

Notes to the Supplementary Financial Statements

for the year ended 31 December 2008

The supplementary financial statements of DBS Bank Ltd (the Bank) are extracted from the Audited Statutory Financial Statements of DBS Bank Ltd and its subsidiaries (the Bank Group) for the financial year ended 31 December 2008. The statutory financial statements 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	2008	2007
Dividends from subsidiaries	70	45
Dividends from joint ventures/associates	56	62
Total	126	107

3 SUBSIDIARIES

In \$ millions	2008	2007
Unquoted equity shares ^(a)	10,488	11,004
Less: impairment allowances	768	768
Sub-total	9,720	10,236
Due from subsidiaries	2,965	1,823
Total	12,685	12,059

Movements in impairment allowances during the year are as follows:

In \$ millions	2008	2007
Balance at 1 January	768	821
Write-back to income statement	–	(53)
Total	768	768

(a) The carrying amounts of certain investments which are designated as hedged items in a fair value hedge are adjusted for fair value changes attributable to the hedged risks

4 DUE FROM SPECIAL PURPOSE ENTITIES

In \$ millions	2008	2007
Due from special purpose entities ^(a)	–	1,392
Less: impairment allowances	–	276
Total	–	1,116

(a) 2007 includes \$1,378 million due from Red Orchid Secured Assets Limited (Rosa)

Movements in impairment allowances during the year are as follows:

In \$ millions	2008	2007
Balance at 1 January	276	–
Charge to income statement ^(a)	6	276
Write-off	(282)	–
Balance at 31 December	–	276

(a) Includes impairment allowances on a loan to Rosa

5 DUE TO SUBSIDIARIES

In \$ millions	2008	2007
Subordinated term debts issued to DBS Capital Funding Corporation (Note 5.1)	1,183	1,188
Subordinated term debts issued to DBS Capital Funding Corporation II (Note 5.2)	1,500	–
Due to subsidiaries	6,326	4,890
Total	9,009	6,078

5.1 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 \$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).

5.2 The \$1,500 million 5.75% subordinated note was issued on 27 May 2008 by the Bank to DBS Capital Funding II Corporation, both wholly-owned subsidiaries of the Group. Interest is payable in arrears on 15 June and 15 December each year at a fixed rate of 5.75% per annum up to 15 June 2018. 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 Singapore Swap Offer Rate + 3.415% per annum.

Notes to the Supplementary Financial Statements

for the year ended 31 December 2008

6 SHARE CAPITAL

Issued and fully paid up	2008	2007
1,962,302,697 (2007: 1,962,302,697) ordinary shares	1,962	1,962
11,000,000 (2007: 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

7 OTHER RESERVES AND REVENUE RESERVES

7.1 Other reserves

In \$ millions	2008	2007
Available-for-sale revaluation reserves	(255)	929
General reserves	2,360	2,360
Share plan reserves	–	25
Total	2,105	3,314

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

In \$ millions	Available-for-sale revaluation reserves	General reserves ^(a)	Share plan reserves	Total
Balance at 1 January 2008	929	2,360	25	3,314
Transfer of share plan reserves to holding company	–	–	(25)	(25)
Available-for-sale:				
– net valuation taken to equity	(1,130)	–	–	(1,130)
– transferred to income statement due to impairment	16	–	–	16
– transferred to income statement on sale	(312)	–	–	(312)
– tax on items taken directly to or transferred from equity	242	–	–	242
Balance at 31 December 2008	(255)	2,360	–	2,105
Balance at 1 January 2007	482	2,330	35	2,847
Appropriation from prior year's net profit	–	30	–	30
Cost of share-based payments	–	–	30	30
Draw-down of reserves upon vesting of performance shares	–	–	(40)	(40)
Available-for-sale/cash flow hedge:				
– 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

(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

7.2 Revenue reserves

In \$ millions	2008	2007
Balance at 1 January	4,984	4,263
Net profit attributable to shareholders	1,938	1,623
Transfer to general reserves ^(a)	–	(30)
Amount available for distribution	6,922	5,856
Less: \$0.16 (2007: \$0.03) tax exempt ordinary final dividends	304	65
\$0.49 (2007: \$0.38) tax exempt ordinary interim dividends	953	753
6% tax exempt preference dividends (2007: net of 18% tax)	66	54
Balance at 31 December	5,599	4,984

(a) Includes appropriation from prior year's net profit