have not been included

#### Undrawn commitments on loans and other facilities analysed by industry

|   |               |        |
|---|---------------|--------|
| Manufacturing   | <b>12,618</b> | 11,630 |
| Building and construction                                       | <b>6,567</b>  | 4,825  |
| Housing loans   | <b>2,633</b>  | 2,571  |
| General commerce  | <b>9,418</b>  | 9,579  |
| Transportation, storage and<br>communications                   | <b>7,085</b>  | 5,372  |
| Financial institutions, investment<br>and holding companies     | <b>22,516</b> | 23,727 |
| Professionals and private individuals<br>(except housing loans) | <b>17,663</b> | 15,218 |
| Others  | <b>12,814</b> | 12,686 |
| <b>Total</b>  | <b>91,314</b> | 85,608 |

#### 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 contracts** are agreements between two parties to exchange cash flows which are dependent on the price of the underlying physical assets.

**Commodity options** give the buyer the right but not the obligation to buy or sell a specific amount of commodity at an agreed contract price on or before a specified date.

#### **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.

For the year ended 31 December 2007, the gain on the hedging instruments was \$41 million (2006: gain of \$51 million). The total loss on hedged items attributable to the hedged risk amounted to \$44 million (2006: loss of \$48 million). The ineffectiveness arising from hedges of net investments in foreign operations is insignificant.

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

| In \$ millions                                     | 2007                   |   |   | 2006                   |   |   |
|--|------------------------|---|---|------------------------|---|---|
|  | Underlying<br>notional | Year-end<br>positive<br>replacement<br>values | Year-end<br>negative<br>replacement<br>values | Underlying<br>notional | Year-end<br>positive<br>replacement<br>values | Year-end<br>negative<br>replacement<br>values |
| <b>Derivatives held for trading</b>                |                        |   |   |                        |   |   |
| <b>Interest rate derivatives</b>                   |                        |   |   |                        |   |   |
| Forward rate agreements bought                     | 2,858                  | –   | 3   | 2,811                  | –   | 1   |
| Forward rate agreements sold                       | 4,705                  | 4   | –   | 3,648                  | 1   | –   |
| Interest rate swaps                                | 863,065                | 5,560   | 5,256   | 705,248                | 3,923   | 3,819   |
| Financial futures bought                           | 19,459                 | 11  | 3   | 21,430                 | –   | 11  |
| Financial futures sold                             | 20,316                 | 4   | 9   | 20,104                 | 12  | 1   |
| Interest rate options bought                       | 2,986                  | 41  | –   | 5,858                  | 48  | –   |
| Interest rate options sold                         | 7,055                  | –   | 67  | 6,757                  | –   | 45  |
| Interest rate futures options bought               | 1,730                  | 2   | –   | 2,956                  | –   | –   |
| Interest rate futures options sold                 | 996                    | –   | 3   | 6,253                  | –   | –   |
| Interest rate caps/floors bought                   | 10,180                 | 62  | –   | 14,101                 | 108   | –   |
| Interest rate caps/floors sold                     | 15,968                 | –   | 108   | 14,019                 | –   | 161   |
| Sub-total  | 949,318                | 5,684   | 5,449   | 803,185                | 4,092   | 4,038   |
| <b>Foreign exchange ("FX") derivatives</b>         |                        |   |   |                        |   |   |
| FX contracts                                       | 460,467                | 2,602   | 2,393   | 315,797                | 1,727   | 1,469   |
| Currency swaps                                     | 58,937                 | 1,829   | 1,432   | 48,782                 | 942   | 766   |
| Currency options bought                            | 100,613                | 1,082   | –   | 64,841                 | 532   | –   |
| Currency options sold                              | 100,494                | –   | 1,056   | 64,073                 | –   | 519   |
| Sub-total  | 720,511                | 5,513   | 4,881   | 493,493                | 3,201   | 2,754   |
| <b>Equity derivatives</b>                          |                        |   |   |                        |   |   |
| Equity options bought                              | 5,765                  | 376   | 12  | 3,801                  | 248   | –   |
| Equity options sold                                | 5,256                  | 1   | 316   | 5,279                  | –   | 344   |
| Equity swaps                                       | 2,406                  | 82  | 232   | 1,849                  | 45  | 81  |
| Sub-total  | 13,427                 | 459   | 560   | 10,929                 | 293   | 425   |
| <b>Credit derivatives</b>                          |                        |   |   |                        |   |   |
| Credit default swaps                               | 117,205                | 1,089   | 1,318   | 60,112                 | 479   | 529   |
| Sub-total  | 117,205                | 1,089   | 1,318   | 60,112                 | 479   | 529   |
| <b>Commodity derivatives</b>                       |                        |   |   |                        |   |   |
| Commodity contracts                                | 934                    | 33  | 43  | 215                    | 1   | –   |
| Commodity options bought                           | 1,642                  | 128   | –   | 482                    | 8   | –   |
| Commodity options sold                             | 2,011                  | –   | 175   | 494                    | –   | 16  |
| Sub-total  | 4,587                  | 161   | 218   | 1,191                  | 9   | 16  |
| Total derivatives held for trading                 | 1,805,048              | 12,906  | 12,426  | 1,368,910              | 8,074   | 7,762   |
| <b>Derivatives held for hedging</b>                |                        |   |   |                        |   |   |
| Interest rate swaps held for fair value hedge      | 6,372                  | 177   | 78  | 6,227                  | 135   | 84  |
| FX contracts held for fair value hedge             | 508                    | 2   | 8   | 254                    | –   | 5   |
| FX contracts held for hedge of net investment      | 1,430                  | 34  | 15  | 709                    | 2   | 14  |
| Currency swaps held for hedge<br>of net investment | 2,649                  | –   | 27  | 2,816                  | 4   | 8   |
| Total derivatives held for hedging                 | 10,959                 | 213   | 128   | 10,006                 | 141   | 111   |
| Total derivatives                                  | 1,816,007              | 13,119  | 12,554  | 1,378,916              | 8,215   | 7,873   |

**42 CASH AND CASH EQUIVALENTS**

| In \$ millions   | The Group     |        |
|--|---------------|--------|
|  | 2007          | 2006   |
| Cash on hand (Note 17)   | <b>1,007</b>  | 988    |
| Non-restricted balances with central banks (Note 17)                 | <b>14,946</b> | 8,302  |
| Trading Singapore Government securities and treasury bills (Note 18) | <b>3,568</b>  | 3,319  |
| Trading other government securities and treasury bills (Note 19)     | <b>2,752</b>  | 2,509  |
| <b>Total</b>   | <b>22,273</b> | 15,118 |

**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 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           |           | Market value |      |
|                        | 2007             | 2006      | 2007         | 2006 |
| Balance at 1 January   | <b>2,922,829</b> | 3,507,829 | <b>65</b>    | 58   |
| Balance at 31 December | <b>2,993,829</b> | 2,922,829 | <b>62</b>    | 65   |

**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 in accordance with a vesting schedule determined by the Compensation and Management Development Committee, and are exercisable after the first anniversary of the date of the grant up to the date of expiration of the options.

During the current and previous financial years, 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.

|   | 2007  |   | 2006  |   |
|---|---|---|---|---|
|   | Unissued number of<br>ordinary shares<br>under outstanding<br>options | Weighted<br>average<br>exercise<br>price (\$) | Unissued number of<br>ordinary shares<br>under outstanding<br>options | Weighted<br>average<br>exercise<br>price (\$) |
| Balance at 1 January  | 25,014,807  | 15.21   | 39,474,281  | 14.87   |
| Movements during the year:  |   |   |   |   |
| – Granted   | –   | –   | –   | –   |
| – Exercised   | (6,951,829)   | 15.25   | (12,977,688)  | 13.98   |
| – Forfeited   | (286,305)   | 15.35   | (1,481,786)   | 16.95   |
| Balance at 31 December  | 17,776,673  | 15.29   | 25,014,807  | 15.21   |
| Additional information:   |   |   |   |   |
| Outstanding options exercisable at 31 December                                    | 17,007,753  | 15.30   | 20,987,537  | 15.28   |
| Weighted average remaining contractual life of options outstanding at 31 December | 4.5 years   |   | 5.9 years   |   |
| Range of exercise price of options outstanding at 31 December                     | \$10.40 to \$22.33  |   | \$10.40 to \$22.33  |   |

In 2007, 6,951,829 options (2006: 12,977,688) were exercised at their contractual exercise prices. During the year, the average market price of the Company's shares was \$21.88 (2006: \$18.24).

### 43.3 DBSH Share Plan (previously known as DBSH Performance Share Plan)

Under the DBSH Share Plan (the "Share Plan"), the Company's ordinary shares may be granted to Group executives who hold such rank as may be determined by the Committee appointed to administer the Share Plan from time to time.

Where performance-based awards are granted, participants are awarded shares of the Company, their equivalent cash value or a combination of both, when prescribed Group performance targets are met over a three-year performance period.

At an Extraordinary General Meeting held on 30 March 2006, the shareholders of the Company approved alterations to the Share Plan to (*inter alia*) permit the granting of time-based awards. Such time-based awards would operate like restricted share awards in that such awards will only vest after the satisfactory completion of time-based service conditions. Where time-based awards are granted, participants are awarded shares of the Company, their equivalent cash value or a combination of both as part of their deferred bonus.

Since the inception of the Share Plan, no awards have been cash-settled under the Share Plan.

For performance-based awards, the shares will vest three years after the date of grant following completion of the prescribed performance period, provided the prescribed performance targets are met. A time-based award comprises two elements, namely, the main award and the "kicker" award. The shares comprised in the "kicker" award constitute twenty percent of the shares comprised in the main award. Fifty percent of the shares comprised in the main award will vest two years after the date of grant. The remainder fifty percent of the shares comprised in the main award, together with the shares comprised in the "kicker" award, will vest three years after the date of grant. In the case of both performance-based awards and time-based awards, the fair value of the shares awarded are 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 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 shares granted pursuant to the Share Plan for the financial year ended 31 December 2007 and their fair values at grant date. No performance-based awards were granted in 2007.

| (Number of shares)                 | March 2007<br>grant   | March 2006<br>grant   |
|------------------------------------|-----------------------|-----------------------|
| Balance at 1 January 2007          | <b>Not applicable</b> | <b>3,375,690</b>      |
| Granted in 2007                    | <b>2,193,471</b>      | <b>Not applicable</b> |
| Forfeited in 2007                  | <b>(165,149)</b>      | <b>(718,220)</b>      |
| Balance at 31 December 2007        | <b>2,028,322</b>      | <b>2,657,470</b>      |
| Fair value per share at grant date | <b>\$23.00</b>        | <b>\$16.20</b>        |

#### 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 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 and/or time based conditions are met. The ESP awards are granted at the absolute discretion of the Compensation and Management Development Committee.

Since the inception of the ESP, no awards have been cash-settled under the ESP.

During the current and previous financial years, no performance-based awards have been granted to eligible employees under the ESP.

Time-based awards were granted in 2007. The time-based awards operate like restricted share awards in that such awards will only vest after the satisfactory completion of time-based service conditions. Under such awards, the shares will vest at fifty percent two years after the date of grant and the remainder fifty percent three years after the date of grant. The fair value of the shares awarded are 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 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 shares granted pursuant to the ESP for the financial year ended 31 December 2007 and their fair values at grant date.

| (Number of shares)                 | March 2007<br>grant   |
|------------------------------------|-----------------------|
| Balance at 1 January 2007          | <b>Not applicable</b> |
| Granted in 2007                    | <b>80,200</b>         |
| Forfeited in 2007                  | <b>(13,350)</b>       |
| Balance at 31 December 2007        | <b>66,850</b>         |
| Fair value per share at grant date | <b>\$23.00</b>        |

#### 44 RELATED PARTY TRANSACTIONS

**44.1** Transactions between the Company and its subsidiaries, including consolidated special purpose entities, 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<sup>(a)</sup>, as well as fees paid to Company directors and directors of subsidiaries are as follows:

| In \$ millions                           | The Group |           |
|--|-----------|-----------|
|  | 2007      | 2006      |
| Short-term benefits                      | 54        | 51        |
| Post-employment benefits                 | #         | #         |
| Share-based payments                     | 8         | 7         |
| <b>Total</b>                             | <b>62</b> | <b>58</b> |
| Comprise amounts <sup>(b)</sup> paid to: |           |           |
| – Company directors                      | 21        | 11        |
| – Directors of subsidiaries              | 14        | 19        |
| – Key management personnel               | 27        | 28        |
| <b>Total</b>                             | <b>62</b> | <b>58</b> |
| Fees of Company directors                | 2         | 2         |
| Fees of subsidiaries' directors          | #         | #         |
| <b>Total compensation and fees</b>       | <b>64</b> | <b>60</b> |

# Amount under \$500,000

(a) Refers to members of the Management Committee, excluding members who are also the Company directors, but including key personnel who has authority and responsibility in planning the activities and direction of Group

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

#### 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 1,736,150 (2006: 888,225 and 1,127,550) respectively.

#### 44.5 Performance shares granted to Company directors and key management personnel

During the financial year, 251,578 and 462,016 (2006: 240,740 and 271,390) awards in respect of DBSH ordinary shares were granted to Company directors and key management personnel respectively.

## 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 \$160 million as at 31 December 2007 (2006: \$133 million) were stated at cost because the fair values cannot be reliably estimated using valuation techniques supported by observable market data. The Group intends to dispose of the financial instruments through trade sale.

### (c) Loans and advances to customers

The estimated fair value of loans and advances to customers is based on discounted cash flows using 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 of other debt securities issued and bills payable approximates their carrying amounts due to their short tenor.

### (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 RISK GOVERNANCE

Under the Group's risk governance framework, the Board of Directors, through the Board Risk Management Committee, oversees the establishment of a robust enterprise-wide risk management policies and processes. Where necessary, the Group sets risk appetite limits to guide risk-taking.

Management is accountable to the Board for ensuring the effectiveness of risk management and adherence to risk appetite limits. To provide risk oversight, senior management risk committees are mandated to focus on specific risk areas. These oversight committees are the Business Support and Controls Committee, the Group Market Risk Committee, the Group Credit Risk Committee, the Group Asset and Liability Committee, the Group Operational Risk Committee and the Group Commitments and Conflicts Committee.

On a day-to-day basis, business units have primary responsibility for risk management. In partnership with the business units, independent control functions provide senior management with a timely assessment of key risk exposures and the associated management responses. These units also recommend risk appetite and control limits for approval in line with the Group's risk governance framework.

#### **47 CREDIT RISK**

Credit risk is the potential earnings volatility caused by obligors' inability to fulfill their contractual debt 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 Core Credit Risk Policy and the accompanying supplemental policies sets forth the principles by which the Group conducts its credit risk underwriting activities. The Group Credit Risk Committee serves as the executive forum for overseeing various aspects of credit risk taking including framework, limit management, policies, processes, methodologies and systems.

Exposure to credit risks arises from lending, sales and trading as well as derivative activities. Lending exposures are typically represented by the notional value or principal amount of on balance sheet financial instruments. 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.

The credit exposure of derivative transactions is based on 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. The Group currently uses the current exposure method for the purpose of providing capital for such counterparty exposures. Internally, the Group measures counterparty credit exposure using the mark-to-market exposure with an appropriate add-on for future potential exposures.

The risk management of the exposures is conducted through credit granting process which includes the assessment of repayment likelihood and the establishment of appropriate credit limits. The Group uses various internal and external risk rating systems (credit scorecards, customer risk grading and bureau score) to control the level of credit risk accepted by the Group. Business units and credit approvers have the responsibility to ensure that credits are properly assessed and classified. Business units also assume the responsibility to ensure all crucial information is included in the application for the purpose of assessment and approval.

The Group adopts a multi-level credit approval process requiring loan approval at successively higher levels and/or committees (as delegated) depending on, among other things, the size and nature of the proposed transactions. Exposures are monitored against credit limits and other control limits (such as large exposures and concentration limits) by credit management units at the transaction and the portfolio levels, as appropriate.

In addition to the consideration of the primary recourse to the obligor for the credit risk underwritten, the employment of various credit risk mitigation techniques such as appropriate credit structuring, and posting of collateral and/or third party support as well as the use of credit derivatives to hedge or transfer risk to other third parties form an integral part of the credit risk management process. Some specific mitigation measures are outlined below:

#### ***Collateral***

Where possible, the Group takes collateral as a secondary recourse to the borrower. Collaterals include cash, marketable securities, properties, trade receivables, inventory and equipment and other physical and financial collateral. The Group may also take fixed and floating charges on assets of borrowers. It has put in place policies which governs the determination of eligibility of various collaterals to be considered for credit risk mitigation which includes the minimum operational requirements that are required for the specific collateral to be considered as effective risk mitigants. For collateral taken for global financial market operations, the collateral is marked to market on a mutually agreed period with the respective counterparties. For collateral taken for commercial banking, the collateral is revalued periodically

ranging from daily to annually, depending on the type of collateral. Whilst real estate properties constitute the largest percentage of the collateral assets, the Group generally considers the collateral assets to be diversified.

#### **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.

#### **Other risk mitigating factors**

In addition, the Group also uses guarantees, credit derivatives and credit insurance as credit risk mitigating factors. Whilst the Group may accept guarantees from any counterparty, it sets a threshold internally for considering guarantors to be eligible for credit risk mitigation. Credit derivatives are used as credit risk mitigating factors mainly in structured transactions and for global financial market operations.

### **47.1 Maximum exposure to credit risk**

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. The table below shows the maximum exposure to credit risk for the components of the balance sheet:

| In \$ millions  | The Group      |         |
|---|----------------|---------|
|   | 2007           | 2006    |
| Cash and balances with central banks (excluding cash on hand) | <b>17,557</b>  | 10,858  |
| Singapore Government securities and treasury bills            | <b>15,433</b>  | 12,843  |
| Due from banks  | <b>23,304</b>  | 25,273  |
| Financial assets at fair value through profit or loss         |                |         |
| Other government securities and treasury bills                | <b>2,752</b>   | 2,509   |
| Corporate debt securities                                     | <b>11,914</b>  | 10,474  |
| Loans and advances to customers                               | <b>2,088</b>   | 1,481   |
| Other financial assets  | <b>1,260</b>   | 1,242   |
| Positive replacement values                                   | <b>13,119</b>  | 8,215   |
| Loans and advances to customers                               | <b>106,344</b> | 85,149  |
| Financial investments   |                |         |
| Other government securities and treasury bills                | <b>2,248</b>   | 2,858   |
| Corporate debt securities                                     | <b>14,611</b>  | 17,232  |
| Securities pledged  |                |         |
| Singapore Government securities and treasury bills            | <b>268</b>     | 317     |
| Other government securities and treasury bills                | <b>3,629</b>   | 2,549   |
| Corporate debt securities                                     | <b>218</b>     | –       |
| Other assets  | <b>5,871</b>   | 4,479   |
| Sub-total   | <b>220,616</b> | 185,479 |
| Contingent liabilities  | <b>14,656</b>  | 12,187  |
| Commitments   | <b>91,182</b>  | 85,520  |
| Total credit exposure   | <b>326,454</b> | 283,186 |

**47.2 Loans and advances to customers**

Loans and advances to customers are summarised as follows:

| In \$ millions                    | The Group      |        |
|-----------------------------------|----------------|--------|
|                                   | 2007           | 2006   |
| Loans and advances to customers   |                |        |
| Neither past due nor impaired (i) | <b>104,909</b> | 83,744 |
| Past due but not impaired (ii)    | <b>1,608</b>   | 1,395  |
| Impaired (iii)                    | <b>1,168</b>   | 1,460  |
| Total gross loans                 | <b>107,685</b> | 86,599 |

**(i) Loans and advances neither past due nor impaired, analysed by loan grading and industry**

The credit quality of the portfolio of loans and advances that are neither past due nor impaired can be assessed by reference to the loan gradings in MAS Notice to Banks No. 612 "Credit Files, Grading and Provisioning".

| In \$ millions   | The Group      |                 |                |
|--|----------------|-----------------|----------------|
|  | Passed         | Special mention | Total          |
| <b>2007</b>  |                |                 |                |
| Manufacturing  | <b>12,186</b>  | <b>904</b>      | <b>13,090</b>  |
| Building and construction                                    | <b>12,544</b>  | <b>502</b>      | <b>13,046</b>  |
| Housing loans  | <b>27,953</b>  | <b>327</b>      | <b>28,280</b>  |
| General commerce   | <b>8,794</b>   | <b>472</b>      | <b>9,266</b>   |
| Transportation, storage and communication                    | <b>10,609</b>  | <b>177</b>      | <b>10,786</b>  |
| Financial institutions, investments and holding companies    | <b>10,591</b>  | <b>1,378</b>    | <b>11,969</b>  |
| Professionals and private individuals (except housing loans) | <b>7,954</b>   | <b>62</b>       | <b>8,016</b>   |
| Others   | <b>9,627</b>   | <b>829</b>      | <b>10,456</b>  |
| Total  | <b>100,258</b> | <b>4,651</b>    | <b>104,909</b> |
| <b>2006</b>  |                |                 |                |
| Manufacturing  | 9,256          | 1,059           | 10,315         |
| Building and construction                                    | 9,505          | 545             | 10,050         |
| Housing loans  | 26,313         | 283             | 26,596         |
| General commerce   | 7,318          | 354             | 7,672          |
| Transportation, storage and communication                    | 7,553          | 89              | 7,642          |
| Financial institutions, investments and holding companies    | 8,225          | 397             | 8,622          |
| Professionals and private individuals (except housing loans) | 6,437          | 16              | 6,453          |
| Others   | 6,306          | 88              | 6,394          |
| Total  | 80,913         | 2,831           | 83,744         |

**(ii) Loans and advances past due but not impaired, analysed by past due period and industry**

| In \$ millions   | Up to 30 days<br>past due | 30 -59 days<br>past due | 60 -90 days<br>past due | Total        |
|--|---------------------------|-------------------------|-------------------------|--------------|
| <b>2007</b>  |                           |                         |                         |              |
| Manufacturing  | 202                       | 20                      | 9                       | 231          |
| Building and construction                                    | 177                       | 2                       | 22                      | 201          |
| Housing loans  | 265                       | 23                      | 5                       | 293          |
| General commerce   | 247                       | 14                      | 12                      | 273          |
| Transportation, storage and communication                    | 158                       | 44                      | 30                      | 232          |
| Financial institutions, investment and holding companies     | 111                       | –                       | –                       | 111          |
| Professionals and private individuals (except housing loans) | 155                       | 19                      | 5                       | 179          |
| Others   | 77                        | 10                      | 1                       | 88           |
| <b>Total</b>   | <b>1,392</b>              | <b>132</b>              | <b>84</b>               | <b>1,608</b> |
| <b>2006</b>  |                           |                         |                         |              |
| Manufacturing  | 88                        | 10                      | 8                       | 106          |
| Building and construction                                    | 82                        | 15                      | 3                       | 100          |
| Housing loans  | 283                       | 20                      | 5                       | 308          |
| General commerce   | 175                       | 12                      | 6                       | 193          |
| Transportation, storage and communication                    | 393                       | 31                      | 17                      | 441          |
| Financial institutions, investment and holding companies     | 11                        | 9                       | –                       | 20           |
| Professionals and private individuals (except housing loans) | 138                       | 12                      | 9                       | 159          |
| Others   | 58                        | 7                       | 3                       | 68           |
| <b>Total</b>   | <b>1,228</b>              | <b>116</b>              | <b>51</b>               | <b>1,395</b> |

**(iii) 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 Group.

**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 by loan grading and industry**

| In \$ millions  | NPAs         |          |      | The Group |              | Specific allowances <sup>(a)</sup> |      |       |
|---|--------------|----------|------|-----------|--------------|------------------------------------|------|-------|
|   | Sub-standard | Doubtful | Loss | Total     | Sub-standard | Doubtful                           | Loss | Total |
| <b>2007</b>   |              |          |      |           |              |                                    |      |       |
| <b>Customer loans</b>                                       |              |          |      |           |              |                                    |      |       |
| Manufacturing   | 184          | 97       | 55   | 336       | 23           | 82                                 | 55   | 160   |
| Building and construction                                   | 51           | 9        | 9    | 69        | 1            | 9                                  | 9    | 19    |
| Housing loans   | 120          | 1        | 31   | 152       | 3            | 1                                  | 31   | 35    |
| General commerce  | 150          | 34       | 102  | 286       | 7            | 34                                 | 102  | 143   |
| Transportation, storage and communications                  | 16           | 3        | 2    | 21        | –            | 3                                  | 2    | 5     |
| Financial institutions, investment and holding companies    | 54           | –        | –    | 54        | 8            | –                                  | –    | 8     |
| Professional and private individuals (except housing loans) | 84           | 9        | 33   | 126       | 13           | 9                                  | 33   | 55    |
| Others  | 70           | 31       | 23   | 124       | 13           | 30                                 | 23   | 66    |
| Sub-total   | 729          | 184      | 255  | 1,168     | 68           | 168                                | 255  | 491   |
| Debt securities   | 6            | 151      | 3    | 160       | –            | 149                                | 3    | 152   |
| Contingent items  | 110          | 3        | 1    | 114       | 5            | 3                                  | 1    | 9     |
| Total   | 845          | 338      | 259  | 1,442     | 73           | 320                                | 259  | 652   |
| <b>2006</b>   |              |          |      |           |              |                                    |      |       |
| <b>Customer loans</b>                                       |              |          |      |           |              |                                    |      |       |
| Manufacturing   | 144          | 119      | 51   | 314       | 20           | 99                                 | 51   | 170   |
| Building and construction                                   | 63           | 11       | 33   | 107       | 6            | 11                                 | 33   | 50    |
| Housing loans   | 173          | 2        | 49   | 224       | 5            | 2                                  | 49   | 56    |
| General commerce  | 203          | 40       | 93   | 336       | 15           | 38                                 | 93   | 146   |
| Transportation, storage and communications                  | 14           | 10       | 1    | 25        | 1            | 10                                 | 1    | 12    |
| Financial institutions, investment and holding companies    | 136          | 1        | 36   | 173       | 10           | 1                                  | 36   | 47    |
| Professional and private individuals (except housing loans) | 86           | 13       | 43   | 142       | 12           | 10                                 | 43   | 65    |
| Others  | 67           | 42       | 30   | 139       | 11           | 38                                 | 30   | 79    |
| Sub-total   | 886          | 238      | 336  | 1,460     | 80           | 209                                | 336  | 625   |
| Debt securities   | 21           | –        | 15   | 36        | –            | –                                  | 15   | 15    |
| Contingent items  | 32           | 5        | –    | 37        | 4            | 5                                  | –    | 9     |
| Total   | 939          | 243      | 351  | 1,533     | 84           | 214                                | 351  | 649   |

(a) NPAs and specific allowances for customer loans each included \$55 million (2006: \$61 million) in interest receivables

**Non-performing assets by region**

| In \$ millions           | The Group    |                     |
|--------------------------|--------------|---------------------|
|                          | NPAs         | Specific allowances |
| <b>2007</b>              |              |                     |
| Singapore                | <b>579</b>   | <b>245</b>          |
| Hong Kong                | <b>419</b>   | <b>174</b>          |
| Rest of Greater China    | <b>80</b>    | <b>28</b>           |
| South and Southeast Asia | <b>148</b>   | <b>45</b>           |
| Rest of the World        | <b>216</b>   | <b>160</b>          |
| Total                    | <b>1,442</b> | <b>652</b>          |
| <b>2006</b>              |              |                     |
| 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                 |

**Non-performing assets by past due period**

| In \$ millions       | The Group    |       |
|----------------------|--------------|-------|
|                      | 2007         | 2006  |
| Not overdue          | <b>542</b>   | 413   |
| < 90 days past due   | <b>255</b>   | 332   |
| 91-180 days past due | <b>94</b>    | 128   |
| > 180 days past due  | <b>551</b>   | 660   |
| Total                | <b>1,442</b> | 1,533 |

**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 |
| <b>2007</b>    |            |                     |
| Substandard    | <b>168</b> | <b>27</b>           |
| Doubtful       | <b>25</b>  | <b>23</b>           |
| Loss           | <b>38</b>  | <b>38</b>           |
| Total          | <b>231</b> | <b>88</b>           |
| <b>2006</b>    |            |                     |
| Substandard    | 218        | 29                  |
| Doubtful       | 66         | 48                  |
| Loss           | 42         | 42                  |
| Total          | 326        | 119                 |

Restructured loans returned to the performing status but are still under concessions as at 31 December 2007 and 31 December 2006 are not material.

### 47.3 Credit quality of Singapore Government securities and treasury bills, financial assets at fair value through profit or loss, and financial investments

The table below presents an analysis of Singapore Government securities and treasury bills, financial assets at fair value through profit or loss, and financial investments for the Group by rating agency designation at 31 December:

| In \$ millions<br>External rating | Financial assets at fair value through profit or loss                 |  |  |  |  | Financial investments      |  |               |  |                    |
|-----------------------------------|---|--|--|--|--|----------------------------|--|---------------|--|--------------------|
|                                   | Singapore<br>Government<br>securities<br>and treasury<br>bills<br>(1) | Other<br>government<br>securities<br>and<br>treasury<br>bills<br>(2) |  | Loans and<br>advances<br>to<br>customer<br>(4) | Other<br>financial<br>assets<br>(due from<br>banks)<br>(5) | Total<br>(6)=(2+3+<br>4+5) | Other<br>government<br>securities<br>and<br>treasury<br>bills<br>(7) |               | Corporate<br>debt<br>securities<br>(8) | Total<br>(9)=(7+8) |
|                                   |   | Corporate<br>debt<br>securities<br>(3)                               | Corporate<br>debt<br>securities<br>(3) |  |  |                            | Corporate<br>debt<br>securities<br>(3)                               |               |  |                    |
| <b>2007</b>                       |   |  |  |  |  |                            |  |               |  |                    |
| AAA                               | 15,433  | 357  | 1,236                                  | –  | –  | 1,593                      | 309  | 1,692         | 2,001                                  |                    |
| AA- to AA+                        | –   | 100  | 1,995                                  | –  | –  | 2,095                      | 114  | 3,510         | 3,624                                  |                    |
| A- to A+                          | –   | 372  | 3,909                                  | –  | –  | 4,281                      | 1,296  | 4,705         | 6,001                                  |                    |
| Lower than A-                     | –   | 1,006  | 3,619                                  | –  | –  | 4,625                      | 148  | 2,080         | 2,228                                  |                    |
| Unrated                           | –   | 917  | 1,155                                  | 2,088  | 1,260  | 5,420                      | 381  | 2,624         | 3,005                                  |                    |
| <b>Total</b>                      | <b>15,433</b>   | <b>2,752</b>   | <b>11,914</b>                          | <b>2,088</b>                                   | <b>1,260</b>   | <b>18,014</b>              | <b>2,248</b>   | <b>14,611</b> | <b>16,859</b>                          |                    |
| <b>2006</b>                       |   |  |  |  |  |                            |  |               |  |                    |
| AAA                               | 12,843  | 264  | 666                                    | –  | –  | 930                        | 1,400  | 3,006         | 4,406                                  |                    |
| AA- to AA+                        | –   | 212  | 1,233                                  | –  | –  | 1,445                      | 119  | 4,792         | 4,911                                  |                    |
| A- to A+                          | –   | 38   | 4,463                                  | –  | –  | 4,501                      | 1,020  | 5,216         | 6,236                                  |                    |
| Lower than A-                     | –   | 595  | 3,159                                  | –  | –  | 3,754                      | 124  | 2,033         | 2,157                                  |                    |
| Unrated                           | –   | 1,400  | 953                                    | 1,481  | 1,242  | 5,076                      | 195  | 2,185         | 2,380                                  |                    |
| <b>Total</b>                      | <b>12,843</b>   | <b>2,509</b>   | <b>10,474</b>                          | <b>1,481</b>                                   | <b>1,242</b>   | <b>15,706</b>              | <b>2,858</b>   | <b>17,232</b> | <b>20,090</b>                          |                    |

### 47.4 Repossessed collateral

As and when required, the Group will take possession of collaterals it holds as securities and will dispose them as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. Repossessed collaterals are classified in the balance sheet as other assets. The amount of such other assets for 2007 and 2006 are not material.

### 47.5 Concentration risk

The Group's risk management processes aim to 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.

### Cross-border exposures

At 31 December 2007, 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 are as follows:

| In \$ millions<br>Assets in                                       | Loans and debt securities |   |                                     |                    | Total exposure          | As a % of<br>Total assets<br>(6) |
|---|---------------------------|---|-------------------------------------|--------------------|-------------------------|----------------------------------|
|   | Banks<br>(1)              | Central<br>banks and<br>Government<br>securities<br>(2) | Non-<br>banks <sup>(a)</sup><br>(3) | Investments<br>(4) | Amount<br>(5)=(1+2+3+4) |                                  |
| <b>2007</b>   |                           |   |                                     |                    |                         |                                  |
| <b>Top 10 countries<br/>(Net exposure &gt;1% of Total assets)</b> |                           |   |                                     |                    |                         |                                  |
| Hong Kong   | 2,003                     | 2,231   | 29,130                              | 225                | 33,589                  | 14.4                             |
| China   | 2,688                     | 584   | 6,377                               | 783                | 10,432                  | 4.5                              |
| South Korea   | 7,498                     | 1,415   | 1,257                               | –                  | 10,170                  | 4.4                              |
| United Kingdom  | 4,609                     | 21  | 2,995                               | 92                 | 7,717                   | 3.3                              |
| India   | 3,246                     | 968   | 2,289                               | 802                | 7,305                   | 3.1                              |
| Germany   | 3,469                     | 1,047   | 946                                 | 1                  | 5,463                   | 2.3                              |
| United States   | 873                       | 351   | 3,528                               | 395                | 5,147                   | 2.2                              |
| Indonesia   | 576                       | 835   | 3,500                               | 8                  | 4,919                   | 2.1                              |
| Australia   | 2,850                     | –   | 1,722                               | 39                 | 4,611                   | 2.0                              |
| Taiwan  | 190                       | 1,900   | 1,865                               | –                  | 3,955                   | 1.7                              |
| Total   | 28,002                    | 9,352   | 53,609                              | 2,345              | 93,308                  | 40.0                             |
| <b>2006</b>   |                           |   |                                     |                    |                         |                                  |
| <b>Top 10 countries<br/>(Net exposure &gt;1% of Total assets)</b> |                           |   |                                     |                    |                         |                                  |
| 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                             |

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

## 48 MARKET RISK

### 48.1 Trading market risk

Trading market risk arises from the impact on trading positions of changes in:

- Foreign exchange rates;
- Commodity prices;
- Equity prices;
- Interest rate yields and credit spreads.

It also includes the impact from changes in the correlations and volatilities of the above risk factors.

The Group manages trading market risk in the course of market-making, structuring and packaging products for investors and other clients, as well as to benefit from market opportunities.

The Group's policies and processes for managing trading market risk are approved by senior management and comprise the following elements:

- Trading book policy and valuation framework;
- Types of market risk to be covered, and the risk metrics and methodologies to be used to capture such risks;
- Roles and responsibilities of relevant functions in managing trading market risks;
- Determination of the Group's trading market risk appetite by the Board of Directors and allocation of risk limits to risk-takers;
- Independent monitoring of market risk appetite and control limits;
- Assurance of valuation models and validation of risk models; and
- New product process through which risk issues are identified and addressed before a new product is launched.

The Group Market Risk Committee serves as the executive forum for overseeing various aspects of market risk taking including framework, limit management, policies, processes, methodologies and systems.

The principal market risk appetite measures for trading market risk are Value-at-Risk (VaR) and stress loss. This is complemented at the level of risk-taking units level by more granular risk and loss limits such as risk sensitivity-based limits and management action triggers to measure and control trading exposures.

The Group's trading VaR methodology uses a historical simulation approach (at a 99% confidence level over a one-day holding period, using a 2-year historical observation period) to forecast the Group's trading market risk. The Group computes VaR daily for each trading business unit and location, and at the Group level. VaR is back-tested against the profit and loss of the trading book in line with policy in order to monitor its predictive power.

Although VaR provides valuable insights, no single risk measure can capture all aspects of trading market risk. To complement the VaR measure, regular stress testing is carried out.

The following table shows the period-end, average, high and low VaR for trading market risk:

| <b>The Group</b>                 |                    |                |             |            |
|----------------------------------|--------------------|----------------|-------------|------------|
| <b>1 Jan 2007 to 31 Dec 2007</b> |                    |                |             |            |
| <b>In \$ millions</b>            | <b>As at</b>       | <b>Average</b> | <b>High</b> | <b>Low</b> |
|                                  | <b>31 Dec 2007</b> |                |             |            |
| <b>Total</b>                     | <b>22</b>          | <b>16</b>      | <b>28</b>   | <b>6</b>   |

| <b>The Group</b>                               |                    |                |             |            |
|--|--------------------|----------------|-------------|------------|
| <b>1 Jan 2006 to 31 Dec 2006<sup>(a)</sup></b> |                    |                |             |            |
| <b>In \$ millions</b>                          | <b>As at</b>       | <b>Average</b> | <b>High</b> | <b>Low</b> |
|  | <b>31 Dec 2006</b> |                |             |            |
| <b>Total</b>                                   | <b>10</b>          | <b>16</b>      | <b>28</b>   | <b>8</b>   |

(a) Prior to 1 September 2006, the Group used a parametric methodology for VaR. The same confidence interval and holding period were applied under parametric VaR and the VaR estimates are hence on a comparable basis between the two methodologies

#### 48.2 Non-trading market risk

Non-trading market risk arises from changes in foreign exchange rates, interest rates and equity prices. Non-trading market risk arises in the course of (a) the Group's management of funds arising from banking intermediation and (b) the Group's banking business and investments; specifically, from mismatches in the interest rate profile of assets and liabilities, from the effect of exchange rate movements on the Group's earnings, capital accounts and investments denominated in foreign currencies and from the effect of changes in equity prices on the carrying value of investments in major stakes.

To optimise its income and balance sheet management, the Group deploys funds in debt securities, equities and funds or in the interbank market. Derivatives may be used to hedge non-trading market risk. An Investment Framework governs the Group's investment of its surplus funds. The Framework requires these investments to be subject to Board and senior management limits on the portfolio size, credit quality, and product and sector concentrations. The market risk arising in the course of managing surplus funds comprises interest rate and equity price risks. These risks are monitored using risk sensitivity measures and valuation action triggers.

Senior management committees oversee non-trading market risk and allocate core limits to regional/local Asset and Liability Committees ("ALCOs") in the different countries and ensure that the consolidated exposures of the Group are within prudent levels. Regional/local ALCOs are responsible for managing the risks in their respective areas of responsibility, including the setting of operational limits and guidelines to refine risk management, consistent with the Asset and Liability Management Policy.

Below is an assessment of the sensitivity of market risks on non-trading positions. The actual results may differ from the sensitivity impact as the Group manages factors such as changes in volumes, margins (for interest rate risk) and future business strategies, the impact of which is not captured in the sensitivity assessment.

#### Interest rate risk

Interest rate risk arising from mismatches in the interest rate profile of assets and liabilities has several aspects: basis risk arising from different interest rate benchmarks, interest rate re-pricing risk, yield curve risks and embedded optionality. This risk is subject to the Asset and Liability Management Policy. To monitor this risk, the Group uses various tools, including re-pricing gap reports, sensitivity analyses and income scenario simulations.

The Group manages and monitors interest rate sensitivity of its non-trading positions by various currencies. The estimated change from non-trading positions for major currencies (SGD, HKD and USD) as at 31 December 2007 assuming a 25 basis point increase in interest rates was an increase in net interest income of \$93 million (2006: \$41 million) and a 25 basis point decrease in interest rates was a decrease in net interest income of \$91 million (2006: \$46 million). The estimated economic value sensitivity for other major non-trading positions in EUR, JPY and USD as at 31 December 2007 assuming a 25 basis point parallel shift in general interest rates for these currencies was \$23 million (2006: \$33 million).

#### Currency risk

Foreign currency loans and investments in fundable currencies are generally funded in the same foreign currencies. However, positions arising from investments in currencies which have

high hedging costs or which are illiquid or controlled, will be reviewed by senior management and may be managed with alternative strategies (e.g. with non-deliverable forwards) or left unhedged. This foreign exchange risk is subject to the Group's Structural Foreign Exchange Policy and is monitored using foreign exchange net open position reports.

The consolidated position across all currencies is set out in Note 48.4 below. Considering that other risk variables remain constant, the foreign currency revaluation sensitivity for the Group on its non-trading unhedged positions as at 31 December 2007 is summarised below:

| In \$ million | The Group                       |                            |
|---------------|---------------------------------|----------------------------|
|               | Change in<br>currency rate in % | Revaluation<br>sensitivity |
| <b>2007</b>   |                                 |                            |
| HKD           | +10%                            | +6                         |
|               | -10%                            | -6                         |
| USD           | +10%                            | #                          |
|               | -10%                            | #                          |
| Others        | +10%                            | +67                        |
|               | -10%                            | -67                        |
| <b>2006</b>   |                                 |                            |
| HKD           | +10%                            | +5                         |
|               | -10%                            | -5                         |
| USD           | +10%                            | +8                         |
|               | -10%                            | -8                         |
| Others        | +10%                            | +78                        |
|               | -10%                            | -78                        |

# Amount under \$500,000

### Equity risk

Equity price risk arises from the impact of changes in equity prices on equity positions arising from the Group's management of funds arising from banking intermediation and the Group's investment in major stakes. Decisions concerning such investments are taken at Board or senior management level in light of diverse considerations.

Considering that other risk variables remain constant, the table below summarises the impact on the carrying amount of equity instruments as at 31 December 2007 should there be a change in equity market prices:

|             | The Group                         |                          |
|-------------|-----------------------------------|--------------------------|
|             | Change in equity<br>market prices | Sensitivity<br>of equity |
| <b>2007</b> | +10%                              | <b>224</b>               |
|             | -10%                              | <b>(224)</b>             |
| <b>2006</b> | +10%                              | 210                      |
|             | -10%                              | (210)                    |

### 48.3 Interest rate repricing gap 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 following tables summarise the Group's assets and liabilities across the banking and trading books at carrying amounts as 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.

| In \$ millions  | Less than<br>7 days | 1 week to<br>1 month | 1 to 3<br>months | 3 to 12<br>months | 1 to 3<br>years | Over 3<br>years | Non-<br>interest<br>bearing | Total          |
|---|---------------------|----------------------|------------------|-------------------|-----------------|-----------------|-----------------------------|----------------|
| <b>2007</b>   |                     |                      |                  |                   |                 |                 |                             |                |
| Cash and balances with central banks  | 1,136               | 2,445                | 7,647            | 4,131             | –               | –               | 3,205                       | 18,564         |
| Due from banks  | 5,464               | 2,165                | 4,413            | 6,914             | 688             | 3,297           | 363                         | 23,304         |
| Financial assets at fair value<br>through profit or loss                      | 1,214               | 2,840                | 3,724            | 1,556             | 3,231           | 5,449           | 1,529                       | 19,543         |
| Other securities <sup>(a)</sup>   | 902                 | 3,047                | 6,308            | 7,148             | 4,787           | 14,215          | 2,323                       | 38,730         |
| Loans and advances to customers   | 31,586              | 32,902               | 17,695           | 13,656            | 4,812           | 4,708           | 985                         | 106,344        |
| Other assets <sup>(b)</sup>   | –                   | –                    | –                | –                 | –               | –               | 27,106                      | 27,106         |
| <b>Total assets</b>   | <b>40,302</b>       | <b>43,399</b>        | <b>39,787</b>    | <b>33,405</b>     | <b>13,518</b>   | <b>27,669</b>   | <b>35,511</b>               | <b>233,591</b> |
| Due to banks  | 3,632               | 6,533                | 3,990            | 1,167             | –               | 78              | 64                          | 15,464         |
| Due to non-bank customers   | 86,981              | 31,972               | 14,765           | 10,308            | 196             | 1,146           | –                           | 145,368        |
| Financial liabilities at fair value<br>through profit or loss                 | 2,090               | 1,656                | 2,525            | 1,667             | 2,725           | 7,292           | 287                         | 18,242         |
| Other liabilities <sup>(c)</sup>  | 1,608               | 651                  | 731              | 1,784             | 1,193           | 2,239           | 14,199                      | 22,405         |
| Subordinated term debts   | –                   | –                    | –                | 3,461             | 1,887           | 3,606           | –                           | 8,954          |
| <b>Total liabilities</b>  | <b>94,311</b>       | <b>40,812</b>        | <b>22,011</b>    | <b>18,387</b>     | <b>6,001</b>    | <b>14,361</b>   | <b>14,550</b>               | <b>210,433</b> |
| Minority interests  | –                   | –                    | –                | –                 | –               | –               | 2,677                       | 2,677          |
| Shareholders' funds   | –                   | –                    | –                | –                 | –               | –               | 20,481                      | 20,481         |
| <b>Total equity</b>   | <b>–</b>            | <b>–</b>             | <b>–</b>         | <b>–</b>          | <b>–</b>        | <b>–</b>        | <b>23,158</b>               | <b>23,158</b>  |
| On-balance sheet interest rate gap  | (54,009)            | 2,587                | 17,776           | 15,018            | 7,517           | 13,308          | (2,197)                     | –              |
| Off-balance sheet interest rate gap<br>– Financial derivatives <sup>(d)</sup> | 6,590               | 7,839                | (3,607)          | (3,803)           | (4,861)         | (2,158)         | –                           | –              |
| <b>2006</b>   |                     |                      |                  |                   |                 |                 |                             |                |
| 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<br>through profit or loss                      | 652                 | 2,258                | 2,032            | 1,604             | 1,461           | 7,689           | 800                         | 16,496         |
| Other securities <sup>(a)</sup>   | 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 <sup>(b)</sup>   | –                   | –                    | –                | –                 | –               | –               | 20,638                      | 20,638         |
| <b>Total assets</b>   | <b>34,566</b>       | <b>30,583</b>        | <b>31,541</b>    | <b>32,561</b>     | <b>13,731</b>   | <b>25,013</b>   | <b>29,377</b>               | <b>197,372</b> |
| 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<br>through profit or loss                 | 624                 | 909                  | 2,104            | 3,213             | 2,230           | 8,276           | 2,352                       | 19,708         |
| Other liabilities <sup>(c)</sup>  | 1,441               | 1,294                | 306              | 124               | 118             | 2,532           | 14,099                      | 19,914         |
| Subordinated term debts   | –                   | 401                  | –                | 1,379             | 1,204           | 3,765           | –                           | 6,749          |
| <b>Total liabilities</b>  | <b>79,810</b>       | <b>30,644</b>        | <b>16,104</b>    | <b>12,777</b>     | <b>3,938</b>    | <b>16,241</b>   | <b>16,812</b>               | <b>176,326</b> |
| Minority interests  | –                   | –                    | –                | –                 | –               | –               | 2,371                       | 2,371          |
| Shareholders' funds   | –                   | –                    | –                | –                 | –               | –               | 18,675                      | 18,675         |
| <b>Total equity</b>   | <b>–</b>            | <b>–</b>             | <b>–</b>         | <b>–</b>          | <b>–</b>        | <b>–</b>        | <b>21,046</b>               | <b>21,046</b>  |
| On-balance sheet interest rate gap  | (45,244)            | (61)                 | 15,437           | 19,784            | 9,793           | 8,772           | (8,481)                     | –              |
| Off-balance sheet interest rate gap<br>– Financial derivatives <sup>(d)</sup> | 3,890               | 2,159                | 14,240           | (3,179)           | (11,482)        | (5,628)         | –                           | –              |

(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

(d) Off-balance sheet items are represented at notional value

The table below summarises the Group's effective average interest rate<sup>(a)</sup> at 31 December by major currencies for monetary financial instruments:

|   | 2007                   |                    |                        | 2006                   |                 |                        |
|---|------------------------|--------------------|------------------------|------------------------|-----------------|------------------------|
|   | Singapore<br>dollar, % | US<br>dollar, %    | Hong Kong<br>dollar, % | Singapore<br>dollar, % | US<br>dollar, % | Hong Kong<br>dollar, % |
| <b>Assets</b>   |                        |                    |                        |                        |                 |                        |
| Cash and balances with central banks                          | –                      | –                  | –                      | –                      | –               | –                      |
| Due from banks  | <b>1.20 – 2.40</b>     | <b>4.46 – 5.75</b> | <b>3.94 – 4.38</b>     | 3.22 – 3.30            | 4.27 – 6.06     | 2.17 – 4.45            |
| Financial assets at fair value<br>through profit or loss      | <b>3.03 – 4.37</b>     | <b>4.85 – 5.33</b> | <b>5.99</b>            | 3.04 – 3.92            | 2.58 – 6.06     | 4.57                   |
| Other securities <sup>(b)</sup>                               | <b>2.13 – 2.89</b>     | <b>3.39 – 5.51</b> | <b>2.14 – 5.49</b>     | 2.77 – 3.66            | 2.74 – 6.79     | 3.14 – 4.50            |
| Loans and advances to customers                               | <b>2.25 – 5.26</b>     | <b>3.45 – 7.15</b> | <b>4.46 – 12.63</b>    | 3.04 – 5.75            | 3.41 – 7.95     | 4.15 – 14.35           |
| <b>Liabilities</b>  |                        |                    |                        |                        |                 |                        |
| Due to banks  | <b>0.84 – 1.07</b>     | <b>4.88 – 5.82</b> | <b>0.47</b>            | 2.71 – 2.94            | 5.21 – 5.40     | 4.29                   |
| Due to non-bank customers                                     | <b>0 – 1.51</b>        | <b>1.23 – 4.61</b> | <b>1.40 – 3.78</b>     | 0 – 2.05               | 1.97 – 5.73     | 1.39 – 3.68            |
| Financial liabilities at fair value<br>through profit or loss | <b>2.25</b>            | <b>5.04</b>        | –                      | 2.41                   | 4.85            | –                      |
| Subordinated term debts                                       | <b>4.47</b>            | <b>5.00 – 7.88</b> | –                      | 4.47                   | 5.00 – 7.88     | –                      |

(a) Average interest rates exclude impact of hedging via financial derivatives

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

#### 48.4 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<br>dollar | US<br>dollar    | Hong Kong<br>dollar | Others          | Total          |
|--|---------------------|-----------------|---------------------|-----------------|----------------|
| <b>2007</b>  |                     |                 |                     |                 |                |
| Cash and balances with central banks                       | <b>15,694</b>       | <b>84</b>       | <b>107</b>          | <b>2,679</b>    | <b>18,564</b>  |
| Due from banks   | <b>1,235</b>        | <b>14,776</b>   | <b>1,071</b>        | <b>6,222</b>    | <b>23,304</b>  |
| Financial assets at fair value through profit or loss      | <b>2,249</b>        | <b>6,371</b>    | <b>1,095</b>        | <b>9,828</b>    | <b>19,543</b>  |
| Other securities <sup>(a)</sup>                            | <b>18,442</b>       | <b>7,741</b>    | <b>3,898</b>        | <b>8,649</b>    | <b>38,730</b>  |
| Loans and advances to customers                            | <b>42,116</b>       | <b>24,217</b>   | <b>25,688</b>       | <b>14,323</b>   | <b>106,344</b> |
| Other assets <sup>(b)</sup>                                | <b>10,277</b>       | <b>7,436</b>    | <b>3,832</b>        | <b>5,561</b>    | <b>27,106</b>  |
| Total assets   | <b>90,013</b>       | <b>60,625</b>   | <b>35,691</b>       | <b>47,262</b>   | <b>233,591</b> |
| Due to banks   | <b>2,589</b>        | <b>10,129</b>   | <b>145</b>          | <b>2,601</b>    | <b>15,464</b>  |
| Due to non-bank customers                                  | <b>79,170</b>       | <b>25,244</b>   | <b>24,776</b>       | <b>16,178</b>   | <b>145,368</b> |
| Financial liabilities at fair value through profit or loss | <b>7,063</b>        | <b>7,322</b>    | <b>2,086</b>        | <b>1,771</b>    | <b>18,242</b>  |
| Other liabilities <sup>(c)</sup>                           | <b>5,975</b>        | <b>7,914</b>    | <b>4,369</b>        | <b>4,147</b>    | <b>22,405</b>  |
| Subordinated term debts                                    | <b>500</b>          | <b>8,454</b>    | –                   | –               | <b>8,954</b>   |
| Total liabilities  | <b>95,297</b>       | <b>59,063</b>   | <b>31,376</b>       | <b>24,697</b>   | <b>210,433</b> |
| Minority interests   | <b>2,677</b>        | –               | –                   | –               | <b>2,677</b>   |
| Shareholders' funds  | <b>20,481</b>       | –               | –                   | –               | <b>20,481</b>  |
| Total equity   | <b>23,158</b>       | –               | –                   | –               | <b>23,158</b>  |
| Net on-balance sheet position                              | <b>(28,442)</b>     | <b>1,562</b>    | <b>4,315</b>        | <b>22,565</b>   | –              |
| Net off-balance sheet position <sup>(d)</sup>              | <b>23,546</b>       | <b>(23,772)</b> | <b>12,615</b>       | <b>(12,389)</b> | –              |

| In \$ millions   | Singapore dollar | US dollar       | Hong Kong dollar | Others         | Total          |
|--|------------------|-----------------|------------------|----------------|----------------|
| <b>2006</b>  |                  |                 |                  |                |                |
| 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 <sup>(a)</sup>                            | 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 <sup>(b)</sup>                                | 9,434            | 4,809           | 2,845            | 3,550          | 20,638         |
| <b>Total assets</b>  | <b>76,258</b>    | <b>52,578</b>   | <b>33,273</b>    | <b>35,263</b>  | <b>197,372</b> |
| 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 <sup>(c)</sup>                           | 3,318            | 13,766          | 2,006            | 824            | 19,914         |
| Subordinated term debts                                    | 500              | 6,249           | –                | –              | 6,749          |
| <b>Total liabilities</b>                                   | <b>80,229</b>    | <b>49,015</b>   | <b>27,660</b>    | <b>19,422</b>  | <b>176,326</b> |
| Minority interests   | 2,371            | –               | –                | –              | 2,371          |
| Shareholders' funds  | 18,675           | –               | –                | –              | 18,675         |
| <b>Total equity</b>  | <b>21,046</b>    | <b>–</b>        | <b>–</b>         | <b>–</b>       | <b>21,046</b>  |
| <b>Net on-balance sheet position</b>                       | <b>(25,017)</b>  | <b>3,563</b>    | <b>5,613</b>     | <b>15,841</b>  | <b>–</b>       |
| <b>Net off-balance sheet position<sup>(d)</sup></b>        | <b>21,585</b>    | <b>(28,145)</b> | <b>12,344</b>    | <b>(5,784)</b> | <b>–</b>       |

(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

(d) Off-balance sheet items are represented at notional value

The table below analyses the Group's currency exposure of its net investments in overseas operations by functional currency at 31 December:

| In \$ millions   | Net investments in overseas operations <sup>(a)</sup> | Financial instruments which hedge the net investments <sup>(b)</sup> | Remaining unhedged currency exposures |
|------------------|---|--|---------------------------------------|
| <b>2007</b>      |   |  |                                       |
| Hong Kong dollar | 3,795   | 3,731  | 64                                    |
| US dollar        | 649   | 647  | 2                                     |
| Others           | 2,549   | 1,880  | 669                                   |
| <b>Total</b>     | <b>6,993</b>  | <b>6,258</b>   | <b>735</b>                            |
| <b>2006</b>      |   |  |                                       |
| Hong Kong dollar | 3,539   | 3,485  | 54                                    |
| US dollar        | 454   | 378  | 76                                    |
| Others           | 1,519   | 740  | 779                                   |
| <b>Total</b>     | <b>5,512</b>  | <b>4,603</b>   | <b>909</b>                            |

(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, non-deliverable forwards and borrowings used to hedge the investments

#### 49 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.

The primary tool of monitoring liquidity is the maturity mismatch analysis, which is monitored over successive time bands and across major functional currencies. This is tested under normal and adverse market scenario conditions.

The Group ALCO and country ALCOs are the primary parties responsible for liquidity management based on guidelines approved by the Board Risk Committee.

Limits are set on maturity mismatches over books under normal and stress scenarios, liquidity ratios and deposit concentration risks. As part of the liquidity management, the Group will set limits to ensure that the funding requirements will not exceed the available funding and liquid assets available for both normal and stress scenarios.

As part of its liquidity risk management, the Group focuses on a number of components, including maintaining sufficient liquid assets, maintaining diversified 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.

| In \$ millions   | 2007           |                  |                      |                | 2006           |                  |                      |                |
|--|----------------|------------------|----------------------|----------------|----------------|------------------|----------------------|----------------|
|  | Up to 1 year   | More than 1 year | No specific maturity | Total          | Up to 1 year   | More than 1 year | No specific maturity | Total          |
| Cash and balances with central banks                       | 15,521         | 1                | 3,042                | 18,564         | 10,524         | –                | 1,322                | 11,846         |
| Due from banks   | 19,180         | 4,124            | –                    | 23,304         | 20,941         | 4,259            | 73                   | 25,273         |
| Financial assets at fair value through profit or loss      | 5,254          | 12,760           | 1,529                | 19,543         | 4,583          | 11,113           | 800                  | 16,496         |
| Other securities <sup>(a)</sup>                            | 12,326         | 24,081           | 2,323                | 38,730         | 11,293         | 24,471           | 2,206                | 37,970         |
| Loans and advances to customers                            | 42,851         | 63,493           | –                    | 106,344        | 37,137         | 47,418           | 594                  | 85,149         |
| Other assets <sup>(b)</sup>                                | 1,748          | 35               | 25,323               | 27,106         | 1,053          | 30               | 19,555               | 20,638         |
| <b>Total assets</b>  | <b>96,880</b>  | <b>104,494</b>   | <b>32,217</b>        | <b>233,591</b> | <b>85,531</b>  | <b>87,291</b>    | <b>24,550</b>        | <b>197,372</b> |
| Due to banks   | 15,386         | 78               | –                    | 15,464         | 7,306          | 190              | 367                  | 7,863          |
| Due to non-bank customers                                  | 144,026        | 1,342            | –                    | 145,368        | 120,238        | 1,854            | –                    | 122,092        |
| Financial liabilities at fair value through profit or loss | 5,573          | 12,649           | 20                   | 18,242         | 8,367          | 11,322           | 19                   | 19,708         |
| Other liabilities <sup>(c)</sup>                           | 4,174          | 781              | 17,450               | 22,405         | 5,508          | 1,285            | 13,121               | 19,914         |
| Subordinated term debts                                    | –              | 8,954            | –                    | 8,954          | 401            | 6,348            | –                    | 6,749          |
| <b>Total liabilities</b>                                   | <b>169,159</b> | <b>23,804</b>    | <b>17,470</b>        | <b>210,433</b> | <b>141,820</b> | <b>20,999</b>    | <b>13,507</b>        | <b>176,326</b> |
| Minority interests   | –              | –                | 2,677                | 2,677          | –              | –                | 2,371                | 2,371          |
| Shareholders' funds  | –              | –                | 20,481               | 20,481         | –              | –                | 18,675               | 18,675         |
| <b>Total equity</b>  | <b>–</b>       | <b>–</b>         | <b>23,158</b>        | <b>23,158</b>  | <b>–</b>       | <b>–</b>         | <b>21,046</b>        | <b>21,046</b>  |

(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 assets and liabilities of the Group at 31 December based on contractual undiscounted repayment obligations.

| In \$ millions  | Less than<br>7 days | 1 week to<br>1 month | 1 to 3<br>months | 3 to 12<br>months | 1 to 3<br>years | Over<br>3 years | No<br>specific<br>maturity | Total          |
|---|---------------------|----------------------|------------------|-------------------|-----------------|-----------------|----------------------------|----------------|
| <b>2007</b>   |                     |                      |                  |                   |                 |                 |                            |                |
| Cash and balances with central banks                          | 1,297               | 2,457                | 7,665            | 4,196             | –               | 1               | 3,042                      | 18,658         |
| Due from banks  | 5,547               | 2,187                | 4,510            | 7,252             | 877             | 3,562           | –                          | 23,935         |
| Financial assets at fair value<br>through profit or loss      | 945                 | 2,256                | 1,141            | 1,971             | 5,721           | 9,774           | 1,529                      | 23,337         |
| Other securities <sup>(a)</sup>                               | 426                 | 1,526                | 2,641            | 9,268             | 8,998           | 19,718          | 2,323                      | 44,900         |
| Loans and advances to customers                               | 9,099               | 12,954               | 11,351           | 10,633            | 18,412          | 54,182          | –                          | 116,631        |
| Other assets <sup>(b)</sup>                                   | 1,381               | 344                  | 14               | 140               | 2               | –               | 17,824                     | 19,705         |
| <b>Total assets</b>   | <b>18,695</b>       | <b>21,724</b>        | <b>27,322</b>    | <b>33,460</b>     | <b>34,010</b>   | <b>87,237</b>   | <b>24,718</b>              | <b>247,166</b> |
| Due to banks  | 3,695               | 6,552                | 4,015            | 1,231             | 51              | 185             | –                          | 15,729         |
| Due to non-bank customers                                     | 87,009              | 32,083               | 14,889           | 10,504            | 209             | 1,152           | –                          | 145,846        |
| Financial liabilities at fair value<br>through profit or loss | 1,120               | 1,018                | 986              | 2,873             | 4,549           | 9,229           | 20                         | 19,795         |
| Other liabilities <sup>(c)</sup>                              | 2,537               | 221                  | 321              | 927               | 400             | 907             | 11,302                     | 16,615         |
| Subordinated term debts                                       | –                   | 31                   | 114              | 446               | 2,899           | 9,496           | –                          | 12,986         |
| <b>Total liabilities</b>                                      | <b>94,361</b>       | <b>39,905</b>        | <b>20,325</b>    | <b>15,981</b>     | <b>8,108</b>    | <b>20,969</b>   | <b>11,322</b>              | <b>210,971</b> |
| Minority interests  | –                   | –                    | –                | –                 | –               | –               | 2,677                      | 2,677          |
| Shareholders' funds   | –                   | –                    | –                | –                 | –               | –               | 20,481                     | 20,481         |
| <b>Total equity</b>   | <b>–</b>            | <b>–</b>             | <b>–</b>         | <b>–</b>          | <b>–</b>        | <b>–</b>        | <b>23,158</b>              | <b>23,158</b>  |
| <b>Net liquidity gap</b>                                      | <b>(75,666)</b>     | <b>(18,181)</b>      | <b>6,997</b>     | <b>17,479</b>     | <b>25,902</b>   | <b>66,268</b>   | <b>(9,762)</b>             | <b>13,037</b>  |



| In \$ millions  | Less than<br>7 days | 1 week to<br>1 month | 1 to 3<br>months | 3 to 12<br>months | 1 to 3<br>years | Over<br>3 years | No<br>specific<br>maturity | Total          |
|---|---------------------|----------------------|------------------|-------------------|-----------------|-----------------|----------------------------|----------------|
| <b>2006</b>   |                     |                      |                  |                   |                 |                 |                            |                |
| Cash and balances with central banks                          | 3,314               | 1,706                | 2,529            | 3,062             | –               | –               | 1,322                      | 11,933         |
| Due from banks  | 4,055               | 3,144                | 6,504            | 7,896             | 2,325           | 2,034           | 73                         | 26,031         |
| Financial assets at fair value<br>through profit or loss      | 659                 | 1,925                | 760              | 1,911             | 2,695           | 10,359          | 843                        | 19,152         |
| Other securities <sup>(a)</sup>                               | 633                 | 442                  | 3,252            | 8,798             | 11,655          | 16,733          | 2,212                      | 43,725         |
| Loans and advances to customers                               | 7,283               | 7,697                | 9,690            | 13,806            | 12,964          | 44,971          | 594                        | 97,005         |
| Other assets <sup>(b)</sup>                                   | 846                 | 24                   | 32               | 315               | –               | 1               | 13,883                     | 15,101         |
| <b>Total assets</b>   | <b>16,790</b>       | <b>14,938</b>        | <b>22,767</b>    | <b>35,788</b>     | <b>29,639</b>   | <b>74,098</b>   | <b>18,927</b>              | <b>212,947</b> |
| Due to banks  | 3,089               | 1,836                | 1,934            | 612               | –               | 190             | 367                        | 8,028          |
| Due to non-bank customers                                     | 74,149              | 26,381               | 12,356           | 7,835             | 395             | 1,479           | –                          | 122,595        |
| Financial liabilities at fair value<br>through profit or loss | 843                 | 649                  | 1,637            | 5,607             | 3,486           | 8,752           | 19                         | 20,993         |
| Other liabilities <sup>(c)</sup>                              | 1,448               | 1,318                | 441              | 2,356             | 289             | 1,357           | 8,702                      | 15,911         |
| Subordinated term debts                                       | –                   | 450                  | 90               | 346               | 881             | 8,444           | –                          | 10,211         |
| <b>Total liabilities</b>                                      | <b>79,529</b>       | <b>30,634</b>        | <b>16,458</b>    | <b>16,756</b>     | <b>5,051</b>    | <b>20,222</b>   | <b>9,088</b>               | <b>177,738</b> |
| Minority interests  | –                   | –                    | –                | –                 | –               | –               | 2,371                      | 2,371          |
| Shareholders' funds   | –                   | –                    | –                | –                 | –               | –               | 18,675                     | 18,675         |
| <b>Total equity</b>   | <b>–</b>            | <b>–</b>             | <b>–</b>         | <b>–</b>          | <b>–</b>        | <b>–</b>        | <b>21,046</b>              | <b>21,046</b>  |
| <b>Net liquidity gap</b>                                      | <b>(62,739)</b>     | <b>(15,696)</b>      | <b>6,309</b>     | <b>19,032</b>     | <b>24,588</b>   | <b>53,876</b>   | <b>(11,207)</b>            | <b>14,163</b>  |

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

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

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

The balances in the above table will not agree directly to the balances in the consolidated balance sheet as the table incorporates all cash flows, on an undiscounted basis, related to both principal as well as those associated with all future coupon payments.

#### 49.1 Derivatives settled on a gross basis

The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| In \$ millions               | Less than<br>7 days | 1 week to<br>1 month | 1 to 3<br>months | 3 to 12<br>months | 1 to 3<br>years | Over<br>3 years | Total          |
|------------------------------|---------------------|----------------------|------------------|-------------------|-----------------|-----------------|----------------|
| <b>2007</b>                  |                     |                      |                  |                   |                 |                 |                |
| Foreign exchange derivatives |                     |                      |                  |                   |                 |                 |                |
| – outflow                    | <b>39,165</b>       | <b>68,406</b>        | <b>96,400</b>    | <b>136,078</b>    | <b>25,023</b>   | <b>27,204</b>   | <b>392,276</b> |
| – inflow                     | <b>39,186</b>       | <b>68,555</b>        | <b>96,476</b>    | <b>136,372</b>    | <b>25,111</b>   | <b>26,802</b>   | <b>392,502</b> |
| <b>2006</b>                  |                     |                      |                  |                   |                 |                 |                |
| Foreign exchange derivatives |                     |                      |                  |                   |                 |                 |                |
| – outflow                    | 28,793              | 38,283               | 71,994           | 113,825           | 17,554          | 16,538          | 286,987        |
| – inflow                     | 28,806              | 38,100               | 71,696           | 112,140           | 19,688          | 16,904          | 287,334        |

## 49.2 Contingent liabilities and commitments

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments:

| In \$ millions                                      | Less than<br>1 year | 1 to 3<br>years | 3 to 5<br>years | Over 5<br>years | Total          |
|---|---------------------|-----------------|-----------------|-----------------|----------------|
| <b>2007</b>   |                     |                 |                 |                 |                |
| Guarantees, endorsements and other contingent items | 14,656              | –               | –               | –               | 14,656         |
| Undrawn loan commitments and other facilities       | 86,036              | 2,917           | 2,155           | 206             | 91,314         |
| Operating lease commitments                         | 129                 | 175             | 138             | 465             | 907            |
| Capital commitments                                 | 52                  | 22              | 9               | 1               | 84             |
| <b>Total</b>  | <b>100,873</b>      | <b>3,114</b>    | <b>2,302</b>    | <b>672</b>      | <b>106,961</b> |
| <b>2006</b>   |                     |                 |                 |                 |                |
| Guarantees, endorsements and other contingent items | 12,187              | –               | –               | –               | 12,187         |
| Undrawn loan commitments and other facilities       | 78,564              | 2,513           | 3,616           | 915             | 85,608         |
| Operating lease commitments                         | 109                 | 90              | 130             | 88              | 417            |
| Capital commitments                                 | 22                  | 8               | 7               | 3               | 40             |
| <b>Total</b>  | <b>90,882</b>       | <b>2,611</b>    | <b>3,753</b>    | <b>1,006</b>    | <b>98,252</b>  |

The Group expects that not all of the contingent liabilities and undrawn loan commitments will be drawn before expiry.

## 50 OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. An Operational Risk Management Framework, approved by the Board Risk Management Committee ("BRMC"), has been developed with the objective to ensure that operational risks within the Group are identified, monitored, managed and reported in a structured, systematic and consistent manner.

To manage and control operational risk, the Framework encompasses various tools including, control self-assessment ("CSA"), risk event management, key risk indicator monitoring and process risk mapping. A control self assessment scoring/rating methodology was developed to enhance management assessment of the state of control environment. Risk events, including any significant incidents that may impact the Group's reputation, are required to be reported based on certain thresholds established. Key risk indicators with pre-defined escalation triggers are employed to facilitate risk monitoring in a forward looking manner. A process risk mapping framework was developed to identify the key risks and controls of key products/services in an end-to-end transaction cycle.

A key component of the Framework is a set of Core Operational Risk Standards which provides guidance on the baseline controls to ensure a controlled and sound operating environment. Each new product or service introduced is subject to risk review and sign-off process where relevant risks are identified and assessed by departments independent of the risk-taking unit proposing the product or service. Variations of existing products or services, outsourcing and process centralization initiatives, are also subject to a similar process. Major operational risk mitigation programmes include Business Continuity Management and Global Insurance Programme. On

an annual basis, the CEO provides an attestation to the Board on the state of business continuity management of the Group, including any residual risks.

The Group Operational Risk Committee ("GORC") oversees the Group's operational risk management infrastructure, including the Framework, policies, processes, information, methodologies and systems. The Committee also performs regular review of the operational risk profiles of the Group, and endorses and recommends corporate operational risk policies to be approved by the Business Support and Controls Committee. Reporting to the GORC are three sub-committees which provide specific oversights on operational risk issues arising from outsourcing, technology and anti-money laundering.

## 51 CAPITAL MANAGEMENT

The Group's capital management policies are to diversify its sources of capital, to allocate capital efficiently, guided by the need to maintain a prudent relationship between available capital and the risks of its underlying businesses and to meet the expectations of key constituencies, including investors, regulators and rating agencies.

The capital management process, which is centrally supervised by senior management, includes periodic reviews of both the demand for and supply of capital across the Group. Overseas subsidiaries and non-banking subsidiaries of the Group may be required to comply with country-specific and industry-specific capital requirements depending on the applicable jurisdiction and industry they operate in. Available capital is allocated across competing demands, guided by the policies outlined above, and to ensure regulatory compliance. Quarterly updates are provided to the Board of Directors.

The following table sets forth details of capital resources and capital adequacy ratios for the Group. MAS Notice to Banks No. 637 "Notice on Risk Based Capital Adequacy Requirements for Banks incorporated in Singapore" sets out the current requirements relating to the minimum capital adequacy ratios for a bank incorporated in Singapore and the methodology a bank incorporated in Singapore shall use for calculating these ratios.

| In \$ millions                | 2007           | 2006    |
|-------------------------------|----------------|---------|
| <b>Tier 1</b>                 |                |         |
| Share capital                 | <b>4,164</b>   | 4,042   |
| Disclosed reserves and others | <b>18,040</b>  | 16,556  |
| Less: Goodwill                | <b>(5,845)</b> | (5,840) |
| Total                         | <b>16,359</b>  | 14,758  |
| <b>Tier 2</b>                 |                |         |
| Cumulative general allowances | <b>1,210</b>   | 1,033   |
| Subordinated debts            | <b>7,087</b>   | 5,038   |
| Others                        | <b>75</b>      | 103     |
| Total                         | <b>8,372</b>   | 6,174   |
| Total capital                 | <b>24,731</b>  | 20,932  |
| Risk-weighted assets          | <b>184,601</b> | 144,086 |
| Capital adequacy ratio (%)    |                |         |
| Tier 1 ratio                  | <b>8.9</b>     | 10.2    |
| Tier 2 ratio                  | <b>4.5</b>     | 4.3     |
| Total (Tier 1 and 2) ratio    | <b>13.4</b>    | 14.5    |

The Group will adopt Basel II from 1 January 2008. The Basel II capital adequacy requirements are set out in the revised MAS Notice to Banks No. 637 "Notice on Risk Based Capital Adequacy Requirements for Banks incorporated in Singapore" dated 14 December 2007.

## 52 SEGMENTAL REPORTING

### 52.1 Business segment reporting

The business segment results are prepared based on the Group's internal management reporting 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. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

The various business 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 available 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 available 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 financial solutions to large corporate and institutional clients. The products and services available to customers include 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, private equity, and lending products.

#### *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 these financial products and services offered to the customers of other business segments, e.g. Consumer Banking, Enterprise Banking and Corporate and Investment Banking, is reflected in the respective 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 of the Group by business segments:

| In \$ millions                         | Corporate and Global Central Central |                    |                    |                   |               |            | Total   |
|--|--------------------------------------|--------------------|--------------------|-------------------|---------------|------------|---------|
|  | Consumer Banking                     | Enterprise Banking | Investment Banking | Financial Markets | Treasury Unit | Operations |         |
| <b>2007</b>                            |                                      |                    |                    |                   |               |            |         |
| Net interest income                    | 1,718                                | 792                | 736                | 946               | 349           | (433)      | 4,108   |
| Non-interest income                    | 688                                  | 395                | 552                | 78                | 16            | 326        | 2,055   |
| Expenses                               | 1,091                                | 375                | 421                | 516               | 31            | 184        | 2,618   |
| Allowances for credit and other losses | 23                                   | 103                | 209                | 5                 | 262           | 15         | 617     |
| Profit before tax                      | 1,292                                | 709                | 658                | 516               | 72            | (209)      | 3,038   |
| Total assets before goodwill           | 32,148                               | 22,738             | 56,569             | 84,444            | 27,930        | 3,920      | 227,749 |
| Goodwill on consolidation              |                                      |                    |                    |                   |               |            | 5,842   |
| Total assets                           |                                      |                    |                    |                   |               |            | 233,591 |
| Total liabilities                      | 83,171                               | 21,311             | 30,733             | 47,667            | 1,458         | 26,093     | 210,433 |
| Capital expenditure                    | 62                                   | 3                  | 10                 | 17                | –             | 104        | 196     |
| Depreciation                           | 25                                   | 3                  | 6                  | 11                | –             | 81         | 126     |
| <b>2006</b>                            |                                      |                    |                    |                   |               |            |         |
| 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     |

## 52.2 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               | The Group            |                      |                                      |   |                                  | Total   |
|------------------------------|----------------------|----------------------|--------------------------------------|---|----------------------------------|---------|
|                              | Singapore            | Hong Kong            | Rest of Greater China <sup>(c)</sup> | South and Southeast Asia <sup>(d)</sup> | Rest of the World <sup>(e)</sup> |         |
| <b>2007</b>                  |                      |                      |                                      |   |                                  |         |
| Total income                 | 3,942 <sup>(a)</sup> | 1,618                | 206                                  | 269                                     | 128                              | 6,163   |
| Net profit                   | 1,597 <sup>(a)</sup> | 686                  | 64                                   | 106                                     | (4)                              | 2,449   |
| Total assets before goodwill | 149,462              | 47,664               | 10,905                               | 8,199                                   | 11,519                           | 227,749 |
| Goodwill on consolidation    |                      |                      |                                      |   |                                  | 5,842   |
| Total assets                 |                      |                      |                                      |   |                                  | 233,591 |
| <b>2006</b>                  |                      |                      |                                      |   |                                  |         |
| Total income                 | 3,424 <sup>(b)</sup> | 1,576 <sup>(b)</sup> | 147                                  | 181                                     | 110                              | 5,438   |
| Net profit                   | 1,545 <sup>(b)</sup> | 680 <sup>(b)</sup>   | 55                                   | 127                                     | 22                               | 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 |

(a) Includes one-time allowance write-back for a Singapore property and impairment charges for a Thai investment of \$209 million in 2007

(b) Includes one-time gains of \$94 million in 2006 from sale of buildings in Singapore and Hong Kong

(c) Rest of Greater China includes branch, subsidiary and associate operations in Mainland China and Taiwan

(d) South and Southeast Asia includes branch, subsidiary, joint venture and associate operations in India, Indonesia, Malaysia and the Philippines

(e) Rest of the World includes branch operations in South Korea, Japan, United States of America and United Kingdom

## 53 LIST OF SUBSIDIARIES, JOINT VENTURES, ASSOCIATES AND SPECIAL PURPOSE ENTITIES

The significant operating subsidiaries in the Group are listed below:

| Name of subsidiary                         | Principal activities   | Country of incorporation | Currency | Share capital<br>In millions | Effective shareholding % |      |
|--|--|--------------------------|----------|------------------------------|--------------------------|------|
|  |  |                          |          |                              | 2007                     | 2006 |
| <b>Held by the Company</b>                 |  |                          |          |                              |                          |      |
| 1. DBS Bank Ltd                            | Retail, corporate and investment banking services                    | Singapore                | SGD      | 12,096                       | 100                      | 100  |
| <b>Held by the Bank</b>                    |  |                          |          |                              |                          |      |
| 2. DBS Asset Management Ltd                | Investment management services                                       | Singapore                | SGD      | 64                           | 100                      | 100  |
| 3. DBS China Square Ltd                    | Property investment holding  | Singapore                | SGD      | 228                          | 70                       | 70   |
| 4. DBS Nominees Pte Ltd                    | Nominee services   | Singapore                | SGD      | #                            | 100                      | 100  |
| 5. DBS Trustee Ltd                         | Trustee services   | Singapore                | SGD      | 3                            | 100                      | 100  |
| 6. DBS Vickers Securities Holdings Pte Ltd | Investment holding   | Singapore                | SGD      | 403                          | 100                      | 100  |
| 7. DBSN Services Pte. Ltd.                 | Nominee services   | Singapore                | SGD      | #                            | 100                      | 100  |
| 8. Primefield Company Pte Ltd***           | Investment holding   | Singapore                | SGD      | 8                            | 100                      | 100  |
| 9. The Islamic Bank of Asia Limited        | Provision of Shariah compliant Islamic Banking products and services | Singapore                | USD      | 500                          | 50                       | –    |
| 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*       | Investment company   | China                    | CNY      | 241                          | 100                      | 100  |

| Name of subsidiary                                       | Principal activities   | Country of incorporation | Share capital |             | Effective shareholding % |      |
|--|--|--------------------------|---------------|-------------|--------------------------|------|
|  |  |                          | Currency      | In millions | 2007                     | 2006 |
| 13. DBS Bank (China) Limited*                            | Retail, small and medium-sized enterprise and corporate banking services | China                    | CNY           | 4,000       | <b>100</b>               | –    |
| 14. DBS Asia Capital Limited*                            | Corporate finance and advisory services                                  | Hong Kong                | HKD           | 92          | <b>100</b>               | 100  |
| 15. PT Bank DBS Indonesia*                               | Commercial banking and financial services                                | Indonesia                | IDR           | 1,300,000   | <b>99</b>                | 99   |
| 16. DBSAM Funds***                                       | Collective investment scheme   | Luxembourg               | USD           | 10          | <b>99.7</b>              | 86   |
| 17. DBS HDM Capital Management Sdn Bhd*                  | Investment company   | Malaysia                 | RM            | #           | <b>50</b>                | 50   |
| <b>Held by other subsidiaries</b>                        |  |                          |               |             |                          |      |
| 18. AXS Infocomm Pte Ltd <sup>(a)***</sup>               | Development and operation of multimedia transactional pay phone kiosks   | Singapore                | SGD           | 14          | <b>64.8</b>              | 64.8 |
| 19. DBS Vickers Securities (Singapore) Pte Ltd           | Securities and futures broker  | Singapore                | SGD           | 50          | <b>100</b>               | 100  |
| 20. DBS Vickers Securities Online (Singapore) Pte Ltd    | Securities broker  | Singapore                | SGD           | 10          | <b>100</b>               | 100  |
| 21. DBS Vickers Securities Online Holdings Pte Ltd       | Investment holding   | Singapore                | SGD           | 46          | <b>100</b>               | 80   |
| 22. DBS Asset Management (United States) Pte Ltd         | Investment management services   | Singapore                | SGD           | #           | <b>100</b>               | 100  |
| 23. DBS Vickers Research (Singapore) Pte Ltd             | Market research consultants  | Singapore                | SGD           | 1           | <b>100</b>               | 100  |
| 24. DBS Vickers Securities Nominees (Singapore) Pte Ltd  | Nominee services   | Singapore                | SGD           | #           | <b>100</b>               | 100  |
| 25. DBS Asset Management (Hong Kong) Ltd*                | Investment management services   | Hong Kong                | HKD           | 13          | <b>100</b>               | 100  |
| 26. DBS Bank (Hong Kong) Limited*                        | Retail, corporate and investment banking services                        | Hong Kong                | HKD           | 5,200       | <b>100</b>               | 100  |
| 27. DBS Corporate Services (Hong Kong) Limited*          | Investment holding and corporate services                                | Hong Kong                | HKD           | 1           | <b>100</b>               | 100  |
| 28. DHB Limited*   | Investment holding   | Hong Kong                | HKD           | 500         | <b>100</b>               | 100  |
| 29. DBS Vickers Securities Online (HK) Limited*          | Securities broker  | Hong Kong                | HKD           | 157         | <b>100</b>               | 100  |
| 30. DBS Vickers (Hong Kong) Limited*                     | Securities and futures broker  | Hong Kong                | HKD           | #           | <b>100</b>               | 100  |
| 31. DBS Vickers Securities Nominees (Hong Kong) Limited* | Nominee services   | Hong Kong                | HKD           | #           | <b>100</b>               | 100  |
| 32. DBS Vickers Securities (Hong Kong) Limited           | Investment holding   | Hong Kong                | HKD           | 8           | <b>100</b>               | 100  |
| 33. Kenson Asia Ltd*                                     | Corporate services   | Hong Kong                | HKD           | #           | <b>100</b>               | 100  |
| 34. Kingly Management Ltd*                               | Corporate services   | Hong Kong                | HKD           | #           | <b>100</b>               | 100  |
| 35. Ting Hong Nominees Limited*                          | Nominee services   | Hong Kong                | HKD           | #           | <b>100</b>               | 100  |
| 36. Worldson Services Ltd*                               | Corporate services   | Hong Kong                | HKD           | #           | <b>100</b>               | 100  |
| 37. PT DBS Vickers Securities (Indonesia)*               | Securities broker  | Indonesia                | IDR           | 55,000      | <b>99</b>                | 99   |
| 38. DBS Vickers Securities (Thailand) Co. Ltd*           | Securities broker  | Thailand                 | THB           | 690         | <b>100</b>               | 100  |
| 39. DHJ Management Limited**                             | Corporate services   | British Virgin Islands   | USD           | #           | <b>100</b>               | 100  |
| 40. JT Administration Limited**                          | Corporate services   | British Virgin Islands   | USD           | #           | <b>100</b>               | 100  |
| 41. Market Success Limited**                             | Corporate services   | British Virgin Islands   | USD           | #           | <b>100</b>               | 100  |

| Name of subsidiary                     | Principal activities            | Country of incorporation | Share capital |             | Effective shareholding % |      |
|--|---------------------------------|--------------------------|---------------|-------------|--------------------------|------|
|  |                                 |                          | Currency      | In millions | 2007                     | 2006 |
| 42. Kendrick Services Limited**        | Corporate directorship services | British Virgin Islands   | USD           | #           | 100                      | 100  |
| 43. Lushington Investment Limited**    | Corporate shareholding services | British Virgin Islands   | USD           | #           | 100                      | 100  |
| 44. Quickway Limited**                 | Corporate directorship services | British Virgin Islands   | USD           | #           | 100                      | 100  |
| 45. DBS Group (Hong Kong) Limited*     | Investment holding              | Bermuda                  | USD           | 356         | 100                      | 100  |
| 46. DBS Vickers Securities (UK) Ltd*   | Securities broker               | United Kingdom           | GBP           | #           | 100                      | 100  |
| 47. DBS Vickers Securities (USA), Inc* | Securities broker               | United States            | USD           | 3           | 100                      | 100  |
| 48. DBS Trustee H.K. (Jersey) Limited* | Trustee services                | Jersey                   | GBP           | #           | 100                      | 100  |

# Amount under \$500,000

\* Audited by Ernst & Young firms outside Singapore

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

\*\*\* Audited by other auditors

(a) Shareholding includes 10.8% (2006: 10.8%) held through the Bank. In addition, there is an indirect shareholding of 9.5% (2006: 9.5%) held through Network for Electronic Transfers (Singapore) Pte Ltd

The significant joint ventures in the Group are listed below:

| Name of joint venture                   | Principal activities              | Country of incorporation | Share capital |             | Effective shareholding % |      |
|---|-----------------------------------|--------------------------|---------------|-------------|--------------------------|------|
|   |                                   |                          | Currency      | In millions | 2007                     | 2006 |
| <b>Held by the Bank</b>                 |                                   |                          |               |             |                          |      |
| 1. Ayala DBS Holdings Inc.*             | Investment holding                | The Philippines          | PHP           | 3,340       | 40.0                     | 40.0 |
| 2. Cholamandalam DBS Finance Limited*** | Consumer finance                  | India                    | INR           | 522         | 37.5                     | 37.5 |
| 3. DBS HDM Capital Sdn Bhd*             | Investment holding                | Malaysia                 | RM            | 1           | 50.0                     | 50.0 |
| <b>Held by other subsidiaries</b>       |                                   |                          |               |             |                          |      |
| 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 |             | Effective shareholding % |      |
|--|---|--------------------------|---------------|-------------|--------------------------|------|
|  |   |                          | Currency      | In millions | 2007                     | 2006 |
| <b>Quoted - Held by the Bank</b>                           |   |                          |               |             |                          |      |
| 1. Bank of the Philippine Islands***                       | Commercial banking and financial services   | The Philippines          | PHP           | 22,386      | 20.4                     | 20.4 |
| <b>Quoted - Held by other subsidiaries</b>                 |   |                          |               |             |                          |      |
| 2. Hwang-DBS (Malaysia) Bhd <sup>(a)</sup> ***             | Investment holding  | Malaysia                 | RM            | 255         | 27.7                     | 26.2 |
| <b>Unquoted - Held by the Bank</b>                         |   |                          |               |             |                          |      |
| 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           | 6           | 33.3                     | 33.3 |
| 5. Network for Electronic Transfers (Singapore) Pte Ltd*** | Electronic funds transfer   | Singapore                | SGD           | 2           | 33.3                     | 33.3 |

| Name of associate  | Principal activities   | Country of incorporation | Share capital |             | Effective shareholding % |      |
|--|--|--------------------------|---------------|-------------|--------------------------|------|
|  |  |                          | Currency      | In millions | 2007                     | 2006 |
| 6. Orix Leasing Singapore Ltd***                                     | Leasing and hire-purchase financing of equipment, provision of installment loans and working capital financing | Singapore                | SGD           | 3           | 30.0                     | 30.0 |
| 7. Investment and Capital Corporation of the Philippines*            | Financial services   | The Philippines          | PHP           | 300         | 20.0                     | 20.0 |
| 8. Nextmall Holdings Corporation**                                   | Hypermarket chain  | Cayman Islands           | USD           | #           | 33.7                     | 33.7 |
| <b>Unquoted - Held by other subsidiaries</b>                         |  |                          |               |             |                          |      |
| 9. Hwang-DBS Investment Management Berhad***                         | Investment management services   | Malaysia                 | RM            | 10          | 30.0                     | 30.0 |
| 10. Hwang-DBS Vickers Research (Malaysia) Sdn Bhd <sup>(b)</sup> *** | Investment management  | Malaysia                 | RM            | 3           | 49.0                     | 49.0 |
| 11. Singapore Africa Investment Management Pte Ltd***                | Investment management  | Singapore                | USD           | #           | 30.0                     | 30.0 |
| 12. Southern Africa Investment Pte Ltd <sup>(c)</sup> ***            | Investment holding   | Singapore                | USD           | 35          | 25.0                     | 25.0 |
| 13. Singapore Consortium Investment Management Ltd***                | Investment management services   | Singapore                | SGD           | 1           | 33.3                     | 33.3 |
| 14. Changsheng Fund Management Company                               | Establishment and management of investment   | China                    | RMB           | 100         | 33.0                     | –    |

# 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 4.16% held through the Bank

(b) In addition to the effective shareholding of 49%, there is an indirect shareholding of 12.0% (2006: 13.4%) 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 the Bank

The significant operating special purpose entities controlled by the Group are listed below:

| Name of entity                                | Purpose of special purpose entity   | Country of incorporation |
|---|---|--------------------------|
| 1. Zenesis SPC                                | Issuance of structured products   | Cayman Islands           |
| 2. New Heights Investment Limited             | Asset backed/repackaging transactions for distribution to customers   | Cayman Islands           |
| 3. Red Orchid Secured Assets Limited ("Rosa") | An Asset-Backed Commercial Paper ("ABCP") conduit for repackaging of Bank-originated and third party assets | Cayman Islands           |
| 4. Constellation Investment Ltd               | Issuance of structured notes  | Cayman Islands           |
| 5. Skyer I Limited                            | Structuring and issuance of credit-linked notes   | Cayman Islands           |



## **54 SUBSEQUENT EVENTS**

**54.1** Subsequent to 31 December 2007, a decision was taken to put Rosa, a consolidated special purpose entity of the Group, into liquidation. As a first step, on 30 January 2008, Rosa sold its assets to the Bank at a fair value of \$1.04 billion, incurring a loss of \$232 million. Of this loss, \$136 million has been reflected in the Group's 2007 income statement as a charge to trading income and \$10 million was incurred prior to 2007 in the Group's income statement. The remaining loss of \$86 million will be reflected in the Group's income statement in January 2008.

Among the transferred assets were Collateralised Debt Obligations ("CDOs") with a fair value of \$347 million, which were being managed by the Bank as at the date of approval of the financial statements. The remaining balance of transferred assets has been dismantled into their trading components and the related swaps extinguished.

**54.2** On 1 February 2008, the Group successfully bid for selected assets and liabilities of Bowa Bank in Taiwan, including approximately \$2.9 billion of net loans, \$4.1 billion of deposits and 42 distribution outlets, with a payment of approximately \$2.0 billion from the Taiwanese government's Central Deposit Insurance Corporation. The transaction, which is scheduled to be completed in May 2008, is not expected to have a significant impact on the Group's financial performance in the near term. The Group will have full control of the assets acquired.

# Income Statement

for the year ended 31 December 2007

| In \$ millions   | Note | 2007         | 2006  |
|--|------|--------------|-------|
| <b>Income</b>  |      |              |       |
| Interest income  |      | <b>6,581</b> | 5,324 |
| Interest expense   |      | <b>3,800</b> | 3,011 |
| <hr/>  |      |              |       |
| Net interest income  |      | <b>2,781</b> | 2,313 |
| Net fee and commission income                                  |      | <b>806</b>   | 681   |
| Net trading income   |      | <b>365</b>   | 687   |
| Net income from financial instruments designated at fair value |      | <b>15</b>    | 4     |
| Net income from financial investments                          | 2    | <b>578</b>   | 323   |
| Other income   |      | <b>4</b>     | 33    |
| <hr/>  |      |              |       |
| Total income   |      | <b>4,549</b> | 4,041 |
| <hr/>  |      |              |       |
| <b>Expenses</b>  |      |              |       |
| Employee benefits  |      | <b>873</b>   | 808   |
| Depreciation of properties and other fixed assets              |      | <b>72</b>    | 75    |
| Other expenses   |      | <b>737</b>   | 710   |
| Allowances for credit and other losses                         |      | <b>816</b>   | 46    |
| <hr/>  |      |              |       |
| Total expenses   |      | <b>2,498</b> | 1,639 |
| <hr/>  |      |              |       |
| <b>Profit before tax</b>                                       |      | <b>2,051</b> | 2,402 |
| Income tax expense   |      | <b>428</b>   | 417   |
| <hr/>  |      |              |       |
| <b>Net profit for the year</b>                                 |      | <b>1,623</b> | 1,985 |

(see notes on pages 116 to 118, which form part of these financial statements)

# Balance Sheet

at 31 December 2007

| In \$ millions   | Note | 2007           | 2006           |
|--|------|----------------|----------------|
| <b>Assets</b>  |      |                |                |
| Cash and balances with central banks                       |      | 17,680         | 11,619         |
| Singapore Government securities and treasury bills         |      | 15,433         | 12,843         |
| Due from banks   |      | 16,833         | 19,590         |
| Financial assets at fair value through profit or loss      |      | 17,389         | 14,818         |
| Positive replacement values                                |      | 13,714         | 8,529          |
| Loans and advances to customers                            |      | 76,165         | 60,470         |
| Financial investments                                      |      | 13,421         | 14,429         |
| Securities pledged   |      | 2,093          | 678            |
| Subsidiaries   | 3    | 12,059         | 9,563          |
| Due from special purpose entities                          | 4    | 1,116          | 227            |
| Investments in joint ventures                              |      | 107            | 75             |
| Investments in associates                                  |      | 557            | 567            |
| Properties and other fixed assets                          |      | 462            | 453            |
| Other assets   |      | 3,070          | 2,527          |
| <b>Total assets</b>  |      | <b>190,099</b> | <b>156,388</b> |
| <b>Liabilities</b>   |      |                |                |
| Due to banks   |      | 14,034         | 6,758          |
| Due to non-bank customers                                  |      | 106,501        | 89,947         |
| Financial liabilities at fair value through profit or loss |      | 14,144         | 14,355         |
| Negative replacement values                                |      | 12,811         | 8,065          |
| Bills payable  |      | 340            | 472            |
| Current tax liabilities                                    |      | 740            | 643            |
| Deferred tax liabilities                                   |      | 117            | 80             |
| Other liabilities  |      | 4,233          | 3,711          |
| Other debt securities in issue                             |      | 738            | 2,065          |
| Due to holding company                                     |      | 21             | 201            |
| Due to subsidiaries  | 5    | 6,078          | 3,321          |
| Due to special purpose entities                            |      | 994            | 1,216          |
| Subordinated term debts                                    |      | 8,954          | 6,348          |
| <b>Total liabilities</b>                                   |      | <b>169,705</b> | <b>137,182</b> |
| <b>Net assets</b>  |      | <b>20,394</b>  | <b>19,206</b>  |
| <b>Equity</b>  |      |                |                |
| Share capital  | 6    | 12,096         | 12,096         |
| Other reserves   | 7    | 3,314          | 2,847          |
| Revenue reserves   | 7    | 4,984          | 4,263          |
| <b>Shareholders' funds</b>                                 |      | <b>20,394</b>  | <b>19,206</b>  |
| <b>Total equity</b>  |      | <b>20,394</b>  | <b>19,206</b>  |
| <b>Off-balance sheet items</b>                             |      |                |                |
| Contingent liabilities                                     |      | 14,013         | 10,897         |
| Commitments  |      | 74,705         | 69,497         |
| Financial derivatives                                      |      | 1,847,378      | 1,408,971      |

(see notes on pages 116 to 118, which form part of these financial statements)

# Notes to the Supplementary Financial Statements

for the year ended 31 December 2007

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 2007. 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 the Group's Consolidated Financial Statements.

## 2 NET INCOME FROM FINANCIAL INVESTMENTS

Net income from financial investments includes the following:

| In \$ millions                           | 2007 | 2006 |
|--|------|------|
| Dividends from subsidiaries              | 45   | 64   |
| Dividends from joint ventures/associates | 62   | 39   |
| Total                                    | 107  | 103  |

## 3 SUBSIDIARIES

| In \$ millions                  | 2007   | 2006   |
|---------------------------------|--------|--------|
| Unquoted equity shares, at cost | 11,004 | 10,125 |
| Less: Impairment allowances     | 768    | 821    |
| Sub-total                       | 10,236 | 9,304  |
| Due from subsidiaries           | 1,823  | 259    |
| Total                           | 12,059 | 9,563  |

Movements in impairment allowances during the year are as follows:

| In \$ millions                 | 2007 | 2006 |
|--------------------------------|------|------|
| Balance at 1 January           | 821  | 873  |
| Write-back to income statement | (53) | (52) |
| Balance at 31 December         | 768  | 821  |

## 6 SHARE CAPITAL

|  | 2007   | 2006   |
|--|--------|--------|
| 1,962,302,697 (2006: 1,962,302,697) ordinary shares                                      | 1,962  | 1,962  |
| 11,000,000 (2006: 11,000,000) non-cumulative non-convertible perpetual preference shares | #      | #      |
| Total number of shares (millions)  | 1,962  | 1,962  |
| Total Share Capital (in \$ millions)   | 12,096 | 12,096 |

# Amount under \$500,000

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

## 4 DUE FROM SPECIAL PURPOSE ENTITIES

| In \$ millions                                   | 2007  | 2006 |
|--|-------|------|
| Due from special purpose entities <sup>(a)</sup> | 1,392 | 227  |
| Less: Impairment allowances                      | 276   | –    |
| Total  | 1,116 | 227  |

(a) Included \$1,378 million (2006: \$153 million) due from Red Orchid Secured Assets Limited ("Rosa")

Movements in impairment allowances during the year are as follows:

| In \$ millions                            | 2007 | 2006 |
|---|------|------|
| Balance at 1 January                      | –    | –    |
| Charge to income statement <sup>(a)</sup> | 276  | –    |
| Balance at 31 December                    | 276  | –    |

(a) Relates to a loan to Rosa. Refer to Note 8.1

## 5 DUE TO SUBSIDIARIES

| In \$ millions          | 2007  | 2006  |
|-------------------------|-------|-------|
| Subordinated term debts | 1,188 | 1,236 |
| Due to subsidiaries     | 4,890 | 2,085 |
| Total                   | 6,078 | 3,321 |

The subordinated term debts were issued by the Bank to DBS Capital Funding Corporation, both wholly-owned subsidiaries of the Group, 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 7.66% 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") + 3.20% per annum (Series A) and three-month Singapore Swap Offer Rate + 2.52% per annum (Series B).

**7 OTHER RESERVES****7.1 Other reserves**

| In \$ millions                          | 2007         | 2006         |
|---|--------------|--------------|
| Available-for-sale revaluation reserves | 929          | 482          |
| General reserves                        | 2,360        | 2,330        |
| Share plan reserves                     | 25           | 35           |
| <b>Total</b>                            | <b>3,314</b> | <b>2,847</b> |

Movements in other reserves for the Bank during the year are as follows:

| In \$ millions   | Available-for-sale<br>revaluation<br>reserves | Cash flow<br>hedge<br>reserves | General<br>reserves <sup>(a)</sup> | Capital<br>reserves | Share plan<br>reserves | Total        |
|--|---|--------------------------------|------------------------------------|---------------------|------------------------|--------------|
| Balance at 1 January 2007                                      | 482   | –                              | 2,330                              | –                   | 35                     | 2,847        |
| Appropriation from income statement <sup>(b)</sup>             | –   | –                              | 30                                 | –                   | –                      | 30           |
| Cost of share-based payments                                   | –   | –                              | –                                  | –                   | 30                     | 30           |
| Draw-down of reserves upon vesting<br>of performance shares    | –   | –                              | –                                  | –                   | (40)                   | (40)         |
| Available-for-sale:  |   |                                |                                    |                     |                        |              |
| – net valuation taken to equity                                | 917   | –                              | –                                  | –                   | –                      | 917          |
| – transferred to income statement on sale                      | (414)   | –                              | –                                  | –                   | –                      | (414)        |
| – tax on items taken directly to or<br>transferred from equity | (56)  | –                              | –                                  | –                   | –                      | (56)         |
| <b>Balance at 31 December 2007</b>                             | <b>929</b>                                    | <b>–</b>                       | <b>2,360</b>                       | <b>–</b>            | <b>25</b>              | <b>3,314</b> |
| Balance at 1 January 2006                                      | 212   | 23                             | 2,269                              | 136                 | 25                     | 2,665        |
| Prior period adjustments (Note 7.3)                            | –   | –                              | –                                  | (136)               | –                      | (136)        |
| Balance at 1 January 2006 as restated                          | 212   | 23                             | 2,269                              | –                   | 25                     | 2,529        |
| Appropriation from income statement                            | –   | –                              | 61                                 | –                   | –                      | 61           |
| Cost of share-based payments                                   | –   | –                              | –                                  | –                   | 15                     | 15           |
| Draw-down of reserves upon vesting of<br>performance shares    | –   | –                              | –                                  | –                   | (5)                    | (5)          |
| Available-for-sale/cash flow hedge:                            |   |                                |                                    |                     |                        |              |
| – net valuation taken to equity                                | 407   | (29)                           | –                                  | –                   | –                      | 378          |
| – transferred to income statement on sale                      | (87)  | –                              | –                                  | –                   | –                      | (87)         |
| – tax on items taken directly to or<br>transferred from equity | (50)  | 6                              | –                                  | –                   | –                      | (44)         |
| <b>Balance at 31 December 2006</b>                             | <b>482</b>                                    | <b>–</b>                       | <b>2,330</b>                       | <b>–</b>            | <b>35</b>              | <b>2,847</b> |

(a) General reserves are maintained in accordance with the provisions of applicable laws and regulations. These reserves are non distributable unless otherwise approved by the relevant authorities. Under the Banking (Reserve Fund) (Transitional Provision) regulations 2007, which came into effect on 11 June 2007, the Bank may distribute or utilise its statutory reserves provided that the amount distributed or utilised for each financial year does not exceed 20% of the reserves as at 30 March 2007

(b) Includes appropriation from prior year's income statement

**7.2 Revenue reserves**

| <b>In \$ millions</b>   | <b>2007</b>  | <b>2006</b> |
|---|--------------|-------------|
| Balance at 1 January  | <b>4,263</b> | 3,040       |
| Prior period adjustments (Note 7.3)                             | –            | 136         |
| Balance at 1 January as restated                                | <b>4,263</b> | 3,176       |
| Net profit attributable to shareholders                         | <b>1,623</b> | 1,985       |
| Transfer to general reserves <sup>(a)</sup>                     | <b>(30)</b>  | (61)        |
| Amount available for distribution                               | <b>5,856</b> | 5,100       |
| Less: \$0.03 (2006: \$0.08) tax exempt ordinary final dividends | <b>65</b>    | 154         |
| \$0.38 (2006: \$0.32) tax exempt ordinary interim dividends     | <b>753</b>   | 630         |
| 6% preference dividends net of 18% (2006: 20%) tax paid         | <b>54</b>    | 53          |
| Balance at 31 December  | <b>4,984</b> | 4,263       |

(a) Includes appropriation from prior year's income statement

**7.3** The 2006 financial statements of the Bank have been restated to reflect a reclassification of balances from capital reserves to revenue reserves. This relates to a change in the accounting treatment on the foreign currency revaluation of the Bank's borrowings used to hedge its foreign currency investments, to comply with FRS 21: The Effects of Changes in Foreign Exchange Rates. The change resulted in a decrease of \$136 million in capital reserves and an increase of \$136 million in revenue reserves as at 1 January 2006; and an increase in net trading income of \$160 million for the year ended 31 December 2006. The change has no impact on the Group's financial statements.

**8 SUBSEQUENT EVENTS**

**8.1** Subsequent to 31 December 2007, a decision was taken to put Red Orchid Secured Assets Limited ("Rosa"), a consolidated special purpose entity of the Group, into liquidation. As a first step, on 30 January 2008, Rosa sold its assets to the Bank at a fair value of \$1.04 billion. The Bank incurred a loss of \$276 million as it had provided a loan to Rosa to fund its assets, this loss has been taken to the Bank's 2007 income statement as an allowance charge.

Among the transferred assets were Collateralised Debt Obligations ("CDOs") with a fair value of \$347 million, which were being managed by the Bank as at the date of approval of the financial statements. The remaining balance of transferred assets has been dismantled into their trading components and the related swaps extinguished.

**8.2** On 1 February 2008, the Bank successfully bid for selected assets and liabilities of Bowa Bank in Taiwan, including approximately \$2.9 billion of net loans, \$4.1 billion of deposits and 42 distribution outlets, with a payment of approximately \$2.0 billion from the Taiwanese government's Central Deposit Insurance Corporation. The transaction, which is scheduled to be completed in May 2008, is not expected to have a significant impact on the Bank's financial performance in the near term. The Bank will have full control of the assets acquired.

# Directors' Report

The Directors are pleased to submit their report to the Members together with the audited consolidated financial statements of DBS Group Holdings Ltd ("the Company") and its subsidiaries ("the Group") and the balance sheet of the Company for the financial year ended 31 December 2007, which have been prepared in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards, as modified by the requirements of Notice to Banks No. 612 "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore.

## BOARD OF DIRECTORS

The Directors in office at the date of this report are:

|                             |   |                         |
|-----------------------------|---|-------------------------|
| Koh Boon Hwee               | – | Chairman                |
| Frank Wong Kwong Shing      | – | Chief Operating Officer |
| Ang Kong Hua                |   |                         |
| Andrew Robert Fowell Buxton |   |                         |
| Christopher Cheng Wai Chee  | – | (Appointed 1 June 2007) |
| Goh Geok Ling               |   |                         |
| Kwa Chong Seng              |   |                         |
| Narayana Murthy             |   |                         |
| Peter Ong Boon Kwee         |   |                         |
| John Alan Ross              |   |                         |
| Wong Ngit Liong             |   |                         |

Messrs Goh Geok Ling, Narayana Murthy, John Alan Ross and Wong Ngit Liong will retire at the forthcoming annual general meeting. Messrs John Alan Ross and Wong Ngit Liong will offer themselves for re-election. Messrs Goh Geok Ling and Narayana Murthy will not offer themselves for re-election.

Mr. Christopher Cheng Wai Chee will retire in accordance with article 101 of the Company's Articles of Association, and will offer himself for re-election.

## ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the financial year, was the Company a party to any arrangement, the object of which, is to enable the Directors to acquire benefits through the acquisition of shares in or debentures of the Company or any other body corporate save as disclosed in this report.

## DIRECTORS' INTEREST IN SHARES AND DEBENTURES

The following Directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Companies Act, an interest in shares of the Company and related corporations as stated below:

| DBS Group Holdings Ltd<br>("DBSH") ordinary shares             | Holdings in which<br>Directors have a direct interest |   | Holdings in which Directors are<br>deemed to have an interest |   |
|--|---|---|---|---|
|  | As at 31 Dec 2007                                     | As at 31 Dec 2006<br>(or date of<br>appointment if later) | As at 31 Dec 2007   | As at 31 Dec 2006<br>(or date of<br>appointment if later) |
| Koh Boon Hwee  | –   | –   | –   | –   |
| Jackson Tai ( <i>resigned on 31 December 2007</i> )            | 259,345   | 157,307   | –   | –   |
| Frank Wong Kwong Shing   | 148,080   | 213,357   | 116,300   | –   |
| Ang Kong Hua   | –   | –   | –   | –   |
| Andrew Robert Fowell Buxton                                    | 6,000   | 4,000   | –   | –   |
| Christopher Cheng Wai Chee ( <i>appointed on 1 June 2007</i> ) | –   | –   | –   | –   |
| Goh Geok Ling  | 2,100   | 2,100   | –   | –   |
| Kwa Chong Seng   | 42,129  | 42,129  | 100,000   | 50,000  |
| John Alan Ross   | 20,000  | 10,000  | –   | 10,000  |
| Narayana Murthy  | 2,000   | 2,000   | –   | –   |
| Peter Ong Boon Kwee  | –   | –   | –   | –   |
| Wong Ngit Liong  | –   | –   | –   | –   |

| DBS Group Holdings Ltd<br>("DBSH") ordinary shares                                | Holdings in which<br>Directors have a direct interest |   | Holdings in which Directors are<br>deemed to have an interest |   |
|---|---|---|---|---|
|   | As at 31 Dec 2007                                     | As at 31 Dec 2006<br>(or date of<br>appointment if later) | As at 31 Dec 2007   | As at 31 Dec 2006<br>(or date of<br>appointment if later) |
| <b>Unissued ordinary shares under the DBSH<br/>Share Option Plan</b>              |   |   |   |   |
| Jackson Tai   | 440,175   | 440,175   | –   | –   |
| Frank Wong Kwong Shing  | 448,050   | 448,050   | –   | –   |
| <b>DBS Bank 6% non-cumulative non-convertible<br/>perpetual preference shares</b> |   |   |   |   |
| Jackson Tai   | 250   | 250   | –   | –   |
| Wong Ngit Liong   | 6,000   | 6,000   | –   | –   |

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2008.

#### DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no Director has received or has become entitled to receive a benefit under a contract which is required to be disclosed by Section 201(8) of the Singapore Companies Act save as disclosed in this report or in the financial statements of the Company and of the Group.

#### DBSH SHARE OPTION PLAN

Particulars of the share options granted under the Option Plan in 1999, 2000, 2001, 2002, 2003, 2004 and 2005 have been set out in the Directors' Reports for the years ended 31 December 1999, 2000, 2001, 2002, 2003, 2004 and 2005 respectively. No grants were made under the Option Plan in 2006.

The movements of the unissued ordinary shares of the Company in outstanding DBSH options granted under the Option Plan were as follows:

| DBSH Options  | Number of<br>unissued<br>ordinary shares | During the year |           | Number of<br>unissued<br>ordinary shares | Exercise<br>price<br>per share | Expiry date      |
|---------------|--|-----------------|-----------|--|--------------------------------|------------------|
|               | 1 January 2007                           | Exercised       | Forfeited | 31 December 2007                         |                                |                  |
| July 1999     | 1,281,114                                | 515,620         | 25        | 765,469                                  | \$15.30                        | 27 July 2009     |
| March 2000    | 1,158,000                                | 202,000         | 11,000    | 945,000                                  | \$20.87                        | 5 March 2010     |
| July 2000     | 879,000                                  | 49,000          | 34,000    | 796,000                                  | \$22.33                        | 26 July 2010     |
| March 2001    | 5,542,915                                | 1,872,615       | 5,150     | 3,665,150                                | \$17.70                        | 14 March 2011    |
| August 2001   | 268,400                                  | –               | 6,000     | 262,400                                  | \$12.93                        | 31 July 2011     |
| March 2002    | 4,524,017                                | 1,348,337       | 20,000    | 3,155,680                                | \$14.73                        | 27 March 2012    |
| August 2002   | 315,700                                  | 62,700          | 8,000     | 245,000                                  | \$12.27                        | 15 August 2012   |
| December 2002 | 10,000                                   | –               | –         | 10,000                                   | \$11.47                        | 17 December 2012 |
| February 2003 | 4,248,370                                | 1,264,320       | 40,600    | 2,943,450                                | \$10.40                        | 23 February 2013 |
| March 2004    | 4,617,192                                | 1,333,405       | 35,995    | 3,247,792                                | \$14.73                        | 2 March 2014     |
| March 2005    | 2,170,099                                | 303,832         | 125,535   | 1,740,732                                | \$15.07                        | 1 March 2015     |
|               | 25,014,807                               | 6,951,829       | 286,305   | 17,776,673                               |                                |                  |

Other than the DBSH Options granted under the Option Plan as disclosed herein, there were no further options granted by the Company as at the end of the financial year.

The persons to whom the DBSH Options have been granted do not have any right to participate by virtue of the DBSH Options in any share issue of any other company.



**DBSH SHARE PLAN** (previously known as DBSH Performance Share Plan)

At an Extraordinary General Meeting held on 30 March 2006, the shareholders of the Company approved alterations to the DBSH Performance Share Plan to (*inter alia*) permit the granting of time-based awards, and to change the name of the Plan from "DBSH Performance Share Plan" to "DBSH Share Plan". Time-based awards under the DBSH Share Plan were granted from 2007 onwards.

During the financial year, time-based awards in respect of an aggregate of 2,193,471 ordinary shares were granted pursuant to the DBSH Share Plan, to selected employees of the Group. This included 251,578 ordinary shares comprised in awards granted to executive directors Mr Jackson Tai and Mr Frank Wong Kwong Shing. The number of ordinary shares comprised in the awards granted represent a 100% payout.

Information on the DBSH Share Plan is as follows:

- (i) Awards over the Company's ordinary shares may be granted to Group executives who hold such rank as may be determined by the Compensation and Management Development Committee from time to time. Awards may also be granted to (*inter alia*) executives of associated companies of the Group who hold such rank as may be determined by the Compensation and Management Development Committee from time to time, and non-executive directors of the Group.

The participants of the DBSH Share Plan may be eligible to participate in the DBSH Share Option Plan or other equivalent plans, but shall not be eligible to participate in the DBSH Employee Share Plan or other equivalent plans.

- (ii) Where performance-based awards are granted, participants are awarded ordinary shares of the Company, their equivalent cash value or a combination of both, when the prescribed performance targets are met over the prescribed performance periods. Where time-based awards are granted, participants are awarded ordinary shares of the Company, their equivalent cash value or a combination of both as part of their deferred bonus, at the end of the prescribed vesting periods. Awards are granted under the DBSH Share Plan at the absolute discretion of the Compensation and Management Development Committee.
- (iii) The DBSH Share Plan shall continue to be in force at the discretion of the Compensation and Management Development Committee, subject to a maximum period of ten years from 18 September 1999 to 17 September 2009, provided always that the DBSH Share Plan may continue beyond the above stipulated period with the approval of the shareholders of the Company by ordinary resolution in general meeting and of any relevant authorities which may then be required.
- (iv) Awards under the DBSH Share Plan may be granted at any time in the course of a financial year, and may lapse by reason of cessation of service of the participant, or the retirement, redundancy, ill health, injury, disability, death, bankruptcy or misconduct of the participant, or by reason of the participant, being a non-executive director, ceasing to be a director, or in the event of a take-over, winding up or reconstruction of the Group.
- (v) The total number of new ordinary shares of the Company which may be issued pursuant to awards granted under the DBSH Share Plan, when added to the total number of new ordinary shares issued and issuable in respect of all awards granted under the DBSH Share Plan, and all options granted under the DBSH Share Option Plan, shall not exceed 15% of the total number of issued shares in the capital of the Company (excluding treasury shares).
- (vi) Subject to the prevailing legislation and SGX-ST guidelines, the Company will have the flexibility to deliver ordinary shares of the Company to participants upon vesting of their awards by way of an issue of new ordinary shares and/or the transfer of existing ordinary shares (which may include ordinary shares held by the Company in treasury).
- (vii) The class and/or number of ordinary shares of the Company comprised in an award to the extent not yet vested, and/or which may be granted to participants, are subject to adjustment by reason of any variation in the ordinary share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation, or distribution) or if the Company makes a capital distribution or a declaration of a special dividend (whether in cash or in specie), upon the written confirmation of the auditors of the Company that such adjustment (other than in the case of a capitalisation issue) is fair and reasonable.

#### **AUDIT COMMITTEE**

The Audit Committee comprised non-executive directors Mr Ang Kong Hua (Chairman), Mr Goh Geok Ling, Mr Christopher Cheng and Mr Wong Ngit Liong. As part of its functions, it assists the Board in discharging its responsibilities for the Group's financial announcements, internal control issues and regulatory compliance as well as to oversee the objectivity and effectiveness of the internal and external auditors.

In its review of the audited financial statements for the financial year ended 31 December 2007, the Audit Committee has discussed with management and the external auditors the accounting principles that were applied and their judgement on the items that might affect the financials. Based on the review and discussions with management and the external auditors, the Audit Committee is of the view that the financial statements are fairly presented in conformity with generally accepted accounting principles in all material aspects.

The Audit Committee has received the requisite information from Ernst & Young ("E&Y") and has considered the financial, business and professional relationship between E&Y and the Group. It is of the view that such relationship is compatible with maintaining E&Y's independence.

In line with regulatory requirements on rotation of auditors, the retiring auditors Ernst & Young will not be seeking re-election. The Audit Committee recommends to the Board of Directors the appointment of Pricewaterhouse Coopers to replace E&Y as external auditors at the forthcoming Annual General Meeting of the Company on 2 April 2008.

#### **AUDITORS**

Pricewaterhouse Coopers has been nominated to be the external auditors for the ensuing year, subject to shareholders' approval. Pricewaterhouse Coopers have expressed their willingness to accept appointment as external auditors.

On behalf of the Directors

**Koh Boon Hwee**

**Frank Wong Kwong Shing**

14 February 2008  
Singapore

# Statement by the Directors

We, Koh Boon Hwee and Frank Wong Kwong Shing, being two of the Directors of DBS Group Holdings Ltd (“the Company”), state that, in the opinion of the Directors, the consolidated financial statements of the Group, consisting of the Company and its subsidiaries and the balance sheet of the Company, together with the notes thereon, as set out on pages 50 to 113, are drawn up so as to give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2007, and the results, changes in equity and cash flows of the Group for the financial year ended on that date and there are reasonable grounds to believe that the Company and the Group will be able to pay their debts as and when they fall due.

On behalf of the Directors

**Koh Boon Hwee**

**Frank Wong Kwong Shing**

14 February 2008  
Singapore

# Independent Auditors' Report

## TO THE MEMBERS OF DBS GROUP HOLDINGS LTD (INCORPORATED IN SINGAPORE)

We have audited the accompanying financial statements of DBS Group Holdings Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 50 to 113, which comprise the balance sheets of the Group and the Company as at 31 December 2007, consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion,

- (i) the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards, including the modification of the requirements of FRS 39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning by Notice to Banks No. 612 "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore, so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2007 and the results, changes in equity and cash flows of the Group for the year ended on that date; and
- (ii) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

### ERNST & YOUNG

Certified Public Accountants

14 February 2008  
Singapore

# Share Price



|  | 1998 | 1999  | 2000  | 2001  | 2002  | 2003  | 2004  | 2005  | 2006  | 2007         |
|--|------|-------|-------|-------|-------|-------|-------|-------|-------|--------------|
| <b>Share Price (\$) <sup>(1)</sup></b>                     |      |       |       |       |       |       |       |       |       |              |
| High   | 8.31 | 28.20 | 27.30 | 21.20 | 14.90 | 15.50 | 16.80 | 16.80 | 22.60 | <b>24.90</b> |
| Low  | 3.39 | 7.33  | 17.20 | 9.50  | 10.70 | 8.30  | 13.40 | 13.90 | 15.80 | <b>18.90</b> |
| Close  | 7.62 | 27.30 | 19.60 | 13.80 | 11.00 | 14.70 | 16.10 | 16.50 | 22.60 | <b>20.70</b> |
| Average  | 6.36 | 15.41 | 21.14 | 14.49 | 12.96 | 11.55 | 15.14 | 15.40 | 18.24 | <b>21.88</b> |
| <b>Per Ordinary Share (\$)</b>                             |      |       |       |       |       |       |       |       |       |              |
| Gross dividend yield <sup>(2)</sup>                        | 2.5  | 1.7   | 2.1   | 2.1   | 2.3   | 2.6   | 2.6   | 3.8   | 4.2   | <b>3.7</b>   |
| Price-to-earning ratio<br>(number of times) <sup>(3)</sup> | 66.8 | 19.2  | 18.7  | 20.4  | 15.0  | 11.6  | 11.7  | 14.0  | 12.7  | <b>13.3</b>  |
| Price-to-book ratio<br>(number of times)                   | 0.8  | 1.8   | 2.6   | 1.6   | 1.4   | 1.2   | 1.4   | 1.4   | 1.5   | <b>1.7</b>   |

(1) Figures have been adjusted for bonus issues in 1998 and 1999, and a rights issue in 1998

(2) Dividend amounts are on a gross basis prior to the fourth quarter of 2007 and on a one-tier tax-exempt basis thereafter. 2000 and 2006 include special dividends of 15 cents and 5 cents respectively

(3) Earnings exclude one-time items and goodwill charges

# Further Information on Directors

## MR KOH BOON HWEE

Academic and Professional Qualifications:

- Bachelor of Science in Mechanical Engineering (1st Class Hons) Imperial College, University of London
- Master in Business Administration (with Distinction) Harvard Business School

### Current Directorships

| Company  | Title                    |
|--|--------------------------|
| 1. DBS Group Holdings Ltd                              | Chairman                 |
| 2. DBS Bank Ltd.                                       | Chairman                 |
| 3. MediaRing Ltd                                       | Executive Director       |
| 4. Sunningdale Tech Ltd                                | Executive Chairman & CEO |
| 5. Agilent Technologies, Inc.                          | Director                 |
| 6. Four Soft Ltd                                       | Director                 |
| 7. AAC Acoustic Technologies Holdings Ltd              | Chairman                 |
| 8. Infiniti Solutions Ltd                              | Chairman                 |
| 9. Temasek Holdings (Pte) Ltd                          | Director                 |
| 10. First Spring Ltd                                   | Director                 |
| 11. 800buy.com   | Chairman                 |
| 12. Wuthelam Holdings Ltd                              | Chairman                 |
| 13. Harvard Singapore Foundation                       | Director                 |
| 14. Lee Kuan Yew School of Public Policy               | Member                   |
| 15. Nanyang Technological University Board of Trustees | Chairman                 |
| 16. Research, Innovation & Enterprise Council          | Member                   |
| 17. Geoscope Information Systems India Private Limited | Director                 |
| 18. EDB International Advisory Council                 | Deputy Chairman          |
| 19. The William and Flora Hewlett Foundation           | Director                 |

### Directorships for the past 3 years

| Company   | Title          |
|---|----------------|
| 1. Innovalues Precision Ltd   | Director       |
| 2. Citiraya Industries Ltd  | Director       |
| 3. Intelsat Ltd, Bermuda  | Director       |
| 4. BroadVision, Inc, USA  | Director       |
| 5. Delteq Ltd   | Director       |
| 6. Xuehui Holdings Pte Ltd  | Director       |
| 7. Pro-Tem Governing Board of the Lee Kuan Yew School of Public Policy, Singapore | Member         |
| 8. Norelco UMS Holdings Ltd   | Director       |
| 9. Singapore Airlines Ltd   | Chairman       |
| 10. SIA Engineering Company Ltd   | Chairman       |
| 11. Nanyang Technological University Council                                      | Chairman       |
| 12. Singapore Business Federation   | Council Member |
| 13. Pacific Internet Ltd  | Director       |

## MR FRANK WONG KWONG SHING

Academic and Professional Qualifications:

- Hong Kong English School Certificate

### Current Directorships

| Company  | Title                          |
|--|--------------------------------|
| 1. DBS Group Holdings Ltd                            | Director                       |
| 2. DBS Bank Ltd.                                     | Vice Chairman                  |
| 3. DBS Bank (Hong Kong) Limited                      | Chairman                       |
| 4. DBS Group (HK) Limited                            | Chairman                       |
| 5. DBS Diamond Holdings Ltd                          | Deputy Chairman                |
| 6. DBS Bank (China) Limited                          | Chairman                       |
| 7. DBS (China) Investment Co., Ltd                   | Director                       |
| 8. China Mobile Limited                              | Director                       |
| 9. Ayala DBS Holdings Inc.                           | Director                       |
| 10. The University of Hong Kong                      | Member of the University Court |
| 11. Mapletree Investments Pte Ltd                    | Director                       |
| 12. National Healthcare Group Pte Ltd                | Director                       |
| 13. Catholic Social and Community Council Agape Fund | Trustee                        |

### Directorships for the past 3 years

| Company                         | Title        |
|---------------------------------|--------------|
| 1. SNP Leefung Holdings Limited | Director     |
| 2. Singapore Tourism Board      | Board Member |

## MR ANG KONG HUA

Academic and Professional Qualifications:

- Bachelor of Science in Economics (2nd Class Upper Hons) University of Hull, UK

### Current Directorships

| Company   | Title              |
|---|--------------------|
| 1. DBS Group Holdings Ltd   | Director           |
| 2. DBS Bank Ltd   | Director           |
| 3. Bangkok Synthetics Co. Ltd                                     | Director           |
| 4. GIC Special Investments Private Limited                        | Director           |
| 5. Government of Singapore Investment Corporation Private Limited | Director           |
| 6. Lieng Chung Corporation (Kowloon) Ltd                          | Director           |
| 7. NatSteel Ltd   | Executive Director |
| 8. Neptune Orient Lines Ltd                                       | Vice Chairman      |
| 9. Yantai Raffles Shipyard Limited                                | Director           |
| 10. ERC Holdings Pte. Ltd   | Director           |
| 11. Foamtec International Co Ltd                                  | Director           |

### Directorships for the past 3 years

| Company                           | Title    |
|-----------------------------------|----------|
| 1. Southern Steel Berhad          | Director |
| 2. Crown Central Assets Limited   | Director |
| 3. Glory Central Holdings Limited | Director |
| 4. k1 Ventures Limited            | Director |

**MR ANDREW ROBERT FOWELL BUXTON**

Academic and Professional Qualifications:

- Master of Arts, Politics, Philosophy, Economics  
Oxford University (Pembroke College)
- Fellow, Institute of Bankers

**Current Directorships**

| Company   | Title                             |
|---|-----------------------------------|
| 1. DBS Group Holdings Ltd                             | Director                          |
| 2. DBS Bank Ltd.                                      | Director                          |
| 3. Allied Schools Limited                             | Chairman                          |
| 4. Pigeon Properties Ltd                              | Chairman                          |
| 5. Saad Investments Company Limited                   | Director                          |
| 6. Cibitas Limited                                    | Director                          |
| 7. National Education Business<br>Partnership Network | Patron                            |
| 8. MerchantBridge & Co. Ltd.                          | Chairman of the<br>Advisory Board |
| 9. The Islamic Bank of Asia Limited                   | Director                          |

**Directorships for the past 3 years**

| Company                              | Title           |
|--------------------------------------|-----------------|
| 1. Ahli United Bank                  | Director        |
| 2. CapitaLand Limited                | Director        |
| 3. CapitaLand Financial Limited      | Director        |
| 4. Xansa PLC                         | Deputy Chairman |
| 5. Cygnet Properties and Leisure Plc | Chairman        |
| 6. Akbank, Istanbul, Turkey          | Adviser         |

**MR CHRISTOPHER CHENG WAI CHEE**

Academic and Professional Qualifications:

- Bachelor of Business Administration  
University of Notre Dame, Indiana
- Master of Business Administration  
Columbia University

**Current Directorships**

| Company                              | Title    |
|--------------------------------------|----------|
| 1. DBS Group Holdings Ltd            | Director |
| 2. DBS Bank Ltd.                     | Director |
| 3. DBS Bank (Hong Kong) Ltd.         | Director |
| 4. DBS Bank (China) Limited          | Director |
| 5. Asian Tower Co. Ltd.              | Director |
| 6. Bestime Resources Ltd.            | Director |
| 7. Bestmark Co. Ltd.                 | Director |
| 8. Bettercourt Co. Ltd.              | Director |
| 9. Bolden Place Co. Ltd.             | Director |
| 10. Bostar Ltd.                      | Director |
| 11. Brightech Co. Ltd.               | Director |
| 12. Brightfield Development Co. Ltd. | Director |
| 13. Bryden Co. Ltd.                  | Director |
| 14. Brystone Co. Ltd.                | Director |

|  |          |
|--|----------|
| 15. China Economic Research Foundation Ltd                 | Director |
| 16. Clothing Enterprises Ltd.                              | Director |
| 17. Continental Success Co. Ltd.                           | Director |
| 18. Conwood Co. Ltd.                                       | Director |
| 19. Corriland Co. Ltd.                                     | Director |
| 20. CPY Development (HK) Ltd.                              | Director |
| 21. Deakin Investment Co. Ltd.                             | Director |
| 22. Diamond String Ltd.                                    | Director |
| 23. Eagle Asset Management (CP) Ltd.                       | Director |
| 24. Eastern Hall Co. Ltd.                                  | Director |
| 25. Fortune Centre Co. Ltd.                                | Director |
| 26. Ginsberg Co. Ltd.                                      | Director |
| 27. Global Fair Development Ltd.                           | Director |
| 28. Glory Charm Development Ltd.                           | Director |
| 29. Glory Success Co. Ltd.                                 | Director |
| 30. Golden Centre Development (HK) Ltd.                    | Director |
| 31. Harvest Moon Developments Ltd.                         | Director |
| 32. Hecta Co. Ltd.   | Director |
| 33. HKJC Horse Race Betting Limited                        | Director |
| 34. HKJC Lotteries Limited                                 | Director |
| 35. HKU School of Professional and<br>Continuing Education | Director |
| 36. Holdswell Co. Ltd.                                     | Director |
| 37. Hong Kong Business Aviation Centre Ltd.                | Director |
| 38. Hong Kong Business Aviation Holding Ltd.               | Director |
| 39. Hong Kong Marina Ltd.                                  | Director |
| 40. Jeans of France Ltd.                                   | Director |
| 41. Joy Alliance Ltd.                                      | Director |
| 42. Joyaca Co. Ltd.  | Director |
| 43. Joyful Land Properties Ltd.                            | Director |
| 44. Junus Co. Ltd.   | Director |
| 45. Kinston Ltd.   | Director |
| 46. Kinvoss Co. Ltd.                                       | Director |
| 47. La Eau Enterprises (H.K.) Ltd.                         | Director |
| 48. Landyork Investment Ltd.                               | Director |
| 49. Mancas Investment Ltd.                                 | Director |
| 50. Missleton Finance Ltd.                                 | Director |
| 51. Newpark Co. Ltd.                                       | Director |
| 52. Outrade Industrial Ltd.                                | Director |
| 53. Pacific Coast Highway (Far East) Ltd.                  | Director |
| 54. Pacific Star Industries Ltd.                           | Director |
| 55. Pangold Development Ltd.                               | Director |
| 56. Parex International Ltd.                               | Director |
| 57. Renowned Development Ltd.                              | Director |
| 58. Sawi Co. Ltd.  | Director |
| 59. Securities and Futures Commission                      | Director |
| 60. Senior Development Co. Ltd.                            | Director |
| 61. Star Land Investment Co. Ltd.                          | Director |
| 62. Star Reef Co. Ltd.                                     | Director |
| 63. Superland Co. Ltd.                                     | Director |
| 64. Textile Council of Hong Kong Limited                   | Director |
| 65. The Cross Straits Youths<br>Exchange Foundation Ltd.   | Director |
| 66. The Hong Kong General Chamber of<br>Commerce           | Director |

|  |          |  |          |
|--|----------|--|----------|
| 67. The Hong Kong Jockey Club                            | Director | 121. Rescom Ltd.   | Director |
| 68. The Hong Kong Jockey Club (Charities) Ltd.           | Director | 122. Shuster Ltd.  | Director |
| 69. The Hong Kong Jockey Club (Managers) Ltd.            | Director | 123. Stanfield Resources Ltd.                            | Director |
| 70. The Jockey Club Kau Sai Chau Public Golf Course Ltd. | Director | 124. Throng Ltd.   | Director |
| 71. The Jockey Club Membership Services Ltd.             | Director | 125. Top Benefits Ltd.                                   | Director |
| 72. The Style-Land Ltd.                                  | Director | 126. Townhill Enterprises Ltd.                           | Director |
| 73. Topway Resources Ltd.                                | Director | 127. Truefame Investments Limited                        | Director |
| 74. United Success Co. Ltd.                              | Director | 128. Twin Dragon Investments Ltd.                        | Director |
| 75. United Success International Ltd.                    | Director | 129. Universal Plus Ltd.                                 | Director |
| 76. Universal Team Industrial Ltd.                       | Director | 130. USI Holdings (B.V.I.) Ltd.                          | Director |
| 77. USI Properties Ltd.                                  | Director | 131. USI Properties International Ltd.                   | Director |
| 78. Wellpace Co. Ltd.                                    | Director | 132. Vision Asset Holdings Ltd.                          | Director |
| 79. Wing Fu Garment Factory Ltd.                         | Director | 133. Wallasey Ltd.                                       | Director |
| 80. Wing Tai Building Products Ltd.                      | Director | 134. Welch Enterprises International Ltd.                | Director |
| 81. Wing Tai (Cheng) Holdings Ltd.                       | Director | 135. Wesselhoft Ltd.                                     | Director |
| 82. Wing Tai Corporation Ltd.                            | Director | 136. World Vision Holdings Ltd.                          | Director |
| 83. Wing Tai Enterprises Ltd.                            | Director | 137. Yenston Profits Ltd.                                | Director |
| 84. Wing Tai Garment Industrial Holdings Ltd.            | Director | 138. Kingboard Chemical Holdings Ltd.                    | Director |
| 85. Wing Yuen Investment Co. Ltd.                        | Director | 139. NWS Holdings Ltd.                                   | Director |
| 86. Winner Max Enterprises Ltd.                          | Director | 140. USI Holdings Ltd.                                   | Chairman |
| 87. Witrend Ltd.   | Director | 141. Wing Tai Properties Ltd.                            | Director |
| 88. WT Administration Ltd.                               | Director | 142. i-Security Solutions (Holdings) Ltd.                | Director |
| 89. Yuen Chun Investment Ltd.                            | Director | 143. New World China Land Ltd.                           | Director |
| 90. Accuway Investments Ltd.                             | Director | 144. Winsor Properties Holdings Limited                  | Chairman |
| 91. Aldburg Assets Ltd.                                  | Director | 145. Sedimas Sdn Berhad                                  | Director |
| 92. Brave Dragon Ltd.                                    | Director | 146. Sri Rampaian Sdn Berhad                             | Director |
| 93. Broxbourne Assets Ltd.                               | Director | 147. Lanson Place Hotels & Residences (Netherlands) B.V. | Director |
| 94. Caringbah Ltd.                                       | Director | 148. PICC Property and Casualty Company Ltd.             | Director |
| 95. Churrasco Holdings Ltd.                              | Director | 149. Temasek Foundation CLG Ltd.                         | Director |
| 96. Delimont Holdings Ltd.                               | Director | 150. Mocame Investment Inc.                              | Director |
| 97. Dynamics Ways Ltd.                                   | Director | 151. Pacific Investment Exponents Inc.                   | Director |
| 98. Fair Alliance Investment Ltd.                        | Director | 152. Gieves & Hawkes plc.                                | Director |
| 99. Fourace Investments Ltd.                             | Director |  |          |
| 100. Fruitful Gain Ltd.                                  | Director |  |          |
| 101. Fu Keung Ltd.                                       | Director |  |          |
| 102. Gainford Ltd.                                       | Director |  |          |
| 103. Galloway Assets Ltd.                                | Director |  |          |
| 104. Grapewood Ltd.                                      | Director |  |          |
| 105. Great Crown Ltd.                                    | Director |  |          |
| 106. Guthrie Assets Ltd.                                 | Director |  |          |
| 107. Hampton Court Ltd.                                  | Director |  |          |
| 108. Herridge Ltd.                                       | Director |  |          |
| 109. Hologram Developments Ltd.                          | Director |  |          |
| 110. Honeycomb Assets Ltd.                               | Director |  |          |
| 111. Hong Kong Executive Aviation Ltd.                   | Director |  |          |
| 112. Horana Ltd.   | Director |  |          |
| 113. Kosheen Investments Ltd.                            | Director |  |          |
| 114. Maitland Trading Ltd.                               | Director |  |          |
| 115. Marvinbond Ltd.                                     | Director |  |          |
| 116. Metro Champion Ltd.                                 | Director |  |          |
| 117. Nian Sheng Investments Ltd.                         | Director |  |          |
| 118. Pofung Investments Ltd.                             | Director |  |          |
| 119. Potter Enterprises Ltd.                             | Director |  |          |
| 120. Prism Crystal Ltd.                                  | Director |  |          |

  

| <b>Directorships for the past 3 years</b>                    |  |              |
|--|--|--------------|
| <b>Company</b>   |  | <b>Title</b> |
| 1. Lanson Place Hospitality Management Ltd                   |  | Director     |
| 2. Maple Court Ltd.  |  | Director     |
| 3. Shine Hill Development Ltd.                               |  | Director     |
| 4. Fuscastus Ltd.  |  | Director     |
| 5. Grandchamp Ltd.   |  | Director     |
| 6. Harvest Star Ltd.   |  | Director     |
| 7. Lanson Place Hospitality Management (Malaysia) Ltd.       |  | Director     |
| 8. Lanson Place Hospitality Management (Jakarta) Ltd.        |  | Director     |
| 9. Lanson Place Hotels & Residences (Holdings) Ltd.          |  | Director     |
| 10. New World First Bus Services Ltd.                        |  | Director     |
| 11. Lanson Place Hotels & Residences (Bermuda) Ltd.          |  | Director     |
| 12. Lanson Place Hospitality Management (Singapore) Pte Ltd. |  | Director     |
| 13. Citimind Limited   |  | Director     |
| 14. Fighting Irish Co. Ltd.                                  |  | Director     |
| 15. i-Security Solutions Ltd.                                |  | Director     |



**MR GOH GEOK LING**

Academic and Professional Qualifications:

- Bachelor of Engineering  
University of Sydney

**Current Directorships**

| Company                                     | Title              |
|---|--------------------|
| 1. DBS Group Holdings Ltd                   | Director           |
| 2. DBS Bank Ltd.                            | Director           |
| 3. Venture Corporation Limited              | Director           |
| 4. O2 Micro Pte Ltd                         | Director           |
| 5. O2Micro International Ltd                | Director           |
| 6. SembCorp Industries Ltd                  | Director           |
| 7. SembCorp Marine Ltd                      | Chairman           |
| 8. Sembawang Shipyard Pte Ltd               | Chairman           |
| 9. SMOE Pte Ltd                             | Chairman           |
| 10. Yew Lian Property & Investments Pte Ltd | Director           |
| 11. Marigold Holdings (Pte) Ltd             | Executive Director |
| 12. Nanyang Technological University        | Trustee            |
| 13. Federal Iron Works Sdn Bhd              | Alternate Director |
| 14. Jurong Shipyard Pte Ltd                 | Director           |

**Directorships for the past 3 years**

| Company              | Title    |
|----------------------|----------|
| 1. Tuas Power Ltd    | Chairman |
| 2. Plato Pte Ltd     | Director |
| 3. Plato Capital Ltd | Director |

**MR KWA CHONG SENG**

Academic and Professional Qualifications:

- Bachelor of Engineering  
University of Singapore

**Current Directorships**

| Company  | Title           |
|--|-----------------|
| 1. DBS Group Holdings Ltd  | Director        |
| 2. DBS Bank Ltd.   | Director        |
| 3. ExxonMobil Asia Pacific Pte Ltd   | Chairman & MD   |
| 4. Esso China Inc.   | Chairman        |
| 5. Temasek Holdings (Pte) Ltd  | Deputy Chairman |
| 6. ExxonMobil Oil Singapore Pte Ltd<br>(In members' voluntary winding up)      | Chairman        |
| 7. Mobil South Asia Investments Ltd  | Director        |
| 8. Esso Asia Pacific (Petroleum) Pte Ltd<br>(In members' voluntary winding up) | Director        |
| 9. Sinopec SenMei (Fujian) Petroleum<br>Company Limited                        | Director        |
| 10. Public Service Commission  | Member          |

**Directorships for the past 3 years**

| Company   | Title    |
|---|----------|
| 1. Mobil Asia Marketing Pte Ltd<br>(In members' voluntary winding up) | Director |

**MR NARAYANA MURTHY**

Academic and Professional Qualifications:

- Masters in Technology  
Indian Institute of Technology, Kanpur
- Bachelor of Engineering  
University of Mysore

**Current Directorships**

| Company  | Title                            |
|--|----------------------------------|
| 1. DBS Group Holdings Ltd  | Director                         |
| 2. DBS Bank Ltd.   | Director                         |
| 3. Infosys Technologies Limited  | Chairman/Chief Mentor            |
| 4. Indian Institute of Information Technology,<br>Bangalore                              | Chairman                         |
| 5. University of Pennsylvania's<br>Wharton School  | Member of the Board of Overseers |
| 6. Cornell University  | Board of Trustees                |
| 7. William F. Ahtmeyer Center for<br>Global Leadership at the Tuck<br>School of Business | Board of Advisors                |
| 8. Singapore Management University   | Board of Trustees                |
| 9. Infosys Technologies (China) Co Limited   | Chairman                         |
| 10. BT Asia Pacific Advisory Board, Belgium  | Director                         |
| 11. Infosys Consulting Inc   | Director                         |
| 12. New Delhi Television Ltd   | Director                         |
| 13. Stanford Graduate School of<br>Business Advisory Council                             | Member                           |
| 14. Hero Mindmine Advisory Board   | Member                           |
| 15. INSEAD's Global India Council &<br>International Council                             | Member                           |
| 16. Lafarge International Advisory Board   | Member                           |
| 17. United Nations Foundation  | Director                         |
| 18. Yale University President's Council<br>on International Activities                   | Advisory Group Member            |
| 19. Unilever PLC   | Director                         |
| 20. Unilever N.V.  | Director                         |
| 21. Zurich Financial Services International<br>Advisory Board                            | Member                           |
| 22. University of Tokyo President's Council  | Member                           |

**Directorships for the past 3 years**

| Company   | Title       |
|---|-------------|
| 1. Bangalore International Airport Ltd          | Director    |
| 2. Indo-British Partnership                     | Co-Chairman |
| 3. Central Board of the Reserve Bank of India   | Director    |
| 4. Indian Institute of Management,<br>Ahmedabad | Chairman    |

**MR PETER ONG BOON KWEE**

Academic and Professional Qualifications:

- Master of Business Administration  
Stanford University
- Bachelor of Economics (Honours)  
University of Adelaide

**Current Directorships**

| Company                                     | Title           |
|---|-----------------|
| 1. DBS Group Holdings Ltd                   | Director        |
| 2. DBS Bank Ltd.                            | Director        |
| 3. Maritime and Port Authority of Singapore | Chairman        |
| 4. Calvary Baptist Church                   | Deacon          |
| 5. Value Innovation Action Tank Ltd         | Director        |
| 6. Singapore-India Partnership Foundation   | Director        |
| 7. Singapore Cooperation Enterprise         | Deputy Chairman |

**Directorships for the past 3 years**

| Company          | Title    |
|------------------|----------|
| 1. Alpha Society | Chairman |

**MR JOHN ALAN ROSS**

Academic and Professional Qualifications:

- Master of Business Administration  
The Wharton School of The University of Pennsylvania
- Bachelor of Arts  
Hobart College

**Current Directorships**

| Company  | Title                |
|--|----------------------|
| 1. DBS Group Holdings Ltd                          | Director             |
| 2. DBS Bank Ltd.                                   | Director             |
| 3. DBS Bank (China) Limited                        | Director             |
| 4. Metropolitan Opera Guild                        | Board Member/Trustee |
| 5. German Marshall Fund of US,<br>Washington, D.C. | Board Member/Trustee |
| 6. AirTV Holdings, Inc                             | President            |

**Directorships for the past 3 years**

| Company                            | Title                |
|------------------------------------|----------------------|
| 1. AirTV Limited                   | President            |
| 2. LarkSat Limited                 | President            |
| 3. Jewish Museum, New York         | Board Member/Trustee |
| 4. Hobart & William Smith Colleges | Trustee              |

**MR WONG NGIT LIONG**

Academic and Professional Qualifications:

- Bachelor of Engineering (1st Class Hons)  
University of Malaya
- Master of Science (Electronics Engineering)  
University of California at Berkeley
- Master of Business Administration (Distinction)  
McGill University

**Current Directorships**

| Company  | Title          |
|--|----------------|
| 1. DBS Group Holdings Ltd  | Director       |
| 2. DBS Bank Ltd.   | Director       |
| 3. Advanced Products Corporation Pte Ltd                                   | Director       |
| 4. Cebelian Holdings Pte Ltd   | Director       |
| 5. NUS Board of Trustees   | Chairman       |
| 6. EAS Security Systems Pte Ltd  | Director       |
| 7. Innovative Trek Technology Pte Ltd                                      | Director       |
| 8. Multitech Systems Pte Ltd   | Director       |
| 9. NLW Pte Ltd   | Director       |
| 10. Pintarmas Sdn Bhd  | Director       |
| 11. PT Venture Electronics Indonesia                                       | Director       |
| 12. V-Design Services (M) Sdn Bhd  | Director       |
| 13. Technocom Systems Sdn Bhd  | Director       |
| 14. Univac Precision Engineering Pte Ltd                                   | Director       |
| 15. Ventech Data Systems Pte Ltd   | Director       |
| 16. Ventech Investments Ltd  | Director       |
| 17. Venture Corporation Limited  | Chairman & CEO |
| 18. Venture Electronics (Europe) B.V.                                      | Director       |
| 19. Venture Electronics International, Inc.                                | Director       |
| 20. Venture Electronics Solutions Pte Ltd                                  | Director       |
| 21. Venture Electronics Spain, S.L.  | Director       |
| 22. Venture Hungary Electronics Manufacturing<br>Limited Liability Company | Director       |
| 23. VIPColor Technologies Pte Ltd  | Director       |
| 24. VIPColor Technologies USA, Inc.  | Director       |
| 25. VM Services, Inc.  | Director       |
| 26. VS Electronics Pte Ltd   | Director       |
| 27. Royal Philips Electronics  | Director       |
| 28. Research, Innovation and Enterprise Council                            | Member         |
| 29. GES International Limited  | Director       |
| 30. GES (Singapore) Pte Ltd  | Director       |
| 31. GES Investment Pte Ltd   | Director       |
| 32. Shanghai GES Information<br>Technology Co., Ltd                        | Director       |

**Directorships for the past 3 years**

| Company                               | Title    |
|---------------------------------------|----------|
| 1. International Enterprise Singapore | Director |
| 2. SIA Engineering Company Ltd        | Director |

# Financial Calendar

|   |                  |
|---|------------------|
| Payment date of 2006 Final Dividend on Ordinary Shares, Non-Voting Convertible Preference Shares and Non-Voting Redeemable Convertible Preference Shares          | 25 April 2007    |
| Payment date of 2007 first quarter Dividend on Ordinary Shares, Non-Voting Convertible Preference Shares and Non-Voting Redeemable Convertible Preference Shares  | 1 June 2007      |
| Payment date of 2007 second quarter Dividend on Ordinary Shares, Non-Voting Convertible Preference Shares and Non-Voting Redeemable Convertible Preference Shares | 23 August 2007   |
| Payment date of 2007 third quarter Dividend on Ordinary Shares, Non-Voting Convertible Preference Shares and Non-Voting Redeemable Convertible Preference Shares  | 26 November 2007 |
| Financial Year-end  | 31 December 2007 |
| Announcement of first quarter results for 2007  | 4 May 2007       |
| Announcement of half-year results 2007  | 27 July 2007     |
| Announcement of third quarter results 2007  | 26 October 2007  |
| Announcement of full-year results 2007  | 15 February 2008 |
| Annual General Meeting  | 2 April 2008     |
| Proposed payment date of 2007 Final Dividend on Ordinary Shares, Non-Voting Convertible Preference Shares and Non-Voting Redeemable Convertible Preference Shares | 22 April 2008    |
| Announcement of half-year results 2008  | August 2008      |
| Announcement of full-year results 2008  | February 2009    |

# Shareholding Statistics

## I. Class of Shares – Ordinary Shares Voting Rights – One vote per share

| Size of holdings                | No. of Shareholders | %             | As at 12 February 2008 |               |
|---------------------------------|---------------------|---------------|------------------------|---------------|
|                                 |                     |               | No. of Shares          | %             |
| 1 – 999                         | 5,384               | 22.47         | 1,521,662              | 0.10          |
| 1,000 – 10,000                  | 16,840              | 70.29         | 42,342,426             | 2.79          |
| 10,001 – 1,000,000              | 1,704               | 7.11          | 60,610,295             | 3.99          |
| 1,000,001 & above               | 31                  | 0.13          | 1,413,549,519          | 93.12         |
| <b>Total</b>                    | <b>23,959</b>       | <b>100.00</b> | <b>1,518,023,902</b>   | <b>100.00</b> |
| <b>Location of Shareholders</b> |                     |               |                        |               |
| Singapore                       | 22,255              | 92.89         | 1,507,238,382          | 99.29         |
| Malaysia                        | 1,000               | 4.17          | 5,562,589              | 0.37          |
| Overseas                        | 704                 | 2.94          | 5,222,931              | 0.34          |
| <b>Total</b>                    | <b>23,959</b>       | <b>100.00</b> | <b>1,518,023,902</b>   | <b>100.00</b> |

## Twenty Largest Shareholders (As shown in the Register of Members and Depository Register)

|  | No. of shareholdings | %            |
|--|----------------------|--------------|
| 1 DBS Nominees Pte Ltd                               | 411,908,251          | 27.13        |
| 2 Maju Holdings Pte Ltd                              | 234,497,040          | 15.45        |
| 3 Temasek Holdings (Pte) Ltd                         | 185,673,795          | 12.23        |
| 4 DBSN Services Pte Ltd                              | 149,070,836          | 9.82         |
| 5 HSBC (Singapore) Nominees Pte Ltd                  | 122,575,869          | 8.07         |
| 6 Citibank Nominees Singapore Pte Ltd                | 120,830,242          | 7.96         |
| 7 Raffles Nominees Pte Ltd                           | 57,559,177           | 3.79         |
| 8 United Overseas Bank Nominees Pte Ltd              | 50,964,273           | 3.36         |
| 9 Morgan Stanley Asia (Singapore) Securities Pte Ltd | 16,747,679           | 1.10         |
| 10 DB Nominees (S) Pte Ltd                           | 13,619,078           | 0.90         |
| 11 Lee Pineapple Company Pte Ltd                     | 8,750,000            | 0.58         |
| 12 DBS Vickers Securities (S) Pte Ltd                | 4,235,445            | 0.28         |
| 13 Merrill Lynch (Singapore) Pte Ltd                 | 3,938,545            | 0.26         |
| 14 Societe Generale Singapore Branch                 | 3,649,196            | 0.24         |
| 15 Oversea Chinese Bank Nominees Pte Ltd             | 3,220,760            | 0.21         |
| 16 TM Asia Life Singapore Ltd – PAR Fund             | 2,686,238            | 0.18         |
| 17 KEP Holdings Limited                              | 2,500,000            | 0.16         |
| 18 Eng Hueng Fook Henry                              | 2,224,965            | 0.15         |
| 19 UOB Kay Hian Pte Ltd                              | 2,094,718            | 0.14         |
| 20 BNP Paribas Nominees Singapore Pte Ltd            | 2,032,665            | 0.13         |
| <b>Total</b>   | <b>1,398,778,772</b> | <b>92.14</b> |

## II. Class of Shares – Non-Voting Redeemable Convertible Preference Shares (“NVRCPs”)

Voting Rights – Please see Article 6A of the Articles of Association.

Sole Shareholder of 66,475,374 NVRCPs: Maju Holdings Pte Ltd

## III. Class of Shares – Non-Voting Convertible Preference Shares (“NVCPs”)

Voting Rights – Please see Article 6 of the Articles of Association.

Sole Shareholder of 120,436 NVCPs: Maju Holdings Pte Ltd

## IV. Ordinary shares held in treasury (“Treasury Shares”)

Voting Rights – None

Sole Shareholder of 1,400,000 Treasury Shares: DBS Group Holdings Ltd

Percentage of this holding against total number of issued shares excluding Treasury Shares: 0.09%

Substantial ordinary shareholders (As shown in the Register of Substantial Shareholders as at 12 February 2008)

|                            | <b>Direct Interest</b> |          | <b>Deemed Interest</b> |          |
|----------------------------|------------------------|----------|------------------------|----------|
|                            | <b>No. of Shares</b>   | <b>%</b> | <b>No. of Shares</b>   | <b>%</b> |
| Maju Holdings Pte Ltd      | 234,497,040            | 15.46    | 0                      | 0.00     |
| Temasek Holdings (Pte) Ltd | 185,673,795            | 12.24    | 239,118,790            | 15.77    |

1. Maju Holdings Pte Ltd ("Maju") is a wholly-owned subsidiary of Temasek Holdings (Pte) Ltd.
2. Temasek Holdings (Pte) Ltd, a company wholly-owned by Minister for Finance Incorporated, is deemed interested in the 234,497,040 shares held by Maju.
3. Percentage shareholding is based on issued share capital as at 12 February 2008 (excluding Treasury Shares).

As at 12 February 2008, approximately 72.09% of DBSH's issued ordinary shares is held by the public and, therefore, Rule 723 of the Listing Manual is complied with.