Management Discussion and Analysis

OVERVIEW

	2008	2007	% chg
Selected income statement items ($m)			
Net interest income	**4,301**	4,108	5
Net fee and commission income	**1,274**	1,462	(13)
Net trading income	**(187)**	180	nm
Net income from financial instruments designated at fair value	**210**	(86)	nm
Net income from financial investments	**367**	450	(18)
Other income	**66**	49	35
Total income	**6,031**	6,163	(2)
Less: Expenses	**2,610**	2,618	(0)
Profit before allowances	**3,421**	3,545	(3)
Less: Allowances for credit and other losses	**784**	431	82
Share of profits of associates	**75**	110	(32)
Profit before tax	**2,712**	3,224	(16)
Net profit	**2,056**	2,487	(17)
Add: One-time items	**(127)**	(209)	nm
Net profit including one-time items and goodwill charges	**1,929**	2,278	(15)
Selected balance sheet items ($m)			
Customer loans (1)	**126,481**	108,433	17
Interbank assets	**22,159**	24,170	(8)
Total assets	**256,718**	232,963	10
Customer deposits (2)	**169,858**	152,944	11
Total liabilities	**232,715**	209,805	11
Shareholders' funds	**19,819**	20,481	(3)
Key financial ratios (excluding one-time items and goodwill charges) (%)			
Net interest margin	**2.04**	2.17	–
Non-interest/total income	**28.7**	33.3	–
Cost/income ratio	**43.3**	42.5	–
Return on assets	**0.84**	1.15	–
Return on equity	**10.12**	12.66	–
Loan/deposit ratio	**74.5**	70.7	–
NPL ratio	**1.5**	1.1	–
Specific allowances (loans)/average loans (bp)	**35**	9	–
Tier 1 capital adequacy ratio	**10.1**	8.9	–
Total capital adequacy ratio	**14.0**	13.4	–
Per share data ($) (3)			
Per basic share			
– earnings excluding one-time items and goodwill charges	**1.14**	1.39	–
– earnings	**1.07**	1.27	–
– net book value	**10.25**	10.55	–
Per diluted share			
– earnings excluding one-time items and goodwill charges	**1.10**	1.34	–
– earnings	**1.04**	1.22	–
– net book value	**10.14**	10.44	–

(1) Includes financial assets at fair value through profit or loss
(2) Includes financial liabilities at fair value through profit or loss
(3) Adjusted for shares arising from the 2008 rights issue

Management Discussion and Analysis

The Group reported net profit of $2,056 million in 2008 excluding one-time items, a decline of 17% compared to 2007, reflecting the turmoil in global financial markets and the weakening credit environment.

Despite the challenging market conditions, DBS continued to diversify its product offerings and geographical presence through organic growth as well as an acquisition in Taiwan. Revenue contribution from regions outside of Singapore and Hong Kong increased from 10% a year ago to 16%, while net profit contribution rose from 7% to 16%.

The Group's net interest income grew 5% to $4,301 million as it captured customer volume growth, with loans up 17% and deposits up 11% from year-ago levels. Partly offsetting the higher volumes was a contraction in net interest margins from 2.17% to 2.04% as market interest rates fell following reductions by central banks across the globe. The impact of lower market rates was partly mitigated by wider loan spreads.

While net interest income rose to a record, the benefit was offset by reduced non-interest income from market-related activities.

Net fee income declined 13% to $1,274 million as activities related to the financial markets such as stockbroking, investment banking and wealth management slowed significantly due to poor investment sentiment through the year.

Trading performance, including income from financial instruments designated at fair value, weakened, declining to $23 million from $94 million a year ago. The decrease was primarily attributable to negative marked-to-market changes in credit-related trading positions.

Net income from financial investments was also lower compared to a year ago as there were fewer opportunities to realise capital gains.

In total, revenues declined by 2% to $6,031 million.

Increased cost management efforts were made to offset the impact of lower revenues. Staff costs decreased 9% to $1,256 million as performance-based bonuses were cut in line with revenues. The cost-income ratio increased marginally to 43% from 42% a year ago.

Credit conditions softened during the year with contractions in the real economy. The non-performing loan ratio rose to 1.5% from 1.1% a year ago, while specific allowances for loans increased from $92 million a year ago to $419 million (or from 9 basis points of average loans to 35 basis points). The largest increases in allowances were for equity-related loans to private banking customers in Singapore and Hong Kong and SME loans in Hong Kong and China. The acquisition of Bowa Commercial Bank in May 2008 accounted for part of the increase in NPLs and allowances. Credit quality of consumer and corporate loans, which form the majority of the Group's loan book, remained comparatively strong.

In addition, a total of $189 million in allowance charges were made for CDOs in the Group's investment book during the year, compared to $243 million in 2007. At end-2008, the Group's cumulative allowance coverage for $264 million of ABS CDOs and $792 million of non-ABS CDOs in its investment portfolio were raised to 93% and 27% respectively. The Group believes that its present allowance coverage is adequate in relation to the quality of the CDOs. A ratings distribution of the CDO portfolio can be found on page 36.

Return on assets was 0.84% compared to 1.15% a year ago, while return on equity declined to 10.1% from 12.7%.

There was a net one-time charge of $127 million for 2008 reported below the line, comprising a $45 million charge related to an organisation restructuring exercise, $104 million of impairment charges on the Group's investment in TMB Bank in Thailand, offset by $22 million in gains from the sale of properties. In comparison, a net charge of $209 million was booked in 2007, comprising $264 million of impairment charges for TMB, offset by a $55 million write-back in allowances for properties. Including these one-time items, the Group's reported net profit amounted to $1,929 million in 2008 and $2,278 million in 2007.

As explained in Note 3.1 of the financial accounts on page 61, following amendments to FRS 39 and FRS 107, the Group elected to reclassify $2,389 million of held-for-trading assets to the available-for-sale category during the third quarter and $1,789 million of available-for-sale to loans-and-receivables during the fourth quarter. Besides this, there were no other significant accounting changes for the year.

Goodwill was tested for impairment using the same methodology and key assumptions as the previous year. Goodwill for all entities tested was found to be intact.

NET INTEREST INCOME

Average balance sheet	2008 Average balance ($m)	2008 Interest ($m)	2008 Average rate (%)	2007 Average balance ($m)	2007 Interest ($m)	2007 Average rate (%)
Interest-bearing assets						
Customer loans	**118,614**	**5,051**	**4.25**	97,423	5,405	5.55
Interbank assets	**39,818**	**926**	**2.32**	37,596	1,261	3.35
Securities	**52,028**	**2,145**	**4.11**	53,996	2,424	4.49
Total	**210,460**	**8,122**	**3.86**	189,015	9,090	4.81
Interest-bearing liabilities						
Customer deposits	**161,379**	**2,395**	**1.48**	141,232	3,079	2.18
Other borrowings	**38,486**	**1,426**	**3.70**	38,864	1,903	4.90
Total	**199,865**	**3,821**	**1.91**	180,096	4,982	2.77
Net interest income/margin		**4,301**	**2.04**		4,108	2.17

Net interest income for the year was $4,301 million, an increase of 5% from 2007. This amount represented 71% of the Group's total income in 2008, up from 67% a year ago.

Most of the Group's business and regional customer segments achieved strong volume growth and average earning assets increased 11% to $210,460 million. Within the funding mix, average customer deposits grew 14% while other borrowings decreased 1%.

The resulting growth in net interest income was partly offset by a reduction in net interest margin from 2.17% to 2.04%.

Amid a backdrop of declining market rates, overall liability costs declined by 86 basis points to 1.91%, while overall asset yields fell by a larger 95 basis points to 3.86%.

The table below indicates that higher volumes had a greater impact on net interest income growth in 2008 than interest margins.

Volume and rate analysis ($m)

Increase/(decrease) due to change in	Volume	Rate	Net change
Interest income			
Customer loans	**1,176**	**(1,544)**	**(368)**
Interbank assets	**74**	**(412)**	**(338)**
Securities	**(88)**	**(196)**	**(284)**
Total	**1,162**	**(2,152)**	**(990)**
Interest expense			
Customer deposits	**439**	**(1,129)**	**(690)**
Other borrowings	**(38)**	**(444)**	**(482)**
Total	**401**	**(1,573)**	**(1,172)**
Due to change in number of days			**11**
Net Interest Income	**761**	**(579)**	**193**

Management Discussion and Analysis

NET FEE AND COMMISSION INCOME

($m)	2008	2007	% chg
Stockbroking	**152**	250	(39)
Investment banking	**90**	171	(47)
Trade and remittances	**225**	206	9
Loan related	**299**	232	29
Guarantees	**49**	36	36
Deposit related	**81**	78	4
Credit card	**143**	132	8
Fund management	**32**	43	(26)
Wealth management	**137**	249	(45)
Others	**66**	65	2
Total	**1,274**	1,462	(13)

Net fee and commission income declined 13% from a year ago to $1,274 million. This amount accounted for 21% of total income, compared to 24% in 2007.

Financial market dislocations intensified in 2008. The volatility led to reduced volumes in market-related activities. While DBS continued to rank well in various domestic league tables, in absolute terms, fees from stockbroking, investment banking and sale of wealth management fell sharply from record levels in 2007, registering declines of 39%, 47% and 45% respectively.

Partly offsetting these declines was continued growth in syndicated finance. Loan-related fees rose 29% to $299 million as DBS secured several high-profile syndicated deals in the region. For the year, DBS was ranked third in Basis Point's Asia ex-Japan/Australia loans bookrunner league table.

Non-market related activities such as trade and remittance and credit cards remained resilient in the first nine months of the year. However, there was a modest slowing in the fourth quarter in these activities.

OTHER NON-INTEREST INCOME

($m)	2008	2007	% chg
Net trading income	**(187)**	180	nm
From trading businesses	**(232)**	196	nm
From other businesses	**45**	(16)	nm
Net income from financial instruments designated at fair value	**210**	(86)	nm
Net income from financial investments	**367**	450	(18)
Net gain from fixed assets	**5**	6	(17)
Others	**61**	43	42
Total	**456**	593	(23)

Trading activities (including financial instruments designated at fair value) recorded a gain of $23 million, significantly lower compared to recent years. Income from customer flows and trading gains in interest rate and foreign exchange instruments were offset by losses related to credit instruments and CDOs. These losses included the unwinding of the Group's Rosa conduit as well as of positions related to certain Lehman-exposed investment products sold to customers.

Net income from financial investments declined from $450 million to $367 million as weaker markets reduced opportunities for profit taking. Other income rose with increased contributions from The Islamic Bank of Asia.

EXPENSES

($m)	2008	2007	% chg
Staff	**1,256**	1,384	(9)
Occupancy	**253**	216	17
Computerisation	**452**	428	6
Revenue-related	**147**	135	9
Others	**502**	455	10
Total	**2,610**	2,618	(0)

Expenses were little changed at $2,610 million.

Staff costs declined 9% as bonuses were reduced with lower revenues. Headcount grew 1% to 14,683. Staffing increased mainly in China, Taiwan (with the acquisition of Bowa), Indonesia and India to support business expansion, partially offset by decreases in Singapore and Hong Kong.

An organisation restructuring exercise was implemented during the fourth quarter, involving a 6% reduction in headcount, largely in Singapore and Hong Kong. A severance package resulted in an one-time $45 million charge that was reported below the line. The streamlined organisation structure is expected to lead to productivity and workflow improvements.

Non-staff costs increased 10% to $1,354 million. This included $70 million set aside as potential compensation for customers who had invested in High Notes and Constellation products, and a $50 million write-off on a technology project. If these items were excluded, non-staff costs were stable.

ALLOWANCES FOR CREDIT AND OTHER LOSSES

($m)	2008	2007	% chg
General allowances (GP)	**234**	202	16
Specific allowances (SP) for loans	**419**	92	>100
Singapore	**130**	(22)	nm
Hong Kong	**221**	69	>100
Other countries	**68**	45	51
Specific allowances (SP) for securities, properties and other assets	**131**	137	(4)
Total	**784**	431	82

Total allowances rose to $784 million from $431 million in 2007. Most of the increase was attributable to specific allowances for loans.

General loan allowances increased $32 million to $234 million, largely due to higher provisions set aside for the Group's investment in CDOs ($141 million in 2008 compared to $93 million in 2007). The Group also continued to set aside general allowances to support growth in loans and commitments during the year.

Specific allowances for loans increased from $92 million a year ago to $419 million as economic conditions weakened. The increase in specific loan allowances was primarily due to higher charges for SME loans in Hong Kong and Greater China as well as private banking loans in Singapore and Hong Kong. Specific allowances for consumer and corporate loans also rose from a year ago, though by a smaller extent.

Specific allowances for loans amounted to 35 basis points of average loans, compared to 9 basis points in 2007.

Specific allowances for securities, properties and other assets were little changed from a year ago. Allowances were provided largely for debt securities issued by certain US and European financial institutions that defaulted. Specific allowances for investment CDOs amounting to $48 million were made during the year compared to $150 million in 2007.

Management Discussion and Analysis

PERFORMANCE BY BUSINESS UNIT

($m)	CBG	IBG	GFM	CTU	Central Ops
2008					
Net interest income	**1,130**	**1,707**	**1,190**	**648**	**(374)**
Non-interest income	**611**	**974**	**(159)**	**44**	**260**
Total income	**1,741**	**2,681**	**1,031**	**692**	**(114)**
Less: Expenses	**1,142**	**758**	**483**	**30**	**197**
Profit before allowances	**599**	**1,923**	**548**	**662**	**(311)**
Less: Allowances	**42**	**427**	**64**	**223**	**28**
Share of profits of associates	**0**	**0**	**2**	**0**	**73**
Profit before tax	**557**	**1,496**	**486**	**439**	**(266)**
Net profit	**464**	**1,206**	**346**	**364**	**(324)**
2007					
Net interest income	1,718	1,528	946	349	(433)
Non-interest income	688	947	78	16	326
Total income	2,406	2,475	1,024	365	(107)
Less: Expenses	1,091	796	516	31	184
Profit before allowances	1,315	1,679	508	334	(291)
Less: Allowances	23	312	5	262	(171)
Share of profits of associates	0	0	13	0	97
Profit before tax	1,292	1,367	516	72	(23)
Net profit	1,060	1,093	420	51	(137)

A description of DBS' reported business unit segments can be found in Note 51.1 of the financial accounts on page 116.

Consumer Banking (CBG)
Consumer loans and deposits continued to grow in 2008. Mortgage loans grew 12% partly as a result of momentum from strong housing markets in Singapore and Hong Kong in recent years. Singapore-dollar savings deposits grew 33% as DBS benefited from a system shift toward savings deposits.

Net interest income was lower despite the increased volumes as deposit margins in Singapore narrowed with lower interbank rates. Non-interest income also fell due to lower wealth management product sales in Singapore and Hong Kong. Credit card fees rose 8% on a larger card base.

Expenses grew 5% mainly due to higher operating costs, which included a $70 million charge for compensation to certain structured investment customers. Expenses were also higher in Indonesia where 18 Treasures priority banking centres and retail branches were opened during the year.

Total allowances increased slightly from $23 million to $42 million largely due to lower write-backs.

Institutional Banking (IBG)
IBG was formed in October 2008 by merging Enterprise Banking and Corporate and Investment Banking.

IBG's net interest income rose 12% from higher loan volumes and margins. Deposit volumes were also higher, but were offset by lower deposit margins. Non-interest income rose 3% due to higher loan syndication fees. Sales of treasury products, such as foreign currency hedging instruments, remained strong.

Expenses fell 5% largely due to lower allocations for support costs. Total allowances rose 37% as specific allowances increased, particularly for SME loans in Hong Kong and Greater China.

Global Financial Markets (GFM)
GFM's total income rose 1% as a 26% increase in net interest income more than offset a loss in non-interest income due to losses on credit-linked trading instruments. Stockbroking income was also lower. Non-interest income also included an $86 million charge related to the Rosa conduit as well as costs from the unwinding of positions related to certain Lehman-exposed investment products sold to customers.

Expenses decreased 6% with lower wage costs.

Central Treasury (CTU) and Central Operations

CTU manages the Group's asset and liability interest rate positions as well as investments arising from the Group's excess liquidity. Central Operations encompasses a wide range of activities from corporate decisions as well as income and expenses not attributable to other business segments. Asset management and private banking activities are also included in this segment.

CTU's total allowances included the general and specific allowances set aside for investment CDOs.

PERFORMANCE BY GEOGRAPHY

($m)	S'pore	Hong Kong	Rest of Greater China	South & S-East Asia	Rest of world
2008					
Net interest income	**2,869**	**873**	**264**	**164**	**131**
Non-interest income	**803**	**538**	**115**	**195**	**79**
Total income	**3,672**	**1,411**	**379**	**359**	**210**
Less: Expenses	**1,467**	**723**	**203**	**154**	**63**
Profit before allowances	**2,205**	**688**	**176**	**205**	**147**
Less: Allowances	**423**	**233**	**72**	**35**	**21**
Share of profits of associates	**21**	**0**	**14**	**40**	**0**
Profit before tax	**1,803**	**455**	**118**	**210**	**126**
Net profit	**1,344**	**390**	**104**	**152**	**66**
2007					
Net interest income	2,719	1,064	100	151	74
Non-interest income	1,223	554	106	118	54
Total income	3,942	1,618	206	269	128
Less: Expenses	1,611	698	109	141	59
Profit before allowances	2,331	920	97	128	69
Less: Allowances	186	96	40	77	32
Share of profits of associates	10	0	13	87	0
Profit before tax	2,155	824	70	138	37
Net profit	1,635	686	64	106	(4)

A description of DBS' reported geographic segments can be found in Note 51.2 of the financial accounts on page 118.

Singapore

Net interest income rose 6% as loan and deposit volumes grew in double-digits. Loan growth was led by corporate and SME borrowing across broad industry segments while deposit growth was led by savings accounts. Spreads on corporate and SME loans widened during the year, but this benefit was more than offset by sharply lower market rates. Margins on surplus funds also narrowed as interbank rates declined more than funding costs as a consequence of the Group's savings deposits base.

Non-interest income declined 34% because of weak financial markets, which adversely impacted related fee and trading activities. Non-interest income for the year also included losses related to the liquidation of the Group's Rosa conduit and the unwinding of positions related to certain Lehman-exposed investment products sold to customers.

Expenses decreased 9% due to lower staff costs. Total allowances increased as lower charges for CDOs were more than offset by higher total allowances for loans and other investment securities. Specific allowances increased as a result of charges for private banking loans and securities issued by certain US and European financial institutions, as well as lower recoveries in general.

Management Discussion and Analysis

Hong Kong
The results for Hong Kong incorporate the effects of an appreciation of the Singapore dollar against the Hong Kong dollar by 6% in the profit and loss account. The currency impact on the balance sheet was negligible.

Net interest income declined 18% due to lower interest margins and exchange translation effects. Net interest margin narrowed as prime rates fell faster than cost of funds, and this offset the benefit of higher loan volumes.

Non-interest income decreased 3% as higher contributions from treasury-related activities and gains from sales of financial investments were more than offset by slower markets-related fee activities and exchange translation effects.

Expenses rose 4% due to higher operating expenses. Allowances rose as credit quality, particularly for the SME and private bank portfolios, weakened.

Other regions
Earnings contribution from outside of Singapore and Hong Kong increased from 7% in 2007 to 16%. The largest earnings contributors are Indonesia through a 99%-owned subsidiary; China through a 100%-owned subsidiary; and India where the Group has eight branches and a 37.5% stake in Cholamandalam DBS, a non-bank finance company.

In May 2008, to supplement its Greater China footprint, the Group acquired certain assets of Bowa Commercial Bank including 39 branches across Taiwan.

CUSTOMER LOANS [1]

($m)	2008	2007	% chg
By business unit			
Consumer Banking	**34,758**	31,213	11
Institutional Banking	**87,415**	71,274	23
Others	**6,192**	7,287	(15)
By geography			
Singapore	**74,377**	62,019	20
Hong Kong	**32,085**	29,141	10
Rest of Greater China	**9,683**	6,371	52
South & South-east Asia	**5,557**	4,737	17
Rest of world	**6,663**	7,506	(11)
Gross total	**128,365**	109,774	17

(1) Includes financial assets at fair value through profit or loss

Gross customer loans expanded 17% to $128,365 million.

Loans booked in Singapore, comprising both Singapore-dollar and foreign-currency loans, rose 20% to $74,377 million. Singapore-dollar loans increased 25% to $53,527 million, giving DBS a 20% market share of Singapore-dollar loans, up from 18% a year ago.

The growth in Singapore-booked loans was broad-based from a wide range of sectors, led by corporates and SMEs. Housing loans rose 9%.

In Hong Kong, loans grew 10% to $32,085 million. The growth in Hong Kong was largely due to corporate and SME borrowing. DBS' overall share of Hong Kong-dollar loans was 5%, little changed from a year ago.

With a smaller base, loans in other regions grew faster than in Singapore and Hong Kong. Loans booked in Greater China rose 52%. Of this increase, approximately half was from the acquisition of Bowa in Taiwan. Loans booked in South and South-east Asia grew by 17%, largely due to corporate and SME borrowing in India.

NON-PERFORMING ASSETS AND LOSS ALLOWANCE COVERAGE

	2008			2007		
	NPA ($m)	NPL (% of loans)	(GP+SP)/ NPA (%)	NPA ($m)	NPL (% of loans)	(GP+SP)/ NPA (%)
By geography						
Singapore	**678**	**1.0**	**87**	533	1.0	122
Hong Kong	**587**	**1.7**	**112**	418	1.5	109
Rest of Greater China	**457**	**4.3**	**78**	80	1.0	144
South & South-east Asia	**133**	**1.2**	**164**	71	0.9	221
Rest of world	**103**	**1.3**	**114**	66	0.5	137
Total non-performing loans	**1,958**	**1.5**	**99**	1,168	1.1	126
By business unit						
Consumer Banking	**290**	**0.8**	**146**	238	0.8	158
Institutional Banking	**1,467**	**1.7**	**106**	868	1.2	127
Others	**201**	**3.3**	**(19)**	62	0.9	(10)
Total non-performing loans	**1,958**	**1.5**	**99**	1,168	1.1	126
Debt securities	**277**	**–**	**189**	160	–	215
Contingent liabilities & others	**157**	**–**	**173**	114	–	113
Total non-performing assets	**2,392**	**–**	**114**	1,442	–	135

Non-performing loans (NPLs) rose by $790 million to $1,958 million, while the NPL rate rose from 1.1% a year ago to 1.5%.

About a quarter of the increase in NPLs was due to the consolidation of NPLs from Bowa. Of Bowa's NPLs, approximately 70% are SME loans and the remainder consumer loans.

Excluding Bowa, the Group's NPL rate for consumer loans improved slightly from 0.8% to 0.7%. The NPL rate for IBG loans increased from 1.2% to 1.5%, largely due to Hong Kong and China. NPLs for other loans increased due to margin lending to private banking customers in Singapore and Hong Kong.

With the consolidation of Bowa, and including debt securities and contingent liabilities, the amount of non-performing assets rose from $1,442 million to $2,392 million, 36% of which were still current and were classified for prudent reasons.

Overall loss allowance coverage declined from 135% to 114% of total non-performing assets. 35% of all non-performing assets were secured against collateral.

($m)	2008	2007
Unsecured non-performing assets	**1,554**	794
Secured non-performing assets by collateral type		
Properties	**556**	376
Shares and debentures	**43**	24
Fixed deposits	**16**	13
Others	**223**	235
Total non-performing assets	**2,392**	1,442

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FUNDING SOURCES

($m)	2008	2007	% chg
Customer deposits by currency and product [1]			
Singapore dollar	**93,957**	83,951	12
Fixed deposits	**20,645**	27,708	(25)
Savings accounts	**62,068**	46,622	33
Current accounts	**10,359**	9,258	12
Others	**885**	363	>100
Hong Kong dollar	**23,536**	24,511	(4)
Fixed deposits	**15,721**	17,302	(9)
Savings accounts	**5,030**	4,556	10
Current accounts	**2,211**	1,935	14
Others	**574**	718	(20)
US dollar	**28,247**	28,291	(0)
Fixed deposits	**19,365**	20,375	(5)
Savings accounts	**2,040**	1,849	10
Current accounts	**5,982**	3,976	50
Others	**860**	2,091	(59)
Others	**24,118**	16,191	49
Fixed deposits	**20,043**	13,152	52
Savings accounts	**1,231**	778	58
Current accounts	**2,178**	1,477	47
Others	**666**	784	(15)
Total customer deposits	**169,858**	152,944	11
Interbank liabilities	**9,571**	16,481	(42)
Other borrowings and liabilities	**57,470**	43,057	33
Shareholders' funds	**19,819**	20,481	(3)
Total	**256,718**	232,963	10

(1) Includes financial liabilities at fair value through profit or loss

Total funding increased 10% to $256,718 million. The increase was primarily due to customer deposits, which grew 11%.

Singapore-dollar deposits rose 12% to $93,957 million, driven by increases in savings and current accounts. DBS' market share for total Singapore-dollar deposits was stable from a year ago at 27% as an increase in its share of savings deposits from 54% to 57% was offset by a decline in fixed deposits.

Hong Kong-dollar deposits declined 4% to $23,536 million, with a decrease in fixed deposits partly offset by increases in savings and current accounts. DBS' market share of Hong Kong-dollar was stable at 4%.

Other currency denominated deposits rose 49%, with the growth broad-based across regions and led by China.

CAPITAL ADEQUACY RATIOS

($m)	2008	2007
Tier 1		
Share capital	**4,215**	4,164
Disclosed reserves and others	**20,180**	18,092
Less: Tier 1 deductions	**(6,022)**	(5,897)
Total	**18,373**	16,359
Tier 2		
Loan allowances admitted as Tier 2	**656**	1,210
Subordinated debts	**6,571**	7,087
Others	**(79)**	75
Total	**7,148**	8,372
Total capital	**25,521**	24,731
Risk-weighted assets	**182,685**	184,601

In 2007, the Monetary Authority of Singapore (MAS) approved the Group's application to adopt the Basel II Internal Ratings-Based Approach (IRBA) with effect from 1 January 2008 for computing part of its regulatory capital requirements. The approved wholesale portfolios are on the Foundation IRBA, while the approved retail portfolios are on the Advanced IRBA. The Group's capital adequacy ratios for 31 December 2008 were computed on this basis and in accordance with MAS Notice 637 which took effect on 1 January 2008. The capital adequacy ratios for 31 December 2007 were computed in accordance with the preceding MAS Notice 637 that was first issued on 28 May 2004.

The adoption of Basel II resulted in a better alignment of capital requirements with their inherent risk profiles, with reductions in risk weights observed for top-tier corporates as well as housing loans. At the same time, additional capital was set aside for operational risk and certain trading instruments. The Group continued to evaluate the risk and return profiles for its risk-weighted assets to ensure that adequate capital was maintained in tandem with the Group's risk profile and optimally allocated for maximum returns.

Details on the Group's application of Basel II can be found in the section on Basel II Pillar 3 disclosures on pages 123 to 134.

As part of ongoing efforts to manage capital, the Group issued $1,500 million of 5.75% preference shares. In December 2008, the Group also announced a one-for-two rights issue to raise approximately $4.0 billion.

Offsetting these issuances was a decline of $516 million in Tier 2 subordinated debt in part due to regulatory amortisation.

As at 31 December 2008, the Group's Tier 1 and total capital adequacy ratios were 10.1% and 14.0% respectively. The ratios did not include the impact of the rights issue, which closed after the balance sheet date. If the rights issue was taken into account, the ratios would have risen to 12.2% and 16.2% respectively.

VALUATION SURPLUS

($m)	2008	2007
Properties	**673**	650
Financial investments	**(246)**	43
Total	**427**	693

The amount of unrealised valuation surpluses declined from $693 million to $427 million due to a decrease in the market valuations of financial investments.