

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 ^(a)	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 ^(a)	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
Total	3,314	2,847

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

In \$ millions	Available-for-sale revaluation reserves	Cash flow hedge reserves	General reserves ^(a)	Capital reserves	Share plan reserves	Total
Balance at 1 January 2007	482	–	2,330	–	35	2,847
Appropriation from income statement ^(b)	–	–	30	–	–	30
Cost of share-based payments	–	–	–	–	30	30
Draw-down of reserves upon vesting 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 transferred from equity	(56)	–	–	–	–	(56)
Balance at 31 December 2007	929	–	2,360	–	25	3,314
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 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 transferred from equity	(50)	6	–	–	–	(44)
Balance at 31 December 2006	482	–	2,330	–	35	2,847

(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

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