By The Numbers

Consolidated Income Statement

for the year ended 31 December 2009

In $ millions	Note	2009	2008
Income			
Interest income		**6,114**	8,122
Interest expense		**1,659**	3,821
Net interest income	5	**4,455**	4,301
Net fee and commission income	6	**1,394**	1,274
Net trading income/(loss)	7	**700**	(187)
Net (loss)/income from financial instruments designated at fair value	8	**(267)**	210
Net income from financial investments	9	**254**	367
Other income	10	**67**	88
Total income		**6,603**	6,053
Expenses			
Employee benefits	11	**1,292**	1,301
Depreciation of properties and other fixed assets	28	**195**	149
Other expenses	12	**1,117**	1,205
Allowances for credit and other losses	13	**1,552**	888
Total expenses		**4,156**	3,543
Share of profits of associates		**66**	75
Profit before tax		**2,513**	2,585
Income tax expense	14	**285**	446
Net profit for the year		**2,228**	2,139
Attributable to:			
Shareholders		**2,041**	1,929
Minority interests		**187**	210
		2,228	2,139

(see notes on pages 65 to 135, which form part of these financial statements)

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2009

In $ millions	Note	2009	2008
Net profit for the year		**2,228**	2,139
Other comprehensive income:			
Foreign currency translation differences for foreign operations		**31**	(58)
Share of other comprehensive income of associates		**18**	(40)
Available-for-sale financial assets			
Net valuation taken to equity		**932**	(1,217)
Transferred to income statement due to impairment		**–**	21
Transferred to income statement on sale		**(312)**	(349)
Tax on items taken directly to or transferred from equity		**(100)**	256
Other comprehensive income for the year, net of tax		**569**	(1,387)
Total comprehensive income		**2,797**	752
Attributable to:			
Shareholders		**2,616**	549
Minority interests		**181**	203
		2,797	752
Basic earnings per ordinary share ($)	15	**0.90**	1.07 [a]
Diluted earnings per ordinary share ($)	15	**0.87**	1.04 [a]

(a) Adjusted for shares arising from the rights issue in January 2009

(see notes on pages 65 to 135, which form part of these financial statements)

Balance Sheets

at 31 December 2009

In $ millions	Note	Group 2009	Group 2008	Company 2009	Company 2008
Assets					
Cash and balances with central banks	17	**22,515**	15,790		
Singapore Government securities and treasury bills	18	**15,960**	14,797		
Due from banks		**22,203**	20,467		
Financial assets at fair value through profit or loss	19	**11,257**	9,401		
Positive fair values for financial derivatives	40	**16,015**	32,328		
Loans and advances to customers	20	**129,973**	125,841		
Financial investments	21	**25,731**	22,782		
Securities pledged	22	**784**	997		
Subsidiaries	23	**–**	–	**9,698**	6,745
Investments in associates	25	**672**	604		
Goodwill on consolidation	26	**5,847**	5,847		
Properties and other fixed assets	28	**1,134**	1,311		
Investment properties	28	**398**	293		
Deferred tax assets	29	**144**	171		
Other assets	30	**6,011**	6,089	**93**	154
Total assets		**258,644**	256,718	**9,791**	6,899
Liabilities					
Due to banks		**9,108**	9,021		
Due to non-bank customers	31	**178,448**	163,359		
Financial liabilities at fair value through profit or loss	32	**9,217**	11,282		
Negative fair values for financial derivatives	40	**16,406**	31,918		
Bills payable		**501**	714		
Current tax liabilities		**807**	779		
Deferred tax liabilities	29	**54**	45		
Other liabilities	33	**6,489**	5,874	**5**	5
Other debt securities in issue	34	**413**	638		
Subordinated term debts	35	**7,702**	9,085		
Total liabilities		**229,145**	232,715	**5**	5
Net assets		**29,499**	24,003	**9,786**	6,894
Equity					
Share capital	36	**8,435**	4,215	**8,435**	4,215
Treasury shares	36	**(114)**	(154)	**–**	–
Other reserves	37	**6,879**	6,322	**71**	89
Revenue reserves	37	**10,173**	9,436	**1,280**	2,590
Shareholders' funds		**25,373**	19,819	**9,786**	6,894
Minority interests	38	**4,126**	4,184		
Total equity		**29,499**	24,003	**9,786**	6,894
Off-balance sheet items					
Contingent liabilities and commitments	39	**98,207**	92,656		
Financial derivatives	40	**1,396,855**	1,704,717		
Client trust accounts					
Amounts held with the Group		**556**	568		
Bank balances with third parties		**1,233**	745		
		1,789	1,313		
Bank balances with third parties		**1,233**	745		
Less: Amounts held in trust		**(1,233)**	(745)		
		–	–		

(see notes on pages 65 to 135, which form part of these financial statements)

Consolidated Statement of Changes in Equity

for the year ended 31 December 2009

In $ millions	Ordinary shares	Convertible preference shares	Treasury shares	Other reserves	Revenue reserves	Total	Minority interests	Total equity
2009								
Balance at 1 January 2009	**4,149**	**66**	**(154)**	**6,322**	**9,436**	**19,819**	**4,184**	**24,003**
Exercise of share options	**11**					**11**		**11**
Cost of share-based payments				**44**		**44**		**44**
Reclassification of reserves upon exercise of share options	**1**			**(1)**		**–**		**–**
Draw-down of reserves upon vesting of performance shares			**61**	**(61)**		**–**		**–**
Purchase of treasury shares			**(21)**			**(21)**		**(21)**
Issue of shares	**4,029**	**181**				**4,210**		**4,210**
Share issues expenses	**(2)**					**(2)**		**(2)**
Final dividends paid for previous year					**(319)**	**(319)**		**(319)**
Interim dividends paid for current year					**(985)**	**(985)**		**(985)**
Dividends paid to minority interests						**–**	**(239)**	**(239)**
Total comprehensive income				**575**	**2,041**	**2,616**	**181**	**2,797**
Balance at 31 December 2009	**8,188**	**247**	**(114)**	**6,879**	**10,173**	**25,373**	**4,126**	**29,499**
2008								
Balance at 1 January 2008	4,098	66	(102)	7,680	8,739	20,481	2,677	23,158
Exercise of share options	45					45		45
Cost of share-based payments				28		28		28
Share buyback during the year			(52)			(52)		(52)
Reclassification of reserves upon exercise of share options	6			(6)		–		–
Final dividends paid for previous year					(302)	(302)		(302)
Interim dividends paid for current year					(930)	(930)		(930)
Dividends paid to minority interests						–	(197)	(197)
Change in minority interests[(a)]						–	1,501	1,501
Total comprehensive income				(1,380)	1,929	549	203	752
Balance at 31 December 2008	4,149	66	(154)	6,322	9,436	19,819	4,184	24,003

(a) Includes issuance of preference shares to third parties by DBS Capital Funding II Corporation (refer to Note 38.3)

(see notes on pages 65 to 135, which form part of these financial statements)

Consolidated Cash Flow Statement

for the year ended 31 December 2009

In $ millions	2009	2008
Cash flows from operating activities		
Net profit for the year	**2,228**	2,139
Adjustments for non-cash items:		
Allowances for credit and other losses	**1,552**	888
Depreciation of properties and other fixed assets	**195**	149
Share of profits of associates	**(66)**	(75)
Net gain on disposal of properties and other fixed assets	**(13)**	(27)
Net gain on disposal of financial investments	**(254)**	(367)
Income tax expense	**285**	446
Profit before changes in operating assets and liabilities	**3,927**	3,153
Increase/(Decrease) in:		
Due to banks	**87**	(7,855)
Due to non-bank customers	**15,089**	15,480
Financial liabilities at fair value through profit or loss	**(2,065)**	(6,960)
Other liabilities including bills payable	**(15,960)**	16,762
Debt securities and borrowings	**307**	(530)
(Increase)/Decrease in:		
Change in restricted balances with central banks	**(122)**	(501)
Singapore Government securities and treasury bills	**(1,163)**	636
Due from banks	**(1,749)**	2,600
Financial assets at fair value through profit or loss	**(1,856)**	10,147
Loans and advances to customers	**(5,579)**	(17,980)
Financial investments	**(2,746)**	(3,349)
Other assets	**17,241**	(16,499)
Tax paid	**(321)**	(566)
Net cash generated from/(used in) operating activities (1)	**5,090**	(5,462)
Cash flows from investing activities		
Dividends from associates	**41**	53
Purchase of properties and other fixed assets	**(179)**	(178)
Proceeds from disposal of properties and other fixed assets	**57**	128
Net proceeds from acquisition of new business	**–**	2,171
Net cash (used in) / generated from investing activities (2)	**(81)**	2,174
Cash flows from financing activities		
Increase in share capital	**4,220**	45
Proceeds from issuance of subordinated term debts	**–**	1,500
Payment upon maturity of subordinated term debts	**(1,099)**	–
Purchase of treasury shares	**(21)**	(52)
Dividends paid to shareholders of the Company	**(1,304)**	(1,232)
Dividends paid to minority interests	**(239)**	(197)
Net cash generated from financing activities (3)	**1,557**	64
Exchange translation adjustments (4)	**37**	(51)
Net change in cash and cash equivalents (1)+(2)+(3)+(4)	**6,603**	(3,275)
Cash and cash equivalents at 1 January	**12,678**	15,953
Cash and cash equivalents at 31 December (Note 41)	**19,281**	12,678

(see notes on pages 65 to 135, which form part of these financial statements)

Notes to the Financial Statements

for the year ended 31 December 2009

These Notes are integral to the financial statements.

The consolidated financial statements for the year ended 31 December 2009 were authorised for issue by the directors on 3 February 2010.

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 Accounting Standards Council (ASC). In accordance with Section 201(19) of the Companies Act (the 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 to FRS promulgated by the ASC. 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 2009, 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
FRS 27 (revised)	Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
FRS 102 (revised)	Share-based Payment – Vesting Conditions and Cancellations
FRS 107 (revised)	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
FRS 108	Operating Segments
General Amendments	Improvements to FRS (where applicable)
INT FRS 113	Customer Loyalty Programmes
INT FRS 116	Hedges of a Net Investment in a Foreign Operation

FRS 1: Presentation of Financial Statements

The amended FRS 1 separates owner and non-owner changes in equity and introduces the statement of comprehensive income. The statement of comprehensive income presents all items of income and expense recognised in profit or loss, together with all other items of unrecognised income and expense, such as available-for-sale revaluation reserves, capital reserves, etc. The adoption of the revised FRS 1 creates additional disclosure requirements for the Group's financial statements.

FRS 27: Consolidated and Separate Financial statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
The standard removes the requirement to differentiate dividends from pre-acquisition and post-acquisition profits. Dividends received will be treated as revenue. The changes introduced are to be applied prospectively and will affect how dividends received in future are accounted for.

FRS 102: Share-based Payment – Vesting Conditions and Cancellations
The amendments to FRS 102 clarify that vesting conditions are solely service and performance conditions. Other conditions are considered non-vesting conditions. All non-vesting conditions are taken into account in the estimate of the fair value of the equity instruments granted. In addition, the standard describes the posting type if the vesting conditions and non-vesting conditions are not fulfilled.

FRS 107: Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
The amendments to FRS 107 are intended to enhance disclosures on fair value measurement and liquidity risk. The adoption of the revised FRS 107 creates additional disclosure requirements for the Group's financial statements.

FRS 108: Operating Segments
FRS 108 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 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 creates additional disclosure requirements for the Group's financial statements.

General Amendments: Improvements to FRS
The General Amendments contain amendments to a variety of FRS which resulted in accounting changes for presentation, recognition, or measurement purposes, as well as terminology or editorial amendments related to a variety of FRS. These amendments did not result in significant changes to the Group's accounting policies.

INT FRS 113: Customer Loyalty Programmes
INT FRS 113 clarifies the accounting treatment of award credits granted under customer loyalty programmes and addresses how the consideration receivable from customers should be allocated to the award credits and when revenue should be recognised.

INT FRS 116: Hedges of a Net Investment in a Foreign Operation
INT FRS 116 clarifies the accounting treatment for hedges of net investments in foreign operations, including the fact that net investment hedging relates to functional currency (not presentation currency) and hedging instruments may be held anywhere in the Group.

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 currently 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".

The direct method is used by the Group to account for minority interests and they are disclosed as separate items in the consolidated financial statements.

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.

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, 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, associates and joint ventures are stated at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investments in subsidiaries, associates and joint ventures, 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 into 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 foreign 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 foreign 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

Operating segments are reported in a manner consistent with the internal reporting provided to management who is responsible for allocating resources and assessing performance of the operating segments. Segment revenue, segment profits, segment assets and segment liabilities are also measured on a basis that is consistent with internal reporting.

The Group's financial businesses are organised into Consumer Banking, Institutional Banking, Global Financial Markets, Central Treasury Unit and Central Operations. In total, the Group reports five reportable 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 cash flow 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 and non-restricted balances with central banks 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.

The classification of financial assets is as follows:

(a) ***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) ***Financial assets classified as loans and receivables*** are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:
- those that the Group intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; or
- those that the Group upon initial recognition designates as available-for-sale.

(c) ***Financial assets classified as available-for-sale*** 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 financial assets are recognised on the date that the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Reclassification of financial assets
Non-derivative financial assets may be reclassified out of the fair value through profit or loss and available-for-sale category in particular circumstances:

- financial assets that would meet the definition of loans and receivables may be classified out of the fair value through profit or loss and available-for-sale category if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity; and
- financial assets (except financial assets that would have met the definition of loans and receivables) may be reclassified out of the fair value through profit or loss category in rare circumstances.

Reclassifications are made at fair value as of the reclassification date. The fair value becomes the new cost or amortised cost as applicable. Any gain or loss already recognised in the income statement before the reclassification date is not reversed.

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, except interest income, 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 financial assets classified as available-for-sale are recognised in the available-for-sale revaluation reserves. When financial assets 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. Where applicable, a valuation reserve or pricing adjustment is applied to arrive at the fair value.

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.

(a) Financial assets classified as loans and receivables
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 recorded 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 recorded 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 collectability 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 and other losses".

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 the estimated 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 (against which specific allowances have not been made) adjusted for collaterals held. This is in accordance with the transitional arrangements under Notice to Banks No. 612 "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore.

(b) Financial assets classified as available-for-sale
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 an equity investment, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the asset is 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 acquisition 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 (including investment 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 on a straight-line basis 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 lives as follows:

Intangible/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 (including investment 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, except for financial liabilities at fair value through profit or loss, for which transaction costs are expensed off immediately.

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, except interest expense, 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. Where applicable, a valuation reserve or pricing adjustment is applied to arrive at the fair value.

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.

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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 fair values for financial derivatives) and as liabilities when the fair value is negative (Negative fair values for financial derivatives).

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 is amortised to the income statement over its remaining maturity, using the effective interest method.

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 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.

2.17 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 and the DBSH Employee Share Plan. The details of the Scheme and Plans are described in Note 42.

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.

2.18 Current and deferred taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided, 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.

Deferred tax related to fair value re-measurement of available-for-sale investments, which are recognised in available-for-sale revaluation reserves, is also recognised in the available-for-sale revaluation reserves and subsequently in the income statement together with the deferred gain or loss.

2.19 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.

2.20 Share capital and treasury shares

Ordinary shares and preference shares which do not result in the Group having a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities with the holder under conditions that are potentially unfavourable to the Group, are classified as equity. Incremental external costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When any entity within the Group purchases the Company's ordinary shares (treasury shares), the consideration paid including any directly attributable incremental cost is presented as a component within equity, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares is deducted against either the share capital account or retained earnings. When treasury shares are subsequently sold or reissued, any realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company.

2.21 Dividend payments

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 them 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.

3 EFFECTS ON FINANCIAL STATEMENTS ON ADOPTION OF NEW OR REVISED FRS

The Group has not applied the following FRS and INT FRS that have been issued but are not yet effective.

FRS 27: Consolidated and Separate Financial Statements

Amendments to FRS 27 become effective for financial years beginning on or after 1 January 2010. The standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. Such transactions will have no impact on goodwill, nor will it give rise to a gain or loss. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

The changes introduced by FRS 27 must be applied prospectively and will affect future transactions with non-controlling interests.

FRS 103: Business Combinations

The revised FRS 103 becomes effective for financial years beginning on or after 1 January 2010. It introduces a number of changes in the accounting for business combinations. For example, there is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

The changes introduced by FRS 103 must be applied prospectively and will affect future business combinations.

Other new or revised accounting standards

The following new/revised accounting standards take effect for the Group for the financial year beginning 1 January 2010 or later periods. There is no expected material impact on the Group's financial statements from the adoption of these new/revised accounting changes:

- Amendments to FRS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
- Amendments to FRS 39 Financial Instruments: Recognition and Measurement and INT FRS 109 Reassessment of Embedded Derivatives – Embedded Derivatives
- INT FRS 117: Distributions of Non-cash Assets to Owners
- Improvements to 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 and exercises judgement in estimating cash flows and collateral value. 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, management considers country and portfolio risks, as well as industry practices. General allowances of at least 1% of credit exposures on and off-balance sheet (against which specific allowances have not been made) are maintained and adjusted for collaterals held. This is in accordance with the transitional arrangements under Notice to Banks No. 612, "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore.

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. Valuation reserves or pricing adjustments where applicable will be used to converge to fair value.

The determination of fair value is subject to the Valuation Framework approved by the Board Risk Management Committee and the oversight of senior management committees. The Valuation Framework is implemented by the Group through policies and procedures approved by the committees. These policies and procedures facilitate the exercise of 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. Refer to Note 26 for more details.

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.

4.5 Provisions for customer compensation

Judgement is needed to determine, taking into account the requirements in FRS 37 Provisions, Contingent Liabilities and Contingent Assets, the appropriate level of possible compensation payable to certain customers who had bought structured investment products from the Group. In making this judgement, the Group evaluates the likelihood and estimated amount of outflow of resources which will be required to settle the obligation with reference to advice from legal counsel.

5 NET INTEREST INCOME

In $ millions	The Group 2009	The Group 2008
Cash and balances with central banks and Due from banks	**378**	926
Loans and advances to customers	**4,075**	5,051
Debt securities	**1,661**	2,145
Total interest income	**6,114**	8,122
Due to banks	**109**	728
Due to non-bank customers	**1,131**	2,395
Others	**419**	698
Total interest expense	**1,659**	3,821
Net interest income	**4,455**	4,301
Comprising:		
Interest income for financial assets at fair value through profit or loss	**413**	808
Interest income for financial assets not at fair value through profit or loss	**5,701**	7,314
Interest expense for financial liabilities at fair value through profit or loss	**(196)**	(299)
Interest expense for financial liabilities not at fair value through profit or loss	**(1,463)**	(3,522)
Total	**4,455**	4,301

6 NET FEE AND COMMISSION INCOME

In $ millions	The Group 2009	The Group 2008
Fee and commission income	**1,688**	1,542
Fee and commission expense	**294**	268
Net fee and commission income	**1,394**	1,274
Comprising:		
Loan-related	**375**	299
Trade and remittances	**244**	225
Stock broking	**170**	152
Investment Banking	**146**	90
Credit Card	**143**	143
Wealth Management	**101**	137
Deposit-related	**84**	81
Guarantees	**57**	49
Others	**54**	66
Fund management	**20**	32
Net fee and commission income[(a)]	**1,394**	1,274

(a) Includes net fee and commission income of $44 million (2008: $62 million), which is 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 $612 million (2008: $521 million) during the year

7 NET TRADING INCOME/(LOSS)

In $ millions	The Group 2009	2008
From trading businesses		
– Foreign exchange	**774**	660
– Interest rates, credit and equities[(a)]	**(21)**	(892)
Other businesses	**(53)**	45
Total	**700**	(187)

(a) Includes dividend income of $7 million (2008: $19 million)

8 NET (LOSS)/INCOME FROM FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE

In $ millions	The Group 2009	2008
Financial assets designated at fair value	**365**	(148)
Financial liabilities designated at fair value	**(632)**	358
Total	**(267)**	210

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 32.

9 NET INCOME FROM FINANCIAL INVESTMENTS

In $ millions	The Group 2009	2008
Debt securities		
– Available-for-sale	**9**	66
– Loans and receivables	**2**	1
Equity securities [(a) (b)]	**243**	300
Total	**254**	367
Comprising net gains transferred from:		
Available-for-sale revaluation reserves	**312**	349

(a) There was no sale of unquoted securities in 2009. 2008 included $7 million gain on sale of unquoted equity securities which were stated at cost. Their carrying amounts were $48 million at the time of sale
(b) Includes dividend income of $20 million (2008: $29 million)

10 OTHER INCOME

In $ millions	The Group 2009	2008
Rental income	**17**	14
Net gain on properties and other fixed assets	**13**	27
Others	**37**	47
Total	**67**	88

11 EMPLOYEE BENEFITS

In $ millions	The Group 2009	2008
Salary and bonus	**1,124**	1,118
Contributions to defined contribution plans	**67**	59
Share-based expenses	**44**	28
Others[(a) (b)]	**57**	96
Total	**1,292**	1,301

(a) $22 million of cash grants (Job Credit Scheme) was received from the government in 2009. The amount received was deducted against the staff expenses
(b) 2008 included $45 million one-time restructuring costs

Included in the above is compensation paid to Company directors and directors of subsidiaries as follows:

In $ millions	The Group 2009	2008
Compensation paid to Company directors	**11**	13
Compensation paid to subsidiaries' directors	**19**	18
Total	**30**	31

12 OTHER EXPENSES

In $ millions	The Group 2009	2008
Computerisation expenses[(a)]	**367**	385
Occupancy expenses[(b)]	**236**	219
Revenue-related expenses	**132**	147
Others[(c)]	**382**	454
Total	**1,117**	1,205

(a) Includes hire and maintenance of computer hardware and software
(b) Includes rental expenses of office and branch premises of $125 million (2008: $120 million) and amounts incurred in the maintenance and service of buildings owned by the Group's subsidiary companies
(c) Includes office administration expenses (e.g. printing and stationery, telecommunications, etc), legal and professional fees

In $ millions	The Group 2009	2008
Hire and maintenance of fixed assets, including building-related expenses	**242**	229
Audit fees payable to external auditors[(a)]:		
– Singapore	**3**	3
– Outside Singapore	**2**	2
Non audit fees payable to external auditors[(a)]:		
– Singapore	**2**	1
– Outside Singapore	**#**	#
Directors' fees payable to:		
– Company directors	**2**	2
– Subsidiaries' directors	**1**	1

 # Amount under $500,000
(a) PricewaterhouseCoopers network firms

13 ALLOWANCES FOR CREDIT AND OTHER LOSSES

In $ millions	The Group 2009	2008
Loans and advances to customers (Note 20)	**1,414**	524
Financial investments		
– Available-for-sale[(a)]	**31**	125
– Loans and receivables (Note 21)	**20**	185
Properties and other fixed assets (Note 28)	**2**	1
Off-balance sheet credit exposures (Note 33)	**4**	46
Others (bank loans and sundry debtors)	**81**	7
Total	**1,552**	888

(a) Includes one-time impairment charges for a Thailand investment of $23 million (2008: $104 million)

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

In $ millions	Balance at 1 January	Charge to income statement	Net write-off during the year	Acquisition of new business[(a)]	Exchange and other movements	Balance at 31 December
2009						
Loans and advances to customers (Note 20)	**1,884**	**1,414**	**(406)**	**–**	**(55)**	**2,837**
Financial investments	**608**	**51**	**(386)**	**–**	**(9)**	**264**
Properties and other fixed assets (Note 28)	**72**	**2**	**–**	**–**	**–**	**74**
Off-balance sheet credit exposures (Note 33)	**177**	**4**	**–**	**–**	**18**	**199**
Others (bank loans and sundry debtors)	**94**	**81**	**(21)**	**–**	**14**	**168**
Total specific and general allowances	**2,835**	**1,552**	**(813)**	**–**	**(32)**	**3,542**
2008						
Loans and advances to customers (Note 20)	1,341	524	(238)	277	(20)	1,884
Financial investments	431	310	(138)	–	5	608
Properties and other fixed assets (Note 28)	25	1	–	46	–	72
Off-balance sheet credit exposures (Note 33)	132	46	–	–	(1)	177
Others (bank loans and sundry debtors)	90	7	–	–	(3)	94
Total specific and general allowances	2,019	888	(376)	323	(19)	2,835

(a) Relates to allowances arising from the acquisition of Bowa Commercial Bank's business in 2008 (refer to Note 27)

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14 INCOME TAX EXPENSE

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

In $ millions	The Group 2009	The Group 2008
Current tax expense		
– Current year	**473**	472
– Prior years' provision	**(124)**	(9)
Deferred tax expense		
– Effect of change in tax rate	**1**	–
– Origination of temporary differences	**(65)**	(17)
Total	**285**	446

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

In $ millions	The Group 2009	The Group 2008
Accelerated tax depreciation	**(17)**	6
Allowances for loan losses	**(75)**	(11)
Other temporary differences	**28**	(12)
Deferred tax credit to income statement	**(64)**	(17)

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 2009	The Group 2008
Profit	**2,447**	2,510
Prima facie tax calculated at a tax rate of 17% (2008: 18%)	**416**	452
Effect of different tax rates in other countries	**25**	63
Effect of change in tax rate	**1**	–
Income not subject to tax	**(47)**	(61)
Income taxed at concessionary rate	**(97)**	(42)
Non-tax deductible provisions	**3**	31
Others	**(16)**	3
Income tax expense charged to income statement	**285**	446

Refer to Note 29 for further information on deferred tax assets/liabilities.

15 EARNINGS PER ORDINARY SHARE

In $ millions		The Group 2009	The Group 2008
Weighted average number of ordinary shares in issue	(a)	**2,234**	1,512
Dilutive effect of share options		**1**	5
Full conversion of non-voting redeemable CPS		**98**	66
Full conversion of non-voting convertible preference shares		**#**	#
Adjustments for effects of rights shares issued		**–**	794[e]
Weighted average number of ordinary shares in issue (diluted)	(aa)	**2,333**	2,377

Amount under $500,000

In $ millions		The Group 2009	The Group 2008
Net profit attributable to shareholders (Net Profit)	(b)	**2,041**	1,929
Net profit (less preference dividends)	(c)	**2,011**	1,909
Earnings per ordinary share ($)			
Basic	(c)/(a)	**0.90**	1.07[d]
Diluted	(b)/(aa)	**0.87**	1.04[d]

(d) Post rights earnings per share

(e) Include ordinary shares, non-voting redeemable CPS and non-voting convertible preference shares

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

	The Group 2009					
In $ millions	Held for trading	Designated at fair value through profit or loss	Loans and receivables/ amortised cost	Available-for-sale	Hedging derivatives	Total
Assets						
Cash and balances with central banks	–	–	22,515	–	–	22,515
Singapore Government securities and treasury bills	2,715	–	–	13,245	–	15,960
Due from banks	–	–	22,203	–	–	22,203
Financial assets at fair value through profit or loss	10,043	1,214	–	–	–	11,257
Positive fair values for financial derivatives	15,757	–	–	–	258	16,015
Loans and advances to customers	–	–	129,973	–	–	129,973
Financial investments	–	–	5,055	20,676	–	25,731
Securities pledged	534	–	–	250	–	784
Other assets	–	–	6,011	–	–	6,011
Total financial assets	29,049	1,214	185,757	34,171	258	250,449
Other asset items outside the scope of FRS 39[(a)]						8,195
Total assets						258,644
Liabilities						
Due to banks	–	–	9,108	–	–	9,108
Due to non-bank customers	–	–	178,448	–	–	178,448
Financial liabilities at fair value through profit or loss	7,469	1,748	–	–	–	9,217
Negative fair values for financial derivatives	16,142	–	–	–	264	16,406
Bills payable	–	–	501	–	–	501
Other liabilities	–	–	6,290	–	–	6,290
Other debt securities in issue	–	–	413	–	–	413
Subordinated term debts	–	–	7,702	–	–	7,702
Total financial liabilities	23,611	1,748	202,462	–	264	228,085
Other liability items outside the scope of FRS 39[(b)]						1,060
Total liabilities						229,145

(a) Includes investments in associates, goodwill on consolidation, properties and other fixed assets, investment properties and deferred tax assets

(b) Includes current tax liabilities, deferred tax liabilities and loss allowances for off-balance sheet credit exposures

In $ millions	Held for trading	Designated at fair value through profit or loss	Loans and receivables/ amortised cost	Available-for-sale	Hedging derivatives	Total
	The Group 2008					
Assets						
Cash and balances with central banks	–	–	15,790	–	–	15,790
Singapore Government securities and treasury bills	3,063	–	–	11,734	–	14,797
Due from banks	–	–	20,467	–	–	20,467
Financial assets at fair value through profit or loss	7,944	1,457	–	–	–	9,401
Positive fair values for financial derivatives	31,876	–	–	–	452	32,328
Loans and advances to customers	–	–	125,841	–	–	125,841
Financial investments	–	–	5,103	17,679	–	22,782
Securities pledged	787	–	–	210	–	997
Other assets	–	–	6,089	–	–	6,089
Total financial assets	43,670	1,457	173,290	29,623	452	248,492
Other asset items outside the scope of FRS 39[(a)]						8,226
Total assets						256,718
Liabilities						
Due to banks	–	–	9,021	–	–	9,021
Due to non-bank customers	–	–	163,359	–	–	163,359
Financial liabilities at fair value through profit or loss	9,369	1,913	–	–	–	11,282
Negative fair values for financial derivatives	31,494	–	–	–	424	31,918
Bills payable	–	–	714	–	–	714
Other liabilities	–	–	5,697	–	–	5,697
Other debt securities in issue	–	–	638	–	–	638
Subordinated term debts	–	–	9,085	–	–	9,085
Total financial liabilities	40,863	1,913	188,514	–	424	231,714
Other liability items outside the scope of FRS 39[(b)]						1,001
Total liabilities						232,715

(a) Includes investments in associates, goodwill on consolidation, properties and other fixed assets, investment properties and deferred tax assets
(b) Includes current tax liabilities, deferred tax liabilities and loss allowances for off-balance sheet credit exposures

In 2009, the Group reclassified certain financial assets out of the held for trading category into the loans and receivables category as there was no active market and no intention to trade. The Group has the intention and ability to hold these reclassified assets for the foreseeable future or until maturity at the date of reclassification. In the current year before reclassification, the Group has recognised a net loss of $1 million (2008: net gain of $4 million) in the income statement. As at the date of reclassification of the financial assets, the effective interest rate on the reclassified assets was 3.86%. The estimated amounts of undiscounted cash flows expected to be recovered from these reclassified financial assets is $102 million.

In the previous financial year, the Group reclassified certain financial assets which were no longer held for selling in the near term, out of the held for trading category into the available-for-sale category. If the Group had not reclassified the financial assets, fair value gains recognised for the year in respect of the reclassified assets outstanding at year end would have amounted to $105 million (2008: losses of $340 million) in the income statement.

During 2008, the Group also reclassified certain financial assets out of the available-for-sale category into the loans and receivables category. The Group has the intention and ability to hold these reclassified assets for the foreseeable future or until maturity. If the Group had not reclassified the assets, fair value gains recognised for the year in respect of the reclassified assets outstanding at year end would have amounted to $132 million (2008: losses of $214 million) in the revaluation reserves.

The fair values and carrying amounts of the reclassified financial assets are as follows:

In $ millions Reclassified from	Reclassified to	Fair values and carrying amounts on date of reclassification	Fair values as at 31 December 2009	Carrying amounts as at 31 December 2009
Reclassified in 2009				
Held for trading	Loans and receivables	**99**	**83**	**83**
Reclassified in 2008				
Held for trading	Available-for-sale	**2,389**	**1,720**	**1,720**
Available-for-sale	Loans and receivables	**1,789**	**1,598**	**1,544**
Total		**4,277**	**3,401**	**3,347**

In 2009, $182 million of net income (2008: $97 million) was recognised in the income statement and a fair value gain of $105 million (2008: loss of $246 million) was recognised in the revaluation reserves for the reclassified financial assets.

17 CASH AND BALANCES WITH CENTRAL BANKS

In $ millions	The Group 2009	The Group 2008
Cash on hand	**1,388**	1,040
Balances with central banks		
– Restricted balances	**3,234**	3,112
– Non-restricted balances	**17,893**	11,638
Total	**22,515**	15,790

18 SINGAPORE GOVERNMENT SECURITIES AND TREASURY BILLS

In $ millions	The Group 2009	The Group 2008
Held for trading	**2,715**	3,063
Available-for-sale	**13,245**	11,734
Total	**15,960**	14,797
Market value	**15,960**	14,797

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

In $ millions	The Group 2009	The Group 2008
Trading		
Other government securities and treasury bills	**3,893**	2,102
Corporate debt securities	**3,874**	3,805
Equity securities	**284**	295
Loans and advances to customers	**6**	50
Other financial assets (due from banks)	**1,986**	1,692
Sub-total	**10,043**	7,944
Fair value designated		
Other government securities and treasury bills	**25**	24
Corporate debt securities	**585**	842
Loans and advances to customers	**604**	591
Sub-total	**1,214**	1,457
Total	**11,257**	9,401
Analysed by industry		
Manufacturing	**578**	1,133
Building and construction	**243**	205
General commerce	**85**	45
Transportation, storage and communications	**378**	347
Financial institutions, investment and holding companies	**4,857**	4,598
Government	**3,918**	2,126
Others	**1,198**	947
Total	**11,257**	9,401

Fair value designated loans and advances and related credit derivatives/enhancements		
Maximum credit exposure	**604**	591
Credit derivatives/enhancements – protection bought	**(604)**	(591)
Cumulative change in fair value arising from changes in credit risk	**(16)**	(55)
Cumulative change in fair value of related credit derivatives/enhancements	**16**	55

Changes in fair value arising from changes in credit risk 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 $39 million (2008: $15 million).

During the year, the amount of change in the fair value of the related credit derivatives/enhancements was $39 million (2008: $15 million).

20 LOANS AND ADVANCES TO CUSTOMERS

	The Group	
In $ millions	**2009**	**2008**
Gross	**132,810**	127,725
Less: Specific allowances	**1,512**	868
General allowances	**1,325**	1,016
Net total	**129,973**	125,841
Comprising:		
Bills receivable	**5,023**	4,648
Loans	**124,950**	121,193
Net total	**129,973**	125,841
Analysed by industry		
Manufacturing	**16,120**	15,356
Building and construction	**18,426**	17,931
Housing loans	**33,120**	29,375
General commerce	**13,304**	13,075
Transportation, storage and communications	**12,277**	12,457
Financial institutions, investment and holding companies	**16,674**	14,490
Professionals and private individuals (except housing loans)	**10,873**	10,478
Others	**12,016**	14,563
Gross total	**132,810**	127,725
Analysed by products		
Long-term loans	**65,622**	61,964
Short-term facilities	**25,659**	28,369
Overdrafts	**3,410**	3,410
Housing loans	**33,120**	29,381
Trade financing	**4,999**	4,601
Gross total	**132,810**	127,725
Analysed by currency and fixed/variable pricing		
Fixed rates[(a)]		
Singapore dollar	**22,489**	15,788
Hong Kong dollar	**621**	664
US dollar	**2,500**	1,736
Others	**2,940**	2,695
Sub-total	**28,550**	20,883
Floating or adjustable rates[(b)]		
Singapore dollar	**34,214**	37,732
Hong Kong dollar	**29,653**	28,683
US dollar	**26,438**	25,835
Others	**13,955**	14,592
Sub-total	**104,260**	106,842
Gross total	**132,810**	127,725

(a) Fixed rate loans refer to long-term loans where the interest rates are fixed for the initial few years for certain mortgage loans, and over the entire loan period for other loans
(b) Floating or adjustable 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	Balance at 1 January	Charge/ (Write-back) to income statement	Net write-off during the year	Exchange and other movements	Balance at 31 December
	2009				
Specific allowances					
Manufacturing	**340**	**229**	**(189)**	**(12)**	**368**
Building and construction	**29**	**3**	**(8)**	**(1)**	**23**
Housing loans	**41**	**(6)**	**(7)**	**–**	**28**
General commerce	**174**	**152**	**(92)**	**(6)**	**228**
Transportation, storage and communications	**5**	**94**	**(1)**	**(1)**	**97**
Financial institutions, investment and holding companies	**66**	**526**	**1**	**(4)**	**589**
Professionals and private individuals (except housing loans)	**109**	**75**	**(92)**	**(3)**	**89**
Others	**104**	**7**	**(18)**	**(3)**	**90**
Total specific allowances	**868**	**1,080**	**(406)**	**(30)**	**1,512**
General allowances					
Manufacturing	**150**	**53**	**–**	**(4)**	**199**
Building and construction	**179**	**57**	**–**	**(4)**	**232**
Housing loans	**48**	**9**	**–**	**(1)**	**56**
General commerce	**129**	**39**	**–**	**(3)**	**165**
Transportation, storage and communications	**125**	**32**	**–**	**(3)**	**154**
Financial institutions, investment and holding companies	**144**	**64**	**–**	**(4)**	**204**
Professionals and private individuals (except housing loans)	**104**	**34**	**–**	**(2)**	**136**
Others	**137**	**46**	**–**	**(4)**	**179**
Total general allowances	**1,016**	**334**	**–**	**(25)**	**1,325**
Total allowances	**1,884**	**1,414**	**(406)**	**(55)**	**2,837**

In $ millions	2008 Balance at 1 January	Charge/ (Write-back) to income statement	Net write-off during the year	Acquisition of new business[(a)]	Exchange and other movements	Balance at 31 December
Specific allowances						
Manufacturing	154	218	(86)	54	–	340
Building and construction	19	(11)	(4)	25	–	29
Housing loans	33	(32)	7	33	–	41
General commerce	127	(6)	(8)	61	–	174
Transportation, storage and communications	4	(1)	(3)	5	–	5
Financial institutions, investment and holding companies	9	57	–	–	–	66
Professionals and private individuals (except housing loans)	37	140	(118)	50	–	109
Others	53	43	(26)	35	(1)	104
Total specific allowances	436	408	(238)	263	(1)	868
General allowances						
Manufacturing	139	14	–	–	(3)	150
Building and construction	129	53	–	–	(3)	179
Housing loans	134	(85)	–	–	(1)	48
General commerce	99	32	–	–	(2)	129
Transportation, storage and communications	112	15	–	–	(2)	125
Financial institutions, investment and holding companies	124	23	–	–	(3)	144
Professionals and private individuals (except housing loans)	97	9	–	–	(2)	104
Others	71	55	–	14	(3)	137
Total general allowances	905	116	–	14	(19)	1,016
Total allowances	1,341	524	(238)	277	(20)	1,884

(a) Relates to allowances arising from the acquisition of Bowa Commercial Bank's business in 2008 (refer to Note 27)

21 FINANCIAL INVESTMENTS

In $ millions	The Group 2009	2008
Available-for-sale		
Quoted other government securities and treasury bills	**7,539**	4,549
Quoted corporate debt securities	**12,121**	11,986
Quoted equity securities	**691**	793
Unquoted equity securities	**325**	351
Available-for-sale financial investments	**20,676**	17,679
Loans and receivables		
Other government securities and treasury bills	**146**	–
Corporate debt securities	**5,079**	5,586
Less: Impairment allowances for Corporate debt securities	**170**	483
Loans and receivables financial investments	**5,055**	5,103
Total	**25,731**	22,782
Market value of debt securities and quoted equity securities	**25,578**	22,255
Analysed by industry		
Manufacturing	**656**	629
Building and construction	**887**	816
General commerce	**582**	542
Transportation, storage and communications	**1,260**	906
Financial institutions, investment and holding companies	**10,513**	10,720
Government	**7,685**	4,549
Others	**4,148**	4,620
Total carrying value	**25,731**	22,782

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

In $ millions	Balance at 1 January	Charge to income statement	Net write-off during the year	Exchange and other movements	Balance at 31 December
2009					
Loans and receivables					
Corporate debt securities	**483**	**20**	**(331)**	**(2)**	**170**
2008					
Loans and receivables					
Corporate debt securities	293	185	3	2	483

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22 SECURITIES PLEDGED

In $ millions	The Group 2009	2008
Securities pledged		
Singapore Government securities and treasury bills	**55**	186
Other government securities and treasury bills	**702**	806
Corporate debt securities	**27**	5
Total securities pledged[(a)]	**784**	997
Related liabilities	**776**	991

(a) Includes financial assets at fair value through profit or loss of $534 million (2008: $787 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 2009	2008
Unquoted equity shares, at cost	**6,726**	6,726
Due from subsidiaries	**2,972**	19
Total	**9,698**	6,745

Refer to Note 52 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 2009	2008
Income statement		
Share of income	**72**	89
Share of expenses	**(95)**	(87)
Balance sheet		
Share of total assets	**896**	865
Share of total liabilities	**772**	752

Refer to Note 52 for details of significant joint ventures.

25 INVESTMENTS IN ASSOCIATES

In $ millions	The Group 2009	2008
Unquoted		
Cost	**52**	92
Share of post acquisition reserves	**107**	81
Less: Impairment allowances	**–**	42
Sub-total	**159**	131
Quoted		
Cost	**1,231**	1,231
Impairment allowances	**(837)**	(837)
Net exchange translation adjustments	**(31)**	(10)
Share of post acquisition reserves	**150**	89
Sub-total	**513**	473
Total	**672**	604
Market value of quoted associates	**1,015**	794

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

In $ millions	The Group 2009	2008
Income statement		
Share of income	**411**	400
Share of expenses	**(319)**	(323)
Balance sheet		
Share of total assets	**5,220**	4,645
Share of total liabilities	**4,548**	4,021
Off-balance sheet		
Share of contingent liabilities and commitments	**48**	56

Refer to Note 52 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:

	The Group	
In $ millions	**2009**	**2008**
Balance at 1 January	**5,847**	5,842
Additional interest in a subsidiary	–	11
Exchange differences	–	(6)
Balance at 31 December	**5,847**	5,847

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

In $ millions	2009	2008
DBS Bank (Hong Kong) Limited	**5,649**	5,649
DBS Vickers Securities Holdings Pte Ltd	**154**	154
Cholamandalam DBS Finance Limited	**27**	27
Primefield Company Pte Ltd	**17**	17
Total	**5,847**	5,847

Key assumptions used for value-in-use calculations:

	DBS Bank (Hong Kong) Limited	DBS Vickers Securities Holdings 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, taking into account projected regulatory capital requirements. The recoverable value is determined by discounting the cash flow projections to their present values. The terminal value reflecting all periods beyond the fifth year is calculated based on the forecast fifth year profit, the cost of equity and the long term growth rate stated above. The growth rates do not exceed the long-term average growth rate for the market in which the businesses operate.

The process of evaluating goodwill impairment requires significant management judgement, the results of which are highly sensitive to the assumptions used. The review of goodwill impairment represents management's best estimate of the various factors, including the future cash flows and the rates used.

If the estimated long term growth rates for DBS Bank (Hong Kong) Limited and DBS Vickers Securities Holdings Pte Ltd are reduced by 25 basis points or the estimated discount rates increased by 25 basis points, the recoverable amounts for these entities would still be higher than the carrying amounts. On this basis, the Group concluded that goodwill remains recoverable at 31 December 2009. However, if conditions in Hong Kong and the banking industry deteriorate and turn out to be significantly worse than anticipated in the Group's performance forecasts, goodwill may need to be impaired in future periods.

27 ACQUISITION

On 1 February 2008, the Group successfully bid for selected assets and liabilities of Bowa Commercial Bank (Bowa), a bank in Taiwan. Bowa was a distressed bank taken over by the Central Deposit Insurance Corporation (CDIC) of Taiwan. Under the terms of the transaction, the Group acquired Bowa's business including "good bank assets" of approximately $2.8 billion of identifiable assets, $4.7 billion of deposits and other liabilities, 39 branches, 3 business units and over 750,000 depositors, with a payment of approximately $2 billion received from the Financial Restructuring Fund of the Executive Yuan and CDIC. The effective date of acquisition was 24 May 2008.

The fair values of the identifiable assets and liabilities arising from the acquisition of Bowa Commercial Bank were as follows:

In $ millions	Recognised on acquisition by the Group	Acquiree's carrying amount
Cash and balances with central banks	215	215
Due from banks	139	139
Financial assets at fair value through profit or loss	5	6
Loans and advances to non-bank customers	2,053	2,139
Financial investments	169	173
Properties and other fixed assets	121	123
All other assets	55	38
Total identifiable assets	2,757	2,833
Due to banks	1,412	1,412
Due to non-bank customers	3,139	3,139
Other debt securities in issue	88	88
All other liabilities	74	69
Total identifiable liabilities	4,713	4,708

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In $ millions	Recognised on acquisition by the Group	Acquiree's carrying amount
Identifiable net assets acquired	1,956	Not applicable
Cash consideration received	1,956	Not applicable
Add:		
Cash and cash equivalents from business acquired	215	Not applicable
Net proceeds from acquisition	2,171	Not applicable

28 PROPERTIES AND OTHER FIXED ASSETS

The Group leases out investment properties under operating leases. The leases typically run for an initial period of one to five years, and may contain an option to renew the lease after that date at which time all terms will be renegotiated. None of the leases include contingent rentals.

The minimum lease receivables as at the balance sheet date are as follows:

In $ millions	The Group 2009	2008
Minimum lease receivable		
Not later than 1 year	**15**	14
Later than 1 year but not later than 5 years	**18**	23
Total	**33**	37

In $ millions	Investment property	The Group Non-investment property Owner-occupied property	Other fixed assets(a)	Subtotal of non-investment property	Total
	(1)	(2)	(3)	(4)=(2+3)	(5)=(1+4)
2009					
Cost					
Balance at 1 January	**350**	**1,122**	**848**	**1,970**	**2,320**
Additions	**–**	**4**	**175**	**179**	**179**
Disposals	**(6)**	**(12)**	**(105)**	**(117)**	**(123)**
Transfer	**158**	**(158)**	**–**	**(158)**	**–**
Exchange differences	**–**	**(12)**	**1**	**(11)**	**(11)**
Balance at 31 December	**502**	**944**	**919**	**1,863**	**2,365**
Less: Accumulated depreciation					
Balance at 1 January	**57**	**188**	**399**	**587**	**644**
Depreciation charge	**6**	**24**	**165**	**189**	**195**
Disposals	**–**	**(5)**	**(74)**	**(79)**	**(79)**
Transfer	**41**	**(41)**	**–**	**(41)**	**–**
Exchange differences	**–**	**(2)**	**1**	**(1)**	**(1)**
Balance at 31 December	**104**	**164**	**491**	**655**	**759**
Less: Allowances for impairment	**–**	**74**	**–**	**74**	**74**
Net book value at 31 December	**398**	**706**	**428**	**1,134**	**1,532**
Market value at 31 December	**509**	**1,106**	**–**	**–**	**–**

In $ millions	Investment property	The Group Non-investment property Owner-occupied property	Other fixed assets[a]	Subtotal of non-investment property	Total
	(1)	(2)	(3)	(4)=(2+3)	(5)=(1+4)
2008					
Cost					
Balance at 1 January[b]	350	981	827	1,808	2,158
Acquisition of new business	–	173	42	215	215
Additions	–	6	172	178	178
Disposals	–	(62)	(190)	(252)	(252)
Exchange differences	–	24	(3)	21	21
Balance at 31 December	350	1,122	848	1,970	2,320
Less: Accumulated depreciation					
Balance at 1 January[b]	51	179	369	548	599
Acquisition of new business	–	18	30	48	48
Depreciation charge	6	27	116	143	149
Disposals	–	(36)	(115)	(151)	(151)
Exchange differences	–	–	(1)	(1)	(1)
Balance at 31 December	57	188	399	587	644
Less: Allowances for impairment					
– Acquisition of new business	–	46	–	46	46
– Others	–	26	–	26	26
Net book value at 31 December	293	862	449	1,311	1,604
Market value at 31 December	415	1,267	–	–	–

(a) Refers to computer hardware, software, office equipment, furniture and fittings and other fixed assets

(b) Cost and accumulated depreciation balance at 1 January 2008 have been restated to be consistent with the current year's presentation

Movements in allowances for impairment of properties during the year are as follows:

In $ millions	The Group 2009	2008
Balance at 1 January	**72**	25
Acquisition of new business	**–**	46
Charge to income statement	**2**	1
Balance at 31 December	**74**	72

28.1 The net book value of PWC Building, being property held both for the purpose of generating rental income and for owner occupancy, was $423 million as at 31 December 2009 (2008: $452 million). Its fair value was independently appraised at $542 million (2008: $628 million).

29 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 deferred tax assets and liabilities are to be recovered and settled after one year and the following amounts, determined after appropriate offsetting, are shown in the balance sheet. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

In $ millions	The Group 2009	The Group 2008
Deferred tax assets	**144**	171
Deferred tax liabilities	**(54)**	(45)
Total	**90**	126

The movement in deferred tax (prior to offsetting of balances within the same tax jurisdiction) is as follows:

In $ millions — The Group 2009

Deferred income tax assets	Allowances for losses	Other temporary differences	Total
Balance at 1 January	**98**	**62**	**160**
Credit/(Charge) to income statement	**75**	**(18)**	**57**
Balance at 31 December	**173**	**44**	**217**

Deferred income tax liabilities	Accelerated tax depreciation	Available-for-sale investments	Other temporary differences	Total
Balance at 1 January	**(124)**	**91**	**(1)**	**(34)**
Credit/(Charge) to income statement	**17**	**–**	**(10)**	**7**
Charge to equity	**–**	**(100)**	**–**	**(100)**
Balance at 31 December	**(107)**	**(9)**	**(11)**	**(127)**

In $ millions — The Group 2008

Deferred income tax assets	Allowances for losses	Other temporary differences	Total
Balance at 1 January	87	51	138
Credit to income statement	11	11	22
Balance at 31 December	98	62	160

Deferred income tax liabilities	Accelerated tax depreciation	Available-for-sale investments	Other temporary differences	Total
Balance at 1 January	(118)	(165)	(2)	(285)
(Charge)/Credit to income statement	(6)	–	1	(5)
Credit to equity	–	256	–	256
Balance at 31 December	(124)	91	(1)	(34)

30 OTHER ASSETS

In $ millions	The Group 2009	2008
Accrued interest receivable	**855**	1,019
Deposits and prepayments	**183**	134
Clients' monies receivable from securities business	**783**	316
Sundry debtors and others	**4,190**	4,620
Total	**6,011**	6,089

31 DUE TO NON-BANK CUSTOMERS

In $ millions	The Group 2009	2008
Analysed by currency		
Singapore dollar	**99,608**	89,331
US dollar	**28,939**	26,858
Hong Kong dollar	**23,543**	23,052
Others	**26,358**	24,118
Total	**178,448**	163,359
Analysed by product		
Savings accounts	**82,751**	70,369
Current accounts	**27,705**	20,730
Fixed deposits	**64,124**	70,580
Other deposits	**3,868**	1,680
Total	**178,448**	163,359

32 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

In $ millions	The Group 2009	2008
Trading		
Other debt securities in issue (Note 32.1)	**1,622**	1,779
Due to non-bank customers		
– structured investments	**3,426**	4,405
– others	**853**	1,305
Payable in respect of short sale of securities	**1,356**	1,330
Other financial liabilities	**212**	550
Sub-total	**7,469**	9,369
Fair value designated[(a)]		
Due to non-bank customers		
– structured investments	**705**	790
Other debt securities in issue (Note 32.2)	**1,043**	1,123
Sub-total	**1,748**	1,913
Total	**9,217**	11,282

(a) Changes in fair value arising from changes in credit risks are determined as the amount of change in 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 benchmark interest rate, foreign exchange rate or index of prices or rates. Change in fair value arising from change in credit risks is not significant. Net unrealised gain for the fair value designated liabilities amount to $13 million at 31 December 2009 (2008: $628 million)

32.1 Other debt securities in issue (Trading)

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

In $ millions Type	Issue Date	Maturity Date	The Group 2009	2008
Issued by the Bank				
Equity linked notes	29 Jan 2007 to 31 Dec 2009	4 Jan 2010 to 13 May 2013	**644**	467
Credit linked notes	7 Apr 2003 to 9 Sep 2009	20 Mar 2010 to 5 Jul 2017	**846**	1,075
Interest linked notes	9 Dec 2005 to 29 Dec 2009	9 Dec 2010 to 14 Jan 2015	**58**	211
Foreign exchange linked notes	31 Mar 2008 to 30 Dec 2009	6 Jan 2010 to 23 May 2011	**74**	26
Total			**1,622**	1,779
Due within 1 year			**934**	485
Due after 1 year			**688**	1,294
Total			**1,622**	1,779

32.2 Other debt securities in issue (Fair value designated)

In $ millions	The Group 2009	2008
Negotiable certificates of deposit	**–**	56
Other debt securities	**1,043**	1,067
Total	**1,043**	1,123
Due within 1 year	**892**	795
Due after 1 year	**151**	328
Total	**1,043**	1,123

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

In $ millions Type	Issue Date	Maturity Date	The Group 2009	2008
Issued by the Bank				
Credit linked notes	14 Jul 2005 to 29 Dec 2009	15 Jan 2010 to 13 Jan 2014	**726**	758
Issued by other subsidiaries				
Equity linked notes	10 Nov 2006	10 Nov 2011	**90**	50
Credit linked notes	30 Jun 2005 to 5 Sep 2007	29 Mar 2010 to 5 Sep 2014	**227**	259
Total			**1,043**	1,067

33 OTHER LIABILITIES

In $ millions	The Group 2009	2008
Sundry creditors	**4,028**	3,254
Cash collaterals received in respect of derivative portfolios	**336**	830
Interest payable	**291**	487
Loss allowances for off-balance sheet credit exposures	**199**	177
Clients' monies payable in respect of securities business	**640**	297
Other payable	**995**	829
Total	**6,489**	5,874

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 1 January	Charge to income statement	Exchange and other movements	Balance at 31 December
2009				
Contingent liabilities and commitments	**177**	**4**	**18**	**199**
2008				
Contingent liabilities and commitments	132	46	(1)	177

The industry breakdown of allowances of off-balance sheet credit exposures during the year are as follows:

In $ millions	Balance at 1 January	2009 Charge/ (Write-back) to income statement	Exchange and other movements	Balance at 31 December
Off-balance sheet credit exposures				
Manufacturing	**31**	**–**	**3**	**34**
Building and construction	**12**	**(1)**	**1**	**12**
Housing loans	**1**	**–**	**–**	**1**
General commerce	**26**	**(4)**	**2**	**24**
Transportation, storage and communications	**12**	**(3)**	**1**	**10**
Financial institutions, investment and holding companies	**45**	**(16)**	**3**	**32**
Professionals and private individuals (except housing loans)	**21**	**31**	**5**	**57**
Others	**29**	**(3)**	**3**	**29**
Total	**177**	**4**	**18**	**199**

In $ millions	Balance at 1 January	2008 Charge to income statement	Exchange and other movements	Balance at 31 December
Off-balance sheet credit exposures				
Manufacturing	27	4	–	31
Building and construction	8	4	–	12
Housing loans	1	–	–	1
General commerce	19	7	–	26
Transportation, storage and communications	9	3	–	12
Financial institutions, investment and holding companies	36	9	–	45
Professionals and private individuals (except housing loans)	9	12	–	21
Others	23	7	(1)	29
Total	132	46	(1)	177

34 OTHER DEBT SECURITIES IN ISSUE

In $ millions	The Group 2009	2008
Negotiable certificates of deposit	**281**	336
Other debt securities	**132**	302
Total	**413**	638
Due within 1 year	**44**	263
Due after 1 year	**369**	375
Total	**413**	638

Details of negotiable certificates of deposit issued and outstanding at 31 December are as follows:

In $ millions Face Value	Interest Rate and Repayment Terms	Issue Date	Maturity Date	The Group 2009	 2008
Issued by other subsidiaries					
HK$777m	3.48% to 4.22%, payable quarterly	22 Aug 2008 to 17 Oct 2008	26 Aug 2013 to 17 Oct 2018	**141**	151
HK$747m	3.70% to 4.20%, payable yearly	21 Aug 2008 to 12 Sep 2008	12 Sep 2012 to 28 Aug 2018	**140**	185
Total				**281**	336

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

In $ millions Face Value	Interest Rate and Repayment Terms	Issue Date	Maturity Date	The Group 2009	 2008
Issued by the Bank					
TWD630m	2.50%, payable half-yearly	29 Apr 2004	29 Oct 2009	**–**	28
Type					
Issued by other subsidiaries/joint ventures					
Equity linked notes		24 Nov 2009 to 30 Dec 2009	7 Jan 2010 to 19 Feb 2010	**2**	–
Redeemable non-convertible debentures (Note (a))					
– Fixed rate at 9.35% to 13.00%		17 Nov 2006 to 20 Nov 2009	19 Feb 2010 to 21 Nov 2018	**130**	266
– Floating rate at MIBOR* +2.18%		18 Jul 2006 to 19 Jul 2006	17 Jul 2009 to 20 Jul 2009	**–**	8
Total				**132**	302

* *MIBOR: Mumbai Interbank Offer Rate*

(a) *The notes were issued by Cholamandalam DBS Finance Limited, a joint venture*

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 Face Value		Issue Date	Maturity Date	The Group 2009	2008
Issued by the Bank					
US$750m	7.88% Subordinated Notes (Note 35.1)	10 Aug 1999	10 Aug 2009	**–**	1,099
US$500m	7.88% Subordinated Notes (Note 35.2)	15 Apr 2000	15 Apr 2010	**715**	766
US$850m	7.13% Subordinated Notes (Note 35.3)	15 May 2001	15 May 2011	**1,274**	1,340
US$750m	5.00% Subordinated Notes callable with step-up in 2014 (Note 35.4)	1 Oct 2004	15 Nov 2019	**1,089**	1,144
US$900m	Floating Rate Subordinated Notes callable with step-up in 2016 (Note 35.5)	16 Jun 2006	15 Jul 2021	**1,264**	1,293
S$500m	4.47% Subordinated Notes callable with step-up in 2016 (Note 35.6)	11 Jul 2006	15 Jul 2021	**500**	500
US$500m	5.13% Subordinated Notes callable with step-up in 2012 (Note 35.7)	15 May 2007	16 May 2017	**753**	788
US$1,500m	Floating Rate Subordinated Notes callable with step-up in 2012 (Note 35.8)	15 May 2007	16 May 2017	**2,107**	2,155
Total				**7,702**	9,085
Due within 1 year				**715**	1,099
Due after 1 year				**6,987**	7,986
Total				**7,702**	9,085

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. The notes expired in 2009.

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.

36 SHARE CAPITAL AND TREASURY SHARES

During the financial year, pursuant to the DBSH Share Option Plan, the Company issued 1,011,601 (2008: 3,173,596) 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 Convertible Preference Shares (CPS) are as follows:

Share Capital	**The Company**	
Number of shares (millions)	**2009**	**2008**
Balance at 1 January	**1,587**	1,584
Issue of rights shares	**794**	–
Exercise of share options	**1**	3
Balance at 31 December	**2,382**	1,587
The balance includes the following:		
2,282,452,288 (2008: 1,520,960,458) ordinary shares	**2,282**	1,521
180,654 (2008: 120,436) non-voting CPS	**#**	#
99,713,061 (2008: 66,475,374) non-voting redeemable CPS	**100**	66
Total	**2,382**	1,587

\# *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.

On 30 January 2009, the Group issued 760,480,229 rights shares on the basis of one rights share for every two ordinary shares held on 31 December 2008.

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

In $ millions	The Group Issued share capital	Treasury shares
Balance at 1 January 2009	**4,215**	**(154)**
Issue of rights shares	**4,210**	**–**
Draw-down of reserves upon vesting of performance shares	**–**	**61**
Exercise of share options	**11**	**–**
Share issue expenses	**(2)**	**–**
Purchase of treasury shares	**–**	**(21)**
Reclassification of reserves upon exercise of share options	**1**	**–**
Balance at 31 December 2009	**8,435**	**(114)**
Balance at 1 January 2008	4,164	(102)
Exercise of share options	45	–
Share buy-back during the year	–	(52)
Reclassification of reserves upon exercise of share options	6	–
Balance at 31 December 2008	4,215	(154)

As at 31 December 2009, the number of treasury shares held by the Group is 7,784,454 (2008: 8,112,401), which is 0.33% (2008: 0.51%) 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 2009	2008
Balance at 1 January	**8,112,401**	4,933,401
Purchase of treasury shares	**3,871,658**	–
Vesting of performance shares	**(4,199,605)**	–
Share buy-back during the year	**–**	3,179,000
Balance at 31 December	**7,784,454**	8,112,401

37 OTHER RESERVES AND REVENUE RESERVES

37.1 Other reserves

	The Group		The Company	
In $ millions	2009	2008	2009	2008
Available-for-sale revaluation reserves	**132**	(388)	**–**	–
General reserves	**2,453**	2,453	**–**	–
Capital reserves	**(48)**	(103)	**–**	–
Share option and share plan reserves	**71**	89	**71**	89
Others	**4,271**	4,271	**–**	–
Total	**6,879**	6,322	**71**	89

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Movements in other reserves during the year are as follows:

	The Group					
In $ millions	Available-for-sale revaluation reserves	General reserves[(a)]	Capital reserves[(b)]	Share option and share plan reserves	Other reserves[(c)]	Total
Balance at 1 January 2009	(388)	2,453	(103)	89	4,271	6,322
Net exchange translation adjustments	–	–	37	–	–	37
Share of associates' capital reserves	–	–	18	–	–	18
Cost of share-based payments	–	–	–	44	–	44
Reclassification of reserves upon exercise of share options	–	–	–	(1)	–	(1)
Vesting of performance shares	–	–	–	(61)	–	(61)
Available-for-sale:						
– net valuation taken to equity	932	–	–	–	–	932
– transferred to income statement on sale	(312)	–	–	–	–	(312)
– tax on items taken directly to or transferred from equity	(100)	–	–	–	–	(100)
Balance at 31 December 2009	132	2,453	(48)	71	4,271	6,879
Balance at 1 January 2008	901	2,453	(12)	67	4,271	7,680
Net exchange translation adjustments	–	–	(51)	–	–	(51)
Share of associates' capital reserves	–	–	(40)	–	–	(40)
Cost of share-based payments	–	–	–	28	–	28
Reclassification of reserves upon exercise of share options	–	–	–	(6)	–	(6)
Available-for-sale:						
– net valuation taken to equity	(1,217)	–	–	–	–	(1,217)
– transferred to income statement due to impairment	21	–	–	–	–	21
– transferred to income statement on sale	(349)	–	–	–	–	(349)
– tax on items taken directly to or transferred from equity	256	–	–	–	–	256
Balance at 31 December 2008	(388)	2,453	(103)	89	4,271	6,322

(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) 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

In $ millions	The Company Share option and share plan reserves
Balance at 1 January 2009	**89**
Cost of share-based payments	**44**
Reclassification of reserves upon exercise of share options	**(1)**
Vesting of performance shares	**(61)**
Balance at 31 December 2009	**71**
Balance at 1 January 2008	37
Cost of share-based payments	58
Reclassification of reserves upon exercise of share options	(6)
Balance at 31 December 2008	89

37.2 Revenue reserves

In $ millions	The Group 2009	2008
Balance at 1 January	**9,436**	8,739
Net profit attributable to shareholders	**2,041**	1,929
Amount available for distribution	**11,477**	10,668
Less: Final dividend on ordinary shares of $0.14 (one-tier tax-exempt) paid for the previous financial year (2008[a]: $0.14 one-tier tax-exempt)	**319**	302
Interim dividends on ordinary shares of $0.42 (one-tier tax-exempt) paid for the current financial year (2008[a]: $0.51 one-tier tax-exempt)	**955**	910
Interim dividends on non-voting CPS and non-voting redeemable CPS of $0.30 (one-tier tax-exempt) paid for the current financial year (2008[a]: $0.26 one-tier tax-exempt)	**30**	20
Balance at 31 December	**10,173**	9,436

(a) Historical comparisons have been adjusted for the one-for-two rights issue

37.3 Proposed dividend

Proposed final one-tier tax-exempt dividends on ordinary shares of $0.14 per share will not be accounted for in the financial statements for the year ended 31 December 2009 until they are approved at the Annual General Meeting on 30 April 2010.

38 MINORITY INTERESTS

In $ millions	The Group 2009	2008
Preference shares issued by the Bank (Note 38.1)	**1,100**	1,100
Preference shares issued by DBS Capital Funding Corporation (Note 38.2)	**1,118**	1,121
Preference shares issued by DBS Capital Funding II Corporation (Note 38.3)	**1,500**	1,500
Other subsidiaries	**408**	463
Total	**4,126**	4,184

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.

38.3 $1,500 million 5.75% non-cumulative non-convertible non-voting guaranteed preference shares, with a liquidation preference of $250,000 was issued on 27 May 2008 by DBS Capital Funding II Corporation, a subsidiary of the Bank. Dividends, when declared by the Board of Directors of DBS Capital Funding II Corporation, are 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, 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 Singapore Swap Offer Rate + 3.415% per annum. In computing the Group's capital adequacy ratio, these guaranteed preference shares qualify as Tier 1 capital.

39 CONTINGENT LIABILITIES AND COMMITMENTS

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.

	The Group	
In $ millions	**2009**	**2008**
Guarantees on account of customers	**10,465**	9,445
Endorsements and other obligations on account of customers		
– Letters of credit	**4,616**	4,644
– Others	**595**	1,281
Other contingent items (Note 39.2)	**35**	50
Undrawn loan commitments[(a)]	**81,419**	75,993
Undisbursed commitments in securities	**108**	88
Sub-total	**97,238**	91,501
Operating lease commitments (Note 39.3)	**920**	1,075
Capital commitments	**49**	80
Total	**98,207**	92,656
Analysed by industry (except for operating lease commitments and capital commitments)		
Manufacturing	**16,872**	14,272
Building and construction	**5,811**	6,379
Housing loans	**5,010**	2,503
General commerce	**11,579**	13,177
Transportation, storage and communications	**5,006**	5,342
Government	**189**	–
Financial institutions, investment and holding companies	**15,633**	17,175
Professionals and private individuals (except housing loans)	**22,856**	16,270
Others	**14,282**	16,383
Total	**97,238**	91,501

(a) Undrawn loan commitments are recognised at activation stage and include commitments which are unconditionally cancellable by the Group

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. 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 2009, is an amount of $35 million (2008: $50 million), representing the termination fee payable by the Bank should a distribution agreement be terminated prematurely prior to December 2011.

39.3 The Group has existing significant operating lease commitments including the leasing of office premises in DBS Towers One and Two, Changi Business Park and Marina Bay Financial Centre in Singapore; and One Island East in Hong Kong. These include lease commitments for which the payments will be determined in the future based on the prevailing market rates in accordance with the lease agreements, of which the related amounts have not been included.

40 FINANCIAL DERIVATIVES

Financial derivatives are financial instruments whose characteristics are derived from the 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 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.

40.1 Trading derivatives

Most of the Group's derivatives relate to sales and trading activities. Sales 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.

40.2 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.

Fair value hedges

The Group's fair value hedges consist principally of interest rate swaps used for managing interest rate gaps. For the year ended 31 December 2009, the loss on hedging instruments was $4 million (2008: gain of $167 million). The total gain on hedged items attributable to the hedged risk amounted to $8 million (2008: loss of $166 million).

Net investment hedges

The Group hedges part of the currency translation risk of net investments in foreign operations through financial derivatives and borrowings. The ineffectiveness arising from hedges of net investments in foreign operations is insignificant.

In $ millions	Net investments in overseas operations[a]	Financial instruments which hedge the net investments[b]	Remaining unhedged currency exposures
2009			
Hong Kong dollar	**4,218**	**4,152**	**66**
US dollar	**695**	**697**	**(2)**
Others	**3,359**	**2,481**	**878**
Total	**8,272**	**7,330**	**942**
2008			
Hong Kong dollar	3,597	3,636	(39)
US dollar	670	663	7
Others	3,006	2,288	718
Total	7,273	6,587	686

(a) Refer to net tangible assets of subsidiaries, joint ventures and associates, and capital funds/retained earnings of overseas branches operations
(b) Include forwards, non-deliverable forwards and borrowings used to hedge the investments

The following table summarises 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 as assets (Positive fair values for financial derivatives) or liabilities (Negative fair values for financial derivatives). Derivative assets and liabilities arising from different transactions are only offset if the transactions are done with the same counterparty, a legal right of offset exists, and the parties intend to settle the cash flows on a net basis. There was no offset of derivative assets and liabilities in 2009 and 2008.

In $ millions	Underlying notional	2009 Year-end positive fair values	Year-end negative fair values	Underlying notional	2008 Year-end positive fair values	Year-end negative fair values
Derivatives held for trading						
Interest rate derivatives						
Forward rate agreements bought	**22,067**	**1**	**33**	1,989	1	7
Forward rate agreements sold	**18,599**	**27**	**1**	2,942	11	–
Interest rate swaps	**658,889**	**7,146**	**7,420**	853,126	13,797	14,238
Financial futures bought	**27,378**	**10**	**4**	19,880	34	1
Financial futures sold	**11,536**	**12**	**6**	7,800	–	21
Interest rate options bought	**2,201**	**32**	**–**	2,495	65	–
Interest rate options sold	**2,761**	**–**	**31**	2,946	–	75
Interest rate futures options bought	**7,022**	**1**	**–**	862	3	–
Interest rate futures options sold	**7,748**	**–**	**1**	804	–	1
Interest rate caps/floors bought	**10,409**	**99**	**–**	11,361	120	–
Interest rate caps/floors sold	**9,214**	**–**	**113**	13,282	–	150
Sub-total	**777,824**	**7,328**	**7,609**	917,487	14,031	14,493
Foreign exchange (FX) derivatives						
FX contracts	**305,666**	**2,967**	**2,716**	440,029	8,987	8,092
Currency swaps	**84,521**	**3,029**	**3,162**	75,384	1,905	1,847
Currency options bought	**58,232**	**1,203**	**–**	69,010	2,111	–
Currency options sold	**59,714**	**–**	**999**	70,770	–	1,749
FX futures bought	**–**	**–**	**–**	102	1	–
Sub-total	**508,133**	**7,199**	**6,877**	655,295	13,004	11,688
Equity derivatives						
Equity options bought	**1,177**	**13**	**–**	2,145	145	4
Equity options sold	**633**	**–**	**15**	1,544	–	110
Equity swaps	**2,421**	**35**	**47**	2,744	81	180
Sub-total	**4,231**	**48**	**62**	6,433	226	294
Credit derivatives						
Credit default swaps and others	**94,970**	**1,180**	**1,593**	112,685	4,603	5,008
Sub-total	**94,970**	**1,180**	**1,593**	112,685	4,603	5,008
Commodity derivatives						
Commodity contracts	**216**	**1**	**1**	186	1	4
Commodity options bought	**39**	**1**	**–**	113	11	–
Commodity options sold	**5**	**–**	**–**	128	–	7
Sub-total	**260**	**2**	**1**	427	12	11
Total derivatives held for trading	**1,385,418**	**15,757**	**16,142**	1,692,327	31,876	31,494
Derivatives held for hedging						
Interest rate swaps held for fair value hedge	**6,406**	**222**	**224**	6,883	369	319
FX contracts held for fair value hedge	**185**	**2**	**1**	566	37	9
FX contracts held for hedge of net investment	**2,261**	**34**	**22**	1,878	46	70
Currency swaps held for hedge of net investment	**2,585**	**–**	**17**	3,063	–	26
Total derivatives held for hedging	**11,437**	**258**	**264**	12,390	452	424
Total derivatives	**1,396,855**	**16,015**	**16,406**	1,704,717	32,328	31,918
Impact of netting arrangements recognized for computation of Capital Adequacy Ratio (CAR)		**(8,569)**	**(8,569)**		(9,781)	(9,781)
		7,446	**7,837**		22,547	22,137

The contractual or underlying principal amounts of derivative financial instruments of bank and non-bank counterparties amounted to $1,024 billion (2008: $1,456 billion) and $373 billion (2008: $248 billion) respectively. These positions are mainly booked in Singapore. For purpose of managing its credit exposures, the Group maintains collateral agreements and enters into master netting agreements with most of these counterparties. For those arrangements that comply with the regulatory requirements as set out in MAS Notice 637, the Group recognises the netting arrangements in the computation of its Capital Adequacy Ratios.

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41 CASH AND CASH EQUIVALENTS

In $ millions	The Group 2009	2008
Cash on hand (Note 17)	**1,388**	1,040
Non-restricted balances with central banks (Note 17)	**17,893**	11,638
Total	**19,281**	12,678

42 SHARE-BASED COMPENSATION PLANS

42.1 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 2009	2008	Market value (In $ millions) 2009	2008
Balance at 1 January	**3,522,570**	2,993,829	**30**	62
Balance at 31 December	**5,335,157**	3,522,570	**82**	30

42.2 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 (Committee), and are exercisable after the first anniversary of the date of the grant up to the date of expiration of the options. The fair value of options granted is determined using the Binomial model.

The DBSH Share Option Plan expired on 19 June 2009 and the Plan was neither extended nor replaced. The termination of this Plan will, however, not affect the rights of holders of any outstanding existing Options.

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.

	2009 Unissued number of ordinary shares under outstanding options	2009 Weighted average exercise price ($)[(a)]	2008 Unissued number of ordinary shares under outstanding options	2008 Weighted average exercise price ($)
Balance at 1 January	**14,373,192**	**13.15**	17,776,673	15.29
Movements during the year:				
– Issue of rights	**2,537,599**	**13.15**	–	–
– Exercised	**(1,011,601)**	**11.63**	(3,173,596)	14.29
– Forfeited/ Expired	**(1,000,553)**	**13.03**	(229,885)	18.09
Balance at 31 December	**14,898,637**	**13.26**	14,373,192	15.46
Additional information:				
Outstanding options exercisable at 31 December	**14,898,637**	**13.26**	14,373,192	15.46
Weighted average remaining contractual life of options outstanding at 31 December	**2.5 years**		3.4 years	
Range of exercise price of options outstanding at 31 December	**$8.84 to $18.99**		$10.40 to $22.33	

(a) Adjusted for effects of rights issue in January 2009

In 2009, 1,011,601 options (2008: 3,173,596) were exercised at their contractual exercise prices. During the year, the corresponding weighted average market price of the Company's shares was $12.80 (2008: $18.59).

DBSH Options	Number of unissued ordinary shares 1 January 2009	Rights Issue	Exercised	During the year Forfeited/ Expired	Number of unissued ordinary shares 31 December 2009	Exercise price per share [(a)]	Expiry date
July 1999 [(b)]	664,244	117,122	454,652	326,714	–	$13.01	28 July 2009
March 2000	899,000	158,489	–	21,171	1,036,318	$17.75	06 March 2010
July 2000	762,000	134,325	–	21,172	875,153	$18.99	27 July 2010
March 2001	3,048,950	537,615	2,000	98,044	3,486,521	$15.05	15 March 2011
August 2001	150,400	26,522	23,527	–	153,395	$11.00	01 August 2011
March 2002	2,626,680	463,155	67,825	156,204	2,865,806	$12.53	28 March 2012
August 2002	137,900	24,311	9,410	3,529	149,272	$10.43	16 August 2012
December 2002	10,000	1,763	–	–	11,763	$9.75	18 December 2012
February 2003	2,305,100	406,421	296,649	43,288	2,371,584	$8.84	24 February 2013
March 2004	2,534,007	446,733	91,506	254,761	2,634,473	$12.53	02 March 2014
March 2005	1,234,911	221,143	66,032	75,670	1,314,352	$12.81	01 March 2015
	14,373,192	2,537,599	1,011,601	1,000,553	14,898,637		

(a) Adjusted for effects of rights issue in January 2009
(b) Expired on 28 July 2009

42.3 DBSH 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. The awards could be performance-based and/or time-based.

Where time-based awards are granted, they will only vest after the satisfactory completion of time-based service conditions. Participants are awarded shares of the Company, their equivalent cash value or a combination of both as part of their deferred bonus (at the discretion of the Committee).

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. For 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 time-based awards granted in the current and previous financial years pursuant to the Share Plan and their fair values at grant date.

Number of shares	2009 grant	2008 grant
Balance at 1 January 2009	**Not applicable**	2,166,652
Rights issue	**–**	379,110
Granted in 2009	**4,415,717**	Not applicable
Vested in 2009	**(136,645)**	(281,748)
Forfeited in 2009	**(163,609)**	(97,026)
Balance at 31 December 2009	**4,115,463**	2,166,988
Weighted average fair value per share at grant date	**$8.18**	$15.44[(a)]

(a) Adjusted for effects of rights issue in January 2009

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

42.4 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 a combination of both (at the discretion of the Committee), when time-based conditions are met. The ESP awards are granted at the absolute discretion of the Compensation and Management Development Committee.

Time-based awards were granted in the current and previous financial years. The time-based 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 time-based awards granted in the current and previous financial years pursuant to the ESP and their fair values at grant date.

Number of shares	2009 grant	2008 grant
Balance at 1 January 2009	**Not applicable**	163,400
Rights issue	–	28,578
Granted in 2009	**185,900**	Not applicable
Forfeited in 2009	**(8,900)**	(11,228)
Balance at 31 December 2009	**177,000**	180,750
Weighted average fair value per share at grant date	**$8.05**	$15.25[a]

(a) Adjusted for effects of rights issue in January 2009

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

43 RELATED PARTY TRANSACTIONS

43.1 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.

43.2 During the financial year, the Group had banking transactions with related parties, consisting of associates, joint ventures 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, key management personnel received remuneration for services rendered during the financial year. Non-cash benefits including performance shares were also granted.

43.3 Total compensation and fees paid to key management personnel[a] are as follows:

	The Group	
In $ millions	2009	2008
Short-term benefits	**31**	34
Post-employment benefits	**#**	#
Share-based payments	**13**	6
Total [b]	**44**	40

 # Amount under $500,000

(a) Includes Company Directors and members of the Management Committee who have authority and responsibility in planning the activities and direction of the Group

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

43.4 Share options granted to key management personnel

No share options were granted to key management personnel during the financial year. The outstanding number of share options granted to key management personnel at the end of the financial year was 1,565,207[a] (2008: 1,330,570).

(a) Adjusted for effects of rights issue

43.5 Performance shares granted to key management personnel

During the financial year, awards in respect of the Company's 1,365,789 (2008: 762,941) ordinary shares were granted to key management personnel.

44 FAIR VALUE OF FINANCIAL INSTRUMENTS

44.1 Fair value measurements

Effective 1 January 2009, the Group adopted the amendment to FRS 107 which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (is as prices) or indirectly (i.e. derived from prices) (Level 2); and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

In $ millions	Level 1	Level 2	Level 3	Total
Assets				
Singapore Government securities and treasury bills	15,960	–	–	15,960
Financial assets at fair value through profit or loss[(a)]				
– Debt securities	6,755	859	763	8,377
– Equity securities	272	10	2	284
– Other financial assets	–	2,596	–	2,596
Available-for-sale financial investments				
– Debt securities	16,439	2,632	589	19,660
– Equity securities [(b)]	559	182	141	882
Securities pledged	784	–	–	784
Positive fair values for financial derivatives	24	15,923	68	16,015
Liabilities				
Financial liabilities at fair value through profit or loss [(c)]				
– Other debt securities in issue	–	2,424	241	2,665
– Other financial liabilities	332	3,880	2,340 [(d)]	6,552
Negative fair values for financial derivatives	12	16,309	85	16,406

(a) Includes other government securities, corporate debt securities, equity securities and other financial assets at fair value through profit or loss
(b) Excludes unquoted equities stated at cost of $134 million
(c) Includes debt securities in issue, due to non-bank customers (structured investments) and other financial liabilities at fair value through profit or loss
(d) Comprises deposits with variable returns linked to performance of foreign exchange, equities, interest rates or other market drivers. Principal amounts totalling $2,317 million are included within the $2,340 million fair value figures for structured investments. Unrealised loss for the structured investments amounts to $23 million

Financial instruments that are valued using quoted prices in active markets are classified in Level 1 of the valuation hierarchy. These would include highly liquid government and sovereign securities, listed equities and corporate debt securities which are actively traded. Derivatives contracts which are traded in an active exchange market are also classified within Level 1 of the valuation hierarchy.

Where fair value is determined using quoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group then determines fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include corporate debt securities, repurchase and reverse repurchase agreements, loans and most of the Group's OTC derivatives.

Financial instruments are considered Level 3 when at least one input to a valuation technique or model is unobservable. Valuation reserves or pricing adjustments where applicable will be used to converge to fair value.

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Securities traded over the counter can be valued using broker, dealer quotes or any other approved sources. The Group may also use valuation models or discounted cash flow technique to determine the fair value.

Most of the OTC derivatives are priced using valuation models. Where derivative products have been established in the markets for some time, the Group uses models that are widely accepted by the industry.

The valuation techniques and inputs used generally depend on the contractual terms and the risks inherent in the instrument as well as the availability of pricing information in the market. Principal techniques used include discounted cash flows, Black Scholes and other appropriate valuation models. OTC derivatives which are valued using unobservable inputs that are supported by little or no market activity that are significant to the fair value of the assets or liabilities are classified under Level 3. For private equities or funds, fair value is reviewed utilising available and relevant market information, e.g. financial statements of the underlying company or funds. This often requires significant management judgement or estimation. These instruments are classified as Level 3.

The following table presents the changes in Level 3 instruments for the financial year ended 31 December 2009:

In $ millions	Opening balance	Gains or losses		Purchases	Settlement	Transfer in	Transfer out	Closing balance
		Profit or loss	Other comprehensive income					
Assets								
Financial assets at fair value through profit or loss								
– Debt securities	1,194	31	–	24	(342)	277[b]	(421)[d]	763
– Equity securities	2	–	–	6	(6)	–	–	2
Available-for-sale financial investments								
– Debt securities	1,115	43	–	306	(417)	153[b]	(611)[d]	589
– Equity securities	116	–	25	–	–	–	–	141
Positive fair values for financial derivatives	135	(12)	–	–	(54)	1[c]	(2)[e]	68
Liabilities								
Financial liabilities at fair value through profit or loss								
– Other debt securities in issue	277	269	–	–	(305)	–	–	241
– Other financial liabilities	2,483	(143)	–	–	–	–	–	2,340[a]
Negative fair values for financial derivatives	359	(157)	–	–	(112)	–	(5)	85

(a) Principal amounts totalling $2,317 million are included within the $2,340 million fair value figures for structured investments
(b) Principally reflects transfers from Level 1 & 2 within the fair value hierarchy due to reduced price transparency or use of proxy pricing over different asset classes
(c) Principally reflects transfers from Level 2 within the fair value hierarchy for interest rate derivatives due to reduced transparency of correlation inputs having significant impact on overall fair value of instrument
(d) Principally reflects transfers to Level 1 & 2 within the fair value hierarchy as recent improved liquidity conditions provided improved price transparency and/or due to the use of developed in-house models with significant observable inputs
(e) Principally reflects transfers to Level 2 within the fair value hierarchy for interest rate derivatives due to availability of in-house pricing model with significant observable inputs

Total gains for the year included in profit or loss for assets/(liabilities) held at the end of the reporting year	50

The Group classifies financial instruments in Level 3 when there is reliance on at least one unobservable input to the valuation model attributing to a significant contribution to the instrument value. Economic hedges entered into for Level 2 exposures may be classified within a different category (i.e. Level 1) and similarly, hedges entered for Level 3 exposures may also be classified within a different category (i.e. Level 1 and/or Level 2). The effects are presented gross in the table.

Effect of changes in significant unobservable assumptions to reasonably possible alternatives
As discussed above, the fair value of financial instruments are, in certain circumstances, measured using valuation techniques that incorporate assumptions that are not corroborated by observable market data.

As at 31 December 2009, financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) mainly include some of the following: private equity investments, corporate debt securities, equity, interest rate and credit derivatives and financial liabilities from structured product issuances.

In estimating the impacts, the Group used an approach based on its valuation adjustment methodologies. These adjustments reflect the amounts that the Group estimates are appropriate to deduct from the valuations produced to reflect uncertainties in the inputs used. Unfavourable changes are determined on the basis of changes in the value of the instrument as a result of varying the levels of the unobservable parameter using statistical techniques, where possible. The Group has assessed the impact of the above as insignificant.

For many of the Level 3 financial instruments considered, in particular derivatives, unobservable input parameters represent only a small portion of the total number of parameters required to value a financial instrument. The overall impact of moving the unobservable input parameters where possible to reasonably possible alternative assumptions may be relatively small as compared to the total fair value of the financial instrument.

Similarly, the structured products issuance where the Group's exposures are laid off with external counterparties, the impact would also be insignificant.

44.2 Financial assets & 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.

For cash and balances with central banks, placements with banks, loans and advances to non-bank customers, as well as deposits of bank and non-bank customers, the basis of arriving at fair values is by discounting cash flows using the relevant market interest rates for the respective currency.

For investment debt securities and subordinated debt issued, fair values are determined based on independent market quotes, where available. Where market prices are not available, fair values are estimated using discounted cash flow method.

For unquoted equities not carried at fair value, fair values have been estimated by reference to the net tangible asset backing of the investee. Unquoted equities of $134 million as at 31 December 2009 (2008:$172 million) were stated at cost less accumulated impairment losses because the fair value cannot be reliably estimated using valuation techniques supported by observable market data. The Group intends to dispose of such instruments through trade sale.

The fair value of variable-interest bearing as well as short term financial instruments accounted for at amortised cost is assumed to be approximately by their carrying amounts.

45 RISK GOVERNANCE

Under the Group's risk governance framework, the Board of Directors, through the Board Risk Management Committee, oversees the establishment of 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 Risk Executive Committee, the Group Market Risk Committee, the Group Credit Risk 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 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.

46 CREDIT RISK

Credit risk is the risk of loss resulting from the failure of borrowers or counterparties to meet their debt or contractual 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 set 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 lending. 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 the credit application 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 assess 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 process 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, nature of the proposed transactions and credit quality. 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 in the 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.

46.1 Maximum exposure to credit risk

The maximum exposure to credit risk at the balance sheet date is 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 and average gross exposures to credit risk for the components of the balance sheet:

	The Group			
In $ millions	**Average 2009**	**Average 2008**	**2009**	**2008**
Cash and balances with central banks (excludes cash on hand)	**17,939**	16,153	**21,127**	14,750
Singapore Government securities and treasury bills	**15,378**	15,115	**15,960**	14,797
Due from banks	**21,335**	21,689	**22,203**	20,467
Financial assets at fair value through profit or loss (excludes equity securities)				
Other government securities and treasury bills	**3,022**	2,439	**3,918**	2,126
Corporate debt securities	**4,553**	8,280	**4,459**	4,647
Loans and advances to customers	**626**	1,365	**610**	641
Other financial assets	**1,839**	1,476	**1,986**	1,692
Positive fair values for financial derivatives	**24,172**	22,723	**16,015**	32,328
Loans and advances to customers	**127,907**	116,092	**129,973**	125,841
Financial investments (excludes equity securities)				
Other government securities and treasury bills	**6,117**	3,399	**7,685**	4,549
Corporate debt securities	**17,060**	15,850	**17,030**	17,089
Securities pledged				
Singapore Government securities and treasury bills	**120**	227	**55**	186
Other government securities and treasury bills	**754**	2,218	**702**	806
Corporate debt securities	**16**	112	**27**	5
Other assets	**6,049**	5,863	**6,011**	6,089
Credit exposure	**246,887**	233,001	**247,761**	246,013
Contingent liabilities and commitments (excludes operating lease and capital commitments)	**94,370**	98,736	**97,238**	91,501
Total credit exposure	**341,257**	331,737	**344,999**	337,514

The geographic distribution of credit exposures are as follows:

The Group 2009						
In $ millions	**Singapore**	**Hong Kong**	**Rest of Greater China**	**South and Southeast Asia**	**Rest of the World**	**Total**
Cash and balances with central banks (excludes cash on hand)	**19,109**	**158**	**1,644**	**212**	**4**	**21,127**
Due from banks	**16,822**	**2,519**	**1,172**	**542**	**1,148**	**22,203**
Financial assets at fair value through profit or loss (excludes equity securities)	**7,599**	**392**	**411**	**2,147**	**424**	**10,973**
Other securities[b] (excludes equity securities)	**28,773**	**7,467**	**452**	**1,087**	**3,680**	**41,459**
Loans and advances to customers	**72,961**	**32,818**	**9,979**	**7,874**	**6,341**	**129,973**
Other assets[a]	**16,325**	**3,953**	**478**	**771**	**499**	**22,026**
Credit exposure	**161,589**	**47,307**	**14,136**	**12,633**	**12,096**	**247,761**
Contingent liabilities and commitments (excludes operating lease and capital commitments)	**51,853**	**26,195**	**5,432**	**5,682**	**8,076**	**97,238**
Total credit exposure	**213,442**	**73,502**	**19,568**	**18,315**	**20,172**	**344,999**

The Group 2008						
In $ millions	**Singapore**	**Hong Kong**	**Rest of Greater China**	**South and Southeast Asia**	**Rest of the World**	**Total**
Cash and balances with central banks (excludes cash on hand)	11,598	27	2,895	221	9	14,750
Due from banks	14,927	1,825	1,263	1,586	866	20,467
Financial assets at fair value through profit or loss (excludes equity securities)	8,559	37	41	469	–	9,106
Other securities[b] (excludes equity securities)	25,779	6,970	846	1,024	2,813	37,432
Loans and advances to customers	72,821	31,571	9,380	5,501	6,568	125,841
Other assets[a]	33,633	3,170	538	1,020	56	38,417
Credit exposure	167,317	43,600	14,963	9,821	10,312	246,013
Contingent liabilities and commitments (excludes operating lease and capital commitments)	51,868	22,938	4,438	4,951	7,306	91,501
Total credit exposure	219,185	66,538	19,401	14,772	17,618	337,514

(a) Other assets include positive fair values for financial derivatives and other assets

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

The industry distribution of credit exposures are as follows:

In $ millions	Manufac-turing	Building and construc-tion	General commerce	Transpor-tation, storage and communic-ations	Financial institutions, investment and holding companies	Government	Housing loans	Professional and private individuals (excluding housing loans)	Others	Total
	The Group 2009									
Cash and balances with central banks (excludes cash on hand)	–	–	–	–	**21,127**	–	–	–	–	**21,127**
Due from banks	–	–	–	–	**22,203**	–	–	–	–	**22,203**
Financial assets at fair value through profit or loss (excludes equity securities)	**524**	**199**	**81**	**341**	**4,762**	**3,918**	–	–	**1,148**	**10,973**
Other securities[b] (excludes equity securities)	**554**	**580**	**571**	**1,252**	**10,011**	**24,402**	–	–	**4,089**	**41,459**
Loans and advances to customers	**15,553**	**18,171**	**12,911**	**12,026**	**15,881**	–	**33,036**	**10,648**	**11,747**	**129,973**
Other assets[a]	**653**	**166**	**127**	**683**	**13,909**	–	–	**11**	**6,477**	**22,026**
Credit exposure	**17,284**	**19,116**	**13,690**	**14,302**	**87,893**	**28,320**	**33,036**	**10,659**	**23,461**	**247,761**
Contingent liabilities and commitments (excludes operating lease and capital commitments)	**16,872**	**5,811**	**11,579**	**5,006**	**15,633**	**189**	**5,010**	**22,856**	**14,282**	**97,238**
Total credit exposure	**34,156**	**24,927**	**25,269**	**19,308**	**103,526**	**28,509**	**38,046**	**33,515**	**37,743**	**344,999**

(a) Other assets include positive fair values for financial derivatives and other assets

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

In $ millions	Manufacturing	Building and construction	General commerce	Transportation, storage and communications	Financial institutions, investment and holding companies	Government	Housing loans	Professional and private individuals (excluding housing loans)	Others	Total
	The Group 2008									
Cash and balances with central banks (excludes cash on hand)	–	–	–	–	14,750	–	–	–	–	14,750
Due from banks	–	–	–	–	20,467	–	–	–	–	20,467
Financial assets at fair value through profit or loss (excludes equity securities)	1,095	161	43	310	4,469	2,126	–	–	902	9,106
Other securities[b] (excludes equity securities)	573	561	542	901	9,966	20,338	–	–	4,551	37,432
Loans and advances to customers	14,866	17,723	12,772	12,327	14,280	–	29,286	10,265	14,322	125,841
Other assets[a]	1,236	204	12	579	28,933	–	–	29	7,424	38,417
Credit exposure	17,770	18,649	13,369	14,117	92,865	22,464	29,286	10,294	27,199	246,013
Contingent liabilities and commitments (excludes operating lease and capital commitments)	14,272	6,379	13,177	5,342	17,175	51	2,503	16,270	16,332	91,501
Total credit exposure	32,042	25,028	26,546	19,459	110,040	22,515	31,789	26,564	43,531	337,514

(a) Other assets include positive fair values for financial derivatives and other assets
(b) Other securities include Singapore Government securities and treasury bills, financial investments and securities pledged

46.2 Performing and 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 credit facility from his normal sources of income. There are five categories of assets as follows:

Performing assets

– Pass grade indicates that the timely repayment of the outstanding credit facilities is not in doubt.
– Special mention grade indicates 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 assets

– Substandard grade indicates 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 grade indicates 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 grade indicates the amount of 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 is classified as doubtful or loss, as appropriate.

46.3 Loans and advances to customers

Loans and advances to customers are summarised as follows:

In $ millions	The Group 2009	2008
Loans and advances to customers		
Performing Loans		
– Neither past due nor impaired (i)	**128,253**	124,493
– Past due but not impaired (ii)	**774**	1,274
Non-Performing Loans		
– Impaired (iii)	**3,783**	1,958
Total gross loans (Note 20)	**132,810**	127,725

(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" are as follows:

In $ millions	Pass	The Group Special mention	Total
2009			
Manufacturing	**13,544**	**1,731**	**15,275**
Building and construction	**17,916**	**319**	**18,235**
Housing loans	**32,539**	**256**	**32,795**
General commerce	**12,145**	**559**	**12,704**
Transportation, storage and communications	**11,112**	**782**	**11,894**
Financial institutions, investments and holding companies	**14,255**	**709**	**14,964**
Professionals and private individuals (except housing loans)	**10,498**	**62**	**10,560**
Others	**11,193**	**633**	**11,826**
Total	**123,202**	**5,051**	**128,253**

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In $ millions	The Group Pass	Special mention	Total
2008			
Manufacturing	13,990	725	14,715
Building and construction	18,029	255	18,284
Housing loans	30,018	261	30,279
General commerce	9,352	875	10,227
Transportation, storage and communications	12,160	430	12,590
Financial institutions, investments and holding companies	13,250	307	13,557
Professionals and private individuals (except housing loans)	8,931	85	9,016
Others	15,220	605	15,825
Total	120,950	3,543	124,493

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

In $ millions	Up to 30 days past due	30-59 days past due	60-90 days past due	Total
2009				
Manufacturing	**109**	**11**	**7**	**127**
Building and construction	**99**	**1**	**2**	**102**
Housing loans	**128**	**4**	**8**	**140**
General commerce	**129**	**6**	**2**	**137**
Transportation, storage and communications	**109**	**3**	**8**	**120**
Financial institutions, investment and holding companies	**2**	**–**	**–**	**2**
Professionals and private individuals (except housing loans)	**89**	**6**	**8**	**103**
Others	**16**	**27**	**–**	**43**
Total	**681**	**58**	**35**	**774**

In $ millions	Up to 30 days past due	30-59 days past due	60-90 days past due	Total
2008				
Manufacturing	134	21	39	194
Building and construction	144	12	2	158
Housing loans	175	15	2	192
General commerce	207	40	33	280
Transportation, storage and communications	173	41	39	253
Financial institutions, investment and holding companies	2	–	–	2
Professionals and private individuals (except housing loans)	84	12	66	162
Others	25	8	–	33
Total	944	149	181	1,274

(iii) Non-performing assets

Non-performing assets by loan grading and industry

In $ millions	NPAs(a) Sub-standard	Doubtful	Loss	Total	Specific allowances(a) Sub-standard	Doubtful	Loss	Total
				The Group				
2009								
Customer loans								
Manufacturing	**384**	**185**	**166**	**735**	**36**	**180**	**170**	**386**
Building and construction	**64**	**18**	**7**	**89**	**1**	**14**	**7**	**22**
Housing loans	**166**	**3**	**19**	**188**	**9**	**3**	**18**	**30**
General commerce	**231**	**86**	**155**	**472**	**21**	**62**	**155**	**238**
Transportation, storage and communications	**155**	**104**	**5**	**264**	**11**	**81**	**5**	**97**
Financial institutions, investment and holding companies	**846**	**764**	**128**	**1,738**	**86**	**407**	**128**	**621**
Professional and private individuals (except housing loans)	**140**	**22**	**72**	**234**	**20**	**21**	**72**	**113**
Others	**67**	**17**	**72**	**156**	**9**	**17**	**72**	**98**
Total customer loans	**2,053**	**1,199**	**624**	**3,876**	**193**	**785**	**627**	**1,605**
Debt securities	**52**	**102**	**6**	**160**	**2**	**98**	**6**	**106**
Contingent items and others	**50**	**130**	**3**	**183**	**–**	**94**	**3**	**97**
Total	**2,155**	**1,431**	**633**	**4,219**	**195**	**977**	**636**	**1,808**

In $ millions	NPAs(a) Sub-standard	Doubtful	Loss	Total	Specific allowances(a) Sub-standard	Doubtful	Loss	Total
				The Group				
2008								
Customer loans								
Manufacturing	447	195	78	720	93	175	83	351
Building and construction	78	12	6	96	12	12	6	30
Housing loans	164	3	26	193	15	2	26	43
General commerce	228	64	89	381	36	62	89	187
Transportation, storage and communications	19	4	1	24	1	4	1	6
Financial institutions, investment and holding companies	73	72	–	145	–	66	–	66
Professional and private individuals (except housing loans)	122	67	34	223	28	67	34	129
Others	87	62	27	176	26	59	23	108
Total customer loans	1,218	479	261	1,958	211	447	262	920
Debt securities	18	256	3	277	–	233	3	236
Contingent items and others	92	65	–	157	2	50	–	52
Total	1,328	800	264	2,392	213	730	265	1,208

(a) NPAs and specific allowances for customer loans each includes $93 million (2008: $52 million) in interest receivables

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Non-performing assets by region

In $ millions	NPAs	The Group Specific allowances	General allowances
2009			
Singapore	**754**	**215**	**741**
Hong Kong	**567**	**330**	**349**
Rest of Greater China	**353**	**213**	**130**
South and Southeast Asia	**207**	**99**	**193**
Rest of the World	**2,338**	**951**	**259**
Total	**4,219**	**1,808**	**1,672**
2008			
Singapore	717	274	490
Hong Kong	588	313	360
Rest of Greater China	459	242	123
South and Southeast Asia	207	62	180
Rest of the World	421	317	371
Total	2,392	1,208	1,524

Non-performing assets by past due period

	The Group	
In $ millions	2009	2008
Not overdue	**1,802**	857
< 90 days past due	**358**	463
91-180 days past due	**113**	326
> 180 days past due	**1,946**	746
Total past due assets	**2,417**	1,535
Total	**4,219**	2,392

Collateral value for non-performing assets

	The Group	
In $ millions	2009	2008
Properties	**540**	556
Shares and debentures	**124**	43
Fixed deposits	**22**	16
Others	**300**	223
Total	**986**	838

The Group does not disclose the fair value of collateral held as security on assets past due but not impaired as it is not practicable to do so.

Past due assets by industry

	The Group	
In $ millions	2009	2008
Manufacturing	**454**	542
Building and construction	**28**	52
Housing loans	**167**	182
General commerce	**366**	300
Transportation, storage and communications	**24**	8
Financial institutions, investment and holding companies	**987**	81
Professional and private individuals (except housing loans)	**149**	149
Others	**127**	155
Sub-total	**2,302**	1,469
Debt securities and contingent items	**115**	66
Total	**2,417**	1,535

Past due assets by region

	The Group	
In $ millions	2009	2008
Singapore	**416**	515
Hong Kong	**446**	472
Rest of Greater China	**216**	308
South and Southeast Asia	**98**	108
Rest of the World	**1,126**	66
Sub-total	**2,302**	1,469
Debt securities and contingent items	**115**	66
Total	**2,417**	1,535

Restructured non-performing assets

Credit facilities are classified as restructured assets 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 credit facilities 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	The Group Specific allowances
2009		
Substandard	**389**	**51**
Doubtful	**90**	**73**
Loss	**54**	**54**
Total	**533**	**178**
2008		
Substandard	213	46
Doubtful	57	49
Loss	49	46
Total	319	141

Restructured assets returned to the performing status but are still under concessions as at 31 December 2009 and 31 December 2008 are not material.

46.4 Credit quality of Singapore Government securities and treasury bills, financial assets at fair value through profit or loss, financial investments and securities pledged [(a)]

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

In $ millions External rating	Singapore Government securities and treasury bills	Financial assets at fair value through profit or loss: Other government securities and treasury bills	Corporate debt securities	Loans and advances to customer	Other financial assets (due from banks) [(b)]	Total	Financial investments: Other government securities and treasury bills	Corporate debt securities	Total	Securities pledged
	(1)	(2)	(3)	(4)	(5)	(6)=(2+3+4+5)	(7)	(8)	(9)=(7+8)	(10)
2009										
AAA	**15,960**	**452**	**296**	**–**	**–**	**748**	**3,607**	**1,843**	**5,450**	**55**
AA- to AA+	**–**	**463**	**336**	**–**	**–**	**799**	**1,134**	**3,199**	**4,333**	**505**
A- to A+	**–**	**993**	**2,267**	**–**	**–**	**3,260**	**2,046**	**5,584**	**7,630**	**13**
Lower than A-	**–**	**2,010**	**1,337**	**–**	**–**	**3,347**	**898**	**2,439**	**3,337**	**211**
Unrated	**–**	**–**	**223**	**610**	**1,986**	**2,819**	**–**	**3,965**	**3,965**	**–**
Total	**15,960**	**3,918**	**4,459**	**610**	**1,986**	**10,973**	**7,685**	**17,030**	**24,715**	**784**
2008										
AAA	14,797	103	478	–	–	581	1,588	1,538	3,126	257
AA- to AA+	–	270	535	–	–	805	1,000	3,276	4,276	549
A- to A+	–	989	2,131	–	–	3,120	1,302	5,449	6,751	–
Lower than A-	–	764	1,158	–	–	1,922	659	2,667	3,326	191
Unrated	–	–	345	641	1,692	2,678	–	4,159	4,159	–
Total	14,797	2,126	4,647	641	1,692	9,106	4,549	17,089	21,638	997

(a) The amount of securities that are past due but not impaired is not material

(b) For amounts due from banks, majority of the bank counterparties are accorded "Pass" grade in accordance with the loan grading per MAS Notice to Banks No. 612 "Credit Files, Grading and Provisioning"

46.5 Repossessed collateral

As and when required, the Group will take possession of collaterals it holds as securities and will dispose of 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 2009 and 2008 are not material.

46.6 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 2009, 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's total assets as at 31 December are as follows:

In $ millions Assets in	Loans and debt securities Banks	Central banks and Government securities	Non-banks[(a)]	Investments	Total exposure Amount	As a % of Total assets
	(1)	(2)	(3)	(4)	(5)=(1+2+3+4)	(6)
2009						
Top 10 countries						
(Net exposure >1% of Total assets)						
Hong Kong	**1,240**	**1,667**	**34,084**	**116**	**37,107**	**14.3**
India	**3,413**	**1,048**	**5,838**	**194**	**10,493**	**4.1**
China	**1,446**	**784**	**7,434**	**211**	**9,875**	**3.8**
South Korea	**4,161**	**2,291**	**3,065**	**–**	**9,517**	**3.7**
United Kingdom	**4,199**	**543**	**2,529**	**7**	**7,278**	**2.8**
United States	**1,998**	**2,227**	**2,840**	**184**	**7,249**	**2.8**
Indonesia	**49**	**1,869**	**3,827**	**2**	**5,747**	**2.2**
Taiwan	**516**	**1,192**	**3,988**	**17**	**5,713**	**2.2**
Australia	**3,305**	**19**	**1,524**	**75**	**4,923**	**1.9**
Japan	**2,073**	**–**	**1,946**	**–**	**4,019**	**1.6**
Total	**22,400**	**11,640**	**67,075**	**806**	**101,921**	**39.4**
2008						
Top 10 countries						
(Net exposure >1% of Total assets)						
Hong Kong	1,745	1,230	32,673	160	35,808	13.9
China	2,528	595	7,371	166	10,660	4.1
India	3,709	1,115	3,823	399	9,046	3.5
United Kingdom	4,578	5	2,777	23	7,383	2.9
South Korea	2,923	1,487	2,223	–	6,633	2.6
Taiwan	83	2,485	3,741	11	6,320	2.5
Indonesia	221	619	4,021	–	4,861	1.9
United States	1,239	302	2,697	145	4,383	1.7
Australia	3,034	–	1,235	48	4,317	1.7
France	3,490	–	247	1	3,738	1.5
Total	23,550	7,838	60,808	953	93,149	36.3

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

47 MARKET RISK

47.1 Market risk

Market risk arises from the changes in value from changes in interest rate yields, foreign exchange rates, equity prices, commodity prices, credit spreads and the impact of changes in the correlations and volatilities of these risk factors.

The Group manages 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 also manages banking book interest rate risk arising from mismatches in the interest rate profile of assets, liabilities and capital instruments (and associated hedges), including basis risk arising from different interest rate benchmarks, interest rate re-pricing risk, yield curve risks and embedded optionality. To optimise its income and balance sheet management, the Group deploys funds in debt securities, equities and funds or in the interbank market. All types of FX risk (including unhedged structural FX risk arising from the Group's investment in strategic foreign currency investments) are risk managed as part of the trading book.

The Group's market risk framework identifies the types of the market risk to be covered, the risk metrics and methodologies to be used to capture such risk and the standards governing the management of market risk within the Group including limit setting and independent model validation, monitoring and valuation.

The Board establishes the Group's risk appetite for market risk. The CEO delegates responsibility to the Risk Executive Committee to allocate risk appetite limits to risk-taking units. The Market Risk Committee, which reports into the Risk Executive Committee, oversees the Group's market risk management infrastructure, sets market risk control limits and provides enterprise-wide oversight of all market risks and their management.

The independent market risk management function comprising risk control, model analytics, and risk architecture reports to the Chief Risk Officer and is responsible for day-to-day risk monitoring and analysis.

The principal market risk appetite measures for market risk are Value-at-Risk (VaR) and stress loss. The VaR is supplemented by risk control measures, such as sensitivities to risk factors, including their volatilities, as well as loss triggers for management action.

The Group's general market risk Value-at-Risk (VaR) methodology uses a historical simulation approach to forecast the Group's market risk. The methodology is also used to compute stressed VaR and average tail loss metrics. VaR risk factor scenarios are aligned to parameters and market data used for valuation. The scenarios are maintained in the risk system and are used to compute VaR for each business unit and location, and at Group level. Trading book VaR is back-tested against the corresponding profit and loss to monitor its predictive power.

The following table shows the period-end, average, high and low VaR (at a 99% confidence level over a one-day holding period) for trading book market risk:

In $ millions	As at 31 Dec 2009	The Group 1 Jan 2009 to 31 Dec 2009* Average	High	Low
Total	**22**	**33**	**52**	**21**

* Using a two-year historical observation period up to 31 May 2009, and using a one-year historical observation period from 1 June 2009 onwards

In $ millions	As at 31 Dec 2008	The Group 1 Jan 2008 to 31 Dec 2008** Average	High	Low
Total	32	33	60	21

** Using a two-year historical observation period

Although VaR provides valuable insights, no single measure can capture all aspects of market risk. Therefore, regular stress testing is carried out to monitor the Group's vulnerability to shocks.

Since February 2009, the Group has had a comprehensive capital-linked risk appetite framework for all types of market risk, including interest rate risk in the banking book, in line with its internal capital adequacy assessment process. The Group level total VaR associated with this framework is tabulated below, showing the period-end, average, high and low VaR (at a 99% confidence level over a one-day holding period).

In $ millions	As at 31 Dec 2009	The Group 28 Feb 2009 to 31 Dec 2009* Average	High	Low
Total	**81**	**76**	**94**	**58**

* Using a two-year historical observation period up to 31 May 2009, and using a one-year historical observation period from 1 June 2009 onwards

For the financial year ended 31 December 2008, the sensitivity analyses for non-trading foreign exchange, interest rate and equity risk were disclosed separately using different methods. In 2009, as the Group has migrated to a sensitivity analysis which fully reflects the interdependence between risk variables, the comparative figures for 2008 are as shown in the 2008 financial statements Note 47.2.

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47.2 Interest rate repricing gaps

The following tables summarise the Group's assets and liabilities across the banking and trading books at their 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 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Non-interest bearing	Total
2009								
Cash and balances with central banks	**2,443**	**8,706**	**7,254**	**–**	**–**	**–**	**4,112**	**22,515**
Due from banks	**5,999**	**6,298**	**5,178**	**3,887**	**70**	**43**	**728**	**22,203**
Financial assets at fair value through profit or loss	**554**	**2,275**	**2,265**	**3,219**	**1,289**	**1,371**	**284**	**11,257**
Other securities[(a)]	**1,157**	**3,371**	**9,348**	**6,465**	**10,040**	**11,054**	**1,040**	**42,475**
Loans and advances to customers	**27,404**	**42,809**	**24,052**	**21,077**	**6,593**	**6,910**	**1,128**	**129,973**
Other assets[(b)]	**–**	**–**	**–**	**–**	**–**	**–**	**30,221**	**30,221**
Total assets	**37,557**	**63,459**	**48,097**	**34,648**	**17,992**	**19,378**	**37,513**	**258,644**
Due to banks	**4,828**	**2,413**	**1,144**	**516**	**–**	**–**	**207**	**9,108**
Due to non-bank customers	**120,650**	**25,785**	**15,804**	**14,315**	**987**	**907**	**–**	**178,448**
Financial liabilities at fair value through profit or loss	**386**	**1,474**	**949**	**1,596**	**3,371**	**1,428**	**13**	**9,217**
Other liabilities[(c)]	**789**	**21**	**39**	**70**	**366**	**612**	**22,773**	**24,670**
Subordinated term debts	**–**	**–**	**–**	**4,086**	**1,274**	**2,342**	**–**	**7,702**
Total liabilities	**126,653**	**29,693**	**17,936**	**20,583**	**5,998**	**5,289**	**22,993**	**229,145**
Minority interests	**–**	**–**	**–**	**–**	**–**	**–**	**4,126**	**4,126**
Shareholders' funds	**–**	**–**	**–**	**–**	**–**	**–**	**25,373**	**25,373**
Total equity	**–**	**–**	**–**	**–**	**–**	**–**	**29,499**	**29,499**
On-balance sheet interest rate gap	**(89,096)**	**33,766**	**30,161**	**14,065**	**11,994**	**14,089**	**(14,979)**	**–**
Off-balance sheet interest rate gap – Financial derivatives[(d)]	**5,064**	**(151)**	**(414)**	**2,852**	**(3,388)**	**(3,963)**	**–**	**–**

In $ millions	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Non-interest bearing	Total
2008								
Cash and balances with central banks	1,932	6,661	2,469	1,005	–	–	3,723	15,790
Due from banks	8,044	4,613	1,920	1,795	1,018	2,252	825	20,467
Financial assets at fair value through profit or loss	794	537	2,448	1,593	2,231	1,503	295	9,401
Other securities[(a)]	852	2,880	7,156	6,441	6,432	13,642	1,173	38,576
Loans and advances to customers	27,549	34,549	21,448	23,248	8,537	9,436	1,074	125,841
Other assets[(b)]	–	–	–	–	–	–	46,643	46,643
Total assets	39,171	49,240	35,441	34,082	18,218	26,833	53,733	256,718
Due to banks	2,944	3,506	1,731	576	–	49	215	9,021
Due to non-bank customers	101,842	31,386	18,310	10,657	492	672	–	163,359
Financial liabilities at fair value through profit or loss	891	480	1,510	1,651	3,642	2,989	119	11,282
Other liabilities[(c)]	420	305	361	999	1,204	2,988	33,691	39,968
Subordinated term debts	–	–	–	4,547	2,106	2,432	–	9,085
Total liabilities	106,097	35,677	21,912	18,430	7,444	9,130	34,025	232,715
Minority interests	–	–	–	–	–	–	4,184	4,184
Shareholders' funds	–	–	–	–	–	–	19,819	19,819
Total equity	–	–	–	–	–	–	24,003	24,003
On-balance sheet interest rate gap	(66,926)	13,563	13,529	15,652	10,774	17,703	(4,295)	–
Off-balance sheet interest rate gap – Financial derivatives[(d)]	5,068	(219)	(4,043)	(1,585)	1,671	(892)	–	–

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

(b) Other assets include positive fair values for financial derivatives, investments in associates, goodwill on consolidation, properties and other fixed assets, investment properties, deferred tax assets and other assets

(c) Other liabilities include negative fair values for financial derivatives, bills payable, current and deferred tax liabilities, other debt securities in issue and other liabilities

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

48 LIQUIDITY RISK

Funding liquidity risk (or liquidity risk) is defined as the current and prospective risk arising from the inability of the Group to meet its contractual or regulatory obligations when they come due without incurring substantial losses. Liquidity obligations arise from withdrawals of deposits, repayments of purchased funds at maturity, extensions of credit and working capital needs. The Group seeks to project, monitor and manage its liquidity needs under normal as well as adverse circumstances.

The primary tool of monitoring liquidity is the maturity mismatch analysis, which presents the profile of future expected cashflows under defined scenarios. This is monitored over successive time bands and across major currencies under normal and adverse market scenario conditions.

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

Limits are set on maturity mismatches 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 management of liquidity risk inherent in its derivative and non-derivative financial liabilities, the Group employs a number of strategies. These include maintaining sufficient liquid assets, maintaining diversified sources of liquidity, and having robust internal control processes and contingency plans.

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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	2009 Up to 1 year	2009 More than 1 year	2009 Total	2008 Up to 1 year	2008 More than 1 year	2008 Total
Cash and balances with central banks	**22,515**	**–**	**22,515**	15,790	–	15,790
Singapore Government securities and treasury bills	**5,822**	**10,138**	**15,960**	3,284	11,513	14,797
Due from banks	**19,652**	**2,551**	**22,203**	17,338	3,129	20,467
Financial assets at fair value through profit or loss	**7,319**	**3,938**	**11,257**	3,655	5,746	9,401
Positive fair values for financial derivatives	**16,015**	**–**	**16,015**	32,328	–	32,328
Loans and advances to customers	**44,471**	**85,502**	**129,973**	50,036	75,805	125,841
Financial investments	**6,910**	**18,821**	**25,731**	5,499	17,283	22,782
Securities pledged	**505**	**279**	**784**	362	635	997
Investments in associates	**–**	**672**	**672**	–	604	604
Goodwill on consolidation	**–**	**5,847**	**5,847**	–	5,847	5,847
Properties and other fixed assets	**–**	**1,134**	**1,134**	–	1,311	1,311
Investment properties	**–**	**398**	**398**	–	293	293
Deferred tax assets	**–**	**144**	**144**	–	171	171
Other assets	**5,640**	**371**	**6,011**	6,039	50	6,089
Total assets	**128,849**	**129,795**	**258,644**	134,331	122,387	256,718
Due to banks	**9,108**	**–**	**9,108**	8,972	49	9,021
Due to non-bank customers	**176,554**	**1,894**	**178,448**	162,195	1,164	163,359
Financial liabilities at fair value through profit or loss	**4,087**	**5,130**	**9,217**	3,994	7,288	11,282
Negative fair values for financial derivatives	**16,406**	**–**	**16,406**	31,918	–	31,918
Bills payable	**501**	**–**	**501**	714	–	714
Current tax liabilities	**807**	**–**	**807**	779	–	779
Deferred tax liabilities	**–**	**54**	**54**	–	45	45
Other liabilities	**2,966**	**3,523**	**6,489**	5,317	557	5,874
Other debt securities in issue	**44**	**369**	**413**	263	375	638
Subordinated term debts	**715**	**6,987**	**7,702**	1,099	7,986	9,085
Total liabilities	**211,188**	**17,957**	**229,145**	215,251	17,464	232,715
Minority interests	**–**	**4,126**	**4,126**	–	4,184	4,184
Shareholders' funds	**–**	**25,373**	**25,373**	–	19,819	19,819
Total equity	**–**	**29,499**	**29,499**	–	24,003	24,003

The table below analyses assets and liabilities of the Group at 31 December based on contractual undiscounted repayment obligations:

In $ millions	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	No specific maturity	Total
2009								
Cash and balances with central banks	**5,479**	**8,109**	**7,257**	**–**	**–**	**–**	**1,683**	**22,528**
Due from banks	**6,506**	**6,032**	**5,310**	**1,930**	**2,355**	**215**	**53**	**22,401**
Financial assets at fair value through profit or loss	**435**	**2,135**	**1,302**	**3,505**	**2,258**	**1,750**	**284**	**11,669**
Other securities[(a)]	**728**	**1,922**	**4,067**	**7,171**	**15,623**	**15,780**	**1,038**	**46,329**
Loans and advances to customers	**8,297**	**12,252**	**10,824**	**14,508**	**34,034**	**60,072**	**–**	**139,987**
Positive fair values for financial derivatives	**3,701**	**275**	**817**	**2,535**	**3,958**	**1,184**	**–**	**12,470**
Other assets[(b)]	**1,211**	**53**	**265**	**56**	**134**	**187**	**11,603**	**13,509**
Total assets	**26,357**	**30,778**	**29,842**	**29,705**	**58,362**	**79,188**	**14,661**	**268,893**
Due to banks	**5,162**	**2,415**	**1,143**	**516**	**–**	**–**	**–**	**9,236**
Due to non-bank customers	**120,659**	**25,820**	**15,837**	**14,387**	**992**	**908**	**–**	**178,603**
Financial liabilities at fair value through profit or loss	**385**	**1,298**	**522**	**1,955**	**3,638**	**1,840**	**13**	**9,651**
Negative fair values for financial derivatives and other financial liabilities[(c)]	**4,302**	**601**	**1,139**	**3,156**	**4,359**	**1,180**	**36**	**14,773**
Other liabilities[(d)]	**2,766**	**294**	**770**	**203**	**265**	**842**	**3,287**	**8,427**
Subordinated term debts	**–**	**14**	**3**	**918**	**1,459**	**6,039**	**–**	**8,433**
Total liabilities	**133,274**	**30,442**	**19,414**	**21,135**	**10,713**	**10,809**	**3,336**	**229,123**
Minority interests	**–**	**–**	**–**	**–**	**–**	**–**	**4,126**	**4,126**
Shareholders' funds	**–**	**–**	**–**	**–**	**–**	**–**	**25,373**	**25,373**
Total equity	**–**	**–**	**–**	**–**	**–**	**–**	**29,499**	**29,499**
Net liquidity gap	**(106,917)**	**336**	**10,428**	**8,570**	**47,649**	**68,379**	**(18,174)**	**10,271**

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

(b) Other assets include investments in associates, goodwill on consolidation, properties and other fixed assets, investment properties, deferred tax assets and other assets

(c) Other financial liabilities include bills payable and other debt securities in issue

(d) Other liabilities include current and deferred tax liabilities and other liabilities

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In $ millions	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	No specific maturity	Total
2008								
Cash and balances with central banks	4,654	6,666	2,471	1,011	–	–	996	15,798
Due from banks	8,555	4,708	2,213	1,978	792	2,519	3	20,768
Financial assets at fair value through profit or loss	613	375	1,058	1,532	3,910	2,666	295	10,449
Other securities[(a)]	385	1,380	2,437	5,090	13,835	21,295	1,188	45,610
Loans and advances to customers	9,365	12,547	12,697	16,888	27,039	58,666	–	137,202
Positive fair values for financial derivatives	7,204	58	4	20	26	21	–	7,333
Other assets[(b)]	118	61	22	22	11	34	13,294	13,562
Total assets	30,894	25,795	20,902	26,541	45,613	85,201	15,776	250,722
Due to banks	3,472	3,009	1,314	425	62	141	–	8,423
Due to non-bank customers	101,863	31,479	18,399	10,780	501	672	–	163,694
Financial liabilities at fair value through profit or loss	506	406	1,182	2,136	4,261	3,648	11	12,150
Negative fair values for financial derivatives and other financial liabilities[(c)]	8,860	27	55	407	231	499	147	10,226
Other liabilities[(d)]	1,891	81	218	85	144	408	3,393	6,220
Subordinated term debts	–	29	98	1,580	2,958	8,088	–	12,753
Total liabilities	116,592	35,031	21,266	15,413	8,157	13,456	3,551	213,466
Minority interests	–	–	–	–	–	–	4,184	4,184
Shareholders' funds	–	–	–	–	–	–	19,819	19,819
Total equity	–	–	–	–	–	–	24,003	24,003
Net liquidity gap	(85,698)	(9,236)	(364)	11,128	37,456	71,745	(11,778)	13,253

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

(b) Other assets include investments in associates, goodwill on consolidation, properties and other fixed assets, investment properties, deferred tax assets and other assets

(c) Other financial liabilities include bills payable and other debt securities in issue

(d) Other liabilities include current and deferred tax liabilities 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 future interest payments.

Customer assets and liabilities (including non-maturing savings/current deposits) are represented on a contractual basis or in a period when it can legally be withdrawn. On a behavioral basis, the assets and liabilities cash flows may differ from contractual basis.

48.1 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 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
2009							
Foreign exchange derivatives							
– outflow	**47,713**	**52,740**	**58,622**	**96,563**	**29,824**	**17,686**	**303,148**
– inflow	**47,617**	**52,060**	**58,806**	**96,724**	**30,256**	**17,208**	**302,671**
2008							
Foreign exchange derivatives							
– outflow	33,994	75,631	88,384	135,645	40,461	21,752	395,867
– inflow	34,089	75,682	88,495	136,118	40,532	21,429	396,345

48.2 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 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
2009					
Guarantees, endorsements and other contingent items	**15,711**	**–**	**–**	**–**	**15,711**
Undrawn loan commitments[(a)] and other facilities	**75,768**	**4,785**	**769**	**205**	**81,527**
Operating lease commitments	**127**	**218**	**178**	**397**	**920**
Capital commitments	**41**	**8**	**–**	**–**	**49**
Total	**91,647**	**5,011**	**947**	**602**	**98,207**
2008					
Guarantees, endorsements and other contingent items	15,420	–	–	–	15,420
Undrawn loan commitments[(a)] and other facilities	69,343	5,341	1,107	290	76,081
Operating lease commitments	123	247	162	543	1,075
Capital commitments	68	12	–	–	80
Total	84,954	5,600	1,269	833	92,656

(a) Undrawn loan commitments are recognised at activation stage and include commitments which are unconditionally cancellable by the Group

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

48.3 Behavioural profiling

For the purpose of liquidity risk management, the Group actively monitors and manages its liquidity positions within a 1-year period. Conservative behavioural profiling is used for assets, liabilities and off-balance sheet commitments that have exhibited cash flow patterns that differ significantly from the actual contractual maturity profile.

The table below shows the Group's behavioural net and cumulative maturity mismatch between assets and liabilities over a 1-year period under normal business scenario:

In $ millions	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year
2009					
Net liquidity mismatch	**23,111**	**13,349**	**9,793**	**(492)**	**555**
Cumulative mismatch	**23,111**	**36,460**	**46,253**	**45,761**	**46,316**
2008					
Net liquidity mismatch	22,641	7,285	2,614	2,010	(1,671)
Cumulative mismatch	22,641	29,926	32,540	34,550	32,879

As the behavioural assumptions used to determine the maturity mismatch between assets and liabilities are updated from time to time, the information presented above is not directly comparable.

49 OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events, including legal risk, but does not include strategic or reputational risk. An Operational Risk Management Framework, approved by the Board Risk Management Committee, 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, risk event management, key risk indicator monitoring and process risk mapping. 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 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 or outsourcing initiative is subject to a 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 and outsourcing 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 oversees the Group's operational risk management infrastructure, including the Framework, policies, processes, information, methodologies and systems. The Group Operational Risk 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 senior management.

50 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 Group has complied with all capital adequacy ratios prescribed by the regulators.

The capital management process, which is under the oversight of the Capital and Balance Sheet Committee, 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	2009	2008
Tier 1 Capital		
Share capital	**8,435**	4,215
Disclosed reserves and others	**20,928**	20,180
Less: Tier 1 Deductions	**6,098**	6,022
Eligible Tier 1 Capital	**23,265**	18,373
Tier 2 Capital		
Loan allowances admitted as Tier 2	**434**	656
Subordinated debts	**5,970**	6,571
Revaluation surplus from equity securities	**87**	27
Less: Tier 2 Deductions	**128**	106
Total eligible capital	**29,628**	25,521
Risk-weighted assets	**177,222**	182,685
Capital Adequacy Ratio (%)		
Tier 1 ratio	**13.1**	10.1
Tier 2 ratio	**3.6**	3.9
Total (Tier 1 and 2) ratio	**16.7**	14.0

The Group has adopted the capital adequacy requirements of Basel II as set out in the revised Monetary Authority of Singapore Notice to Banks No. 637 (Notice on Risk Based Capital Adequacy Requirements for Banks incorporated in Singapore) with effect from 1 January 2008.

51 SEGMENT REPORTING

51.1 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, investment and insurance products.

Institutional Banking
Institutional Banking provides financial services and products to large corporate, institutional clients and small and medium-sized businesses. 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 credit facilities (overdraft, factoring/accounts receivable purchase, commercial/industrial property financing, hire purchase and government financing and assistance schemes), deposit and treasury 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 customer of other business segments, such as Consumer Banking and Institutional 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.

During the year, no one group of related customers accounted for more than 10% of the Group's revenues.

Notes to the Financial Statements

for the year ended 31 December 2009

The following table analyses the results, total assets and total liabilities of the Group by business segments:

In $ millions	Consumer Banking	Institutional Banking	Global Financial Markets	Central Treasury Unit	Central Operations[a]	Total
2009						
Net interest income	**855**	**1,950**	**1,127**	**691**	**(168)**	**4,455**
Non-interest income	**515**	**1,069**	**355**	**(117)**	**326**	**2,148**
Total income	**1,370**	**3,019**	**1,482**	**574**	**158**	**6,603**
Expenses	**1,100**	**791**	**441**	**33**	**239**	**2,604**
Allowances for credit and other losses	**74**	**986**	**15**	**8**	**469**	**1,552**
Share of profits of associates	**–**	**–**	**7**	**–**	**59**	**66**
Profit before tax	**196**	**1,242**	**1,033**	**533**	**(491)**	**2,513**
Income tax expense	**27**	**210**	**217**	**89**	**(258)**	**285**
Net profit	**169**	**1,032**	**816**	**444**	**(420)**	**2,041**
Total assets before goodwill	**40,005**	**101,665**	**83,587**	**27,142**	**398**	**252,797**
Goodwill on consolidation						**5,847**
Total assets						**258,644**
Total liabilities	**102,562**	**68,232**	**36,717**	**1,065**	**20,569**	**229,145**
Capital expenditure	**28**	**21**	**12**	**–**	**118**	**179**
Depreciation	**47**	**17**	**12**	**–**	**119**	**195**
2008						
Net interest income	1,130	1,707	1,190	648	(374)	4,301
Non-interest income	611	974	(159)	44	282	1,752
Total income	1,741	2,681	1,031	692	(92)	6,053
Expenses	1,142	758	483	30	242	2,655
Allowances for credit and other losses	42	427	64	223	132	888
Share of profits of associates	–	–	3	–	72	75
Profit before tax	557	1,496	487	439	(394)	2,585
Income tax expense	93	289	140	76	(152)	446
Net profit	464	1,207	347	363	(452)	1,929
Total assets before goodwill	36,004	96,586	86,760	26,344	5,177	250,871
Goodwill on consolidation						5,847
Total assets						256,718
Total liabilities	95,537	60,390	48,930	1,496	26,362	232,715
Capital expenditure	67	19	18	–	195	299
Depreciation	32	9	11	–	97	149

(a) 2009 includes one-time impairment charges for a Thailand investment of $23 million
2008 includes one-time gain from sale of office buildings in Hong Kong, impairment charges for a Thailand investment and restructuring costs of $127 million

51.2 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.

			The Group			
In $ millions	Singapore	Hong Kong	Rest of Greater China[c]	South and Southeast Asia[d]	Rest of the World[e]	Total
2009						
Total income	**3,991**	**1,366**	**409**	**501**	**336**	**6,603**
Net profit	**1,163**[a]	**464**	**68**	**226**	**120**	**2,041**
Total assets before goodwill	**165,652**	**47,653**	**14,362**	**12,743**	**12,387**	**252,797**
Goodwill on consolidation	**198**	**5,649**	**–**	**–**	**–**	**5,847**
Total assets	**165,850**	**53,302**	**14,362**	**12,743**	**12,387**	**258,644**
Non-current assets[f]	**1,485**	**530**	**142**	**46**	**1**	**2,204**
2008						
Total income	3,672	1,433[b]	379	359	210	6,053
Net profit	1,208[b]	400[b]	104	151	66	1,929
Total assets before goodwill	170,132	44,119	16,563	9,889	10,168	250,871
Goodwill on consolidation	198	5,649	–	–	–	5,847
Total assets	170,330	49,768	16,563	9,889	10,168	256,718
Non-current assets[f]	1,457	570	141	38	2	2,208

(a) Includes one-time impairment charges for a Thailand investment of $23 million in 2009
(b) Includes one-time gain from sale of office buildings in Hong Kong, impairment charges for a Thailand investment and restructuring costs of $127 million in 2008
(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
(f) Includes investment in associates, properties and other fixed assets, and investment properties

52 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	Share capital Currency	Share capital In millions	Effective shareholding % 2009	Effective shareholding % 2008
	Held by the Company						
1.	DBS Bank Ltd	Retail, corporate and investment banking services	Singapore	SGD	12,096	**100**	100
	Held by the Bank						
2.	DBS Asset Management Ltd	Investment management services	Singapore	SGD	64	**100**	100
3.	DBS China Square Ltd	Property investment holding	Singapore	SGD	229	**70**	70
4.	DBS Trustee Ltd	Trustee services	Singapore	SGD	3	**100**	100
5.	DBS Vickers Securities Holdings Pte Ltd	Investment holding	Singapore	SGD	403	**100**	100
6.	The Islamic Bank of Asia Limited	Provision of Shariah compliant Islamic Banking products and services	Singapore	USD	500	**50**	50

Name of subsidiary	Principal activities	Country of incorporation	Share capital Currency	Share capital In millions	Effective shareholding % 2009	Effective shareholding % 2008
7. Salte Pte Ltd	Purchase and sale of assets, provision of asset financing and raising funds	Singapore	SGD	4	**100**	100
8. DBS Nominees Pte Ltd	Nominee services	Singapore	SGD	#	**100**	100
9. DBSN Services Pte Ltd	Nominee services	Singapore	SGD	#	**100**	100
10. Primefield Company Pte Ltd	Investment holding	Singapore	SGD	12	**100**	100
11. DBS Capital Investments Ltd	Venture capital investment holding	Singapore	SGD	2	**100**	100
12. DBS Diamond Holdings Ltd	Investment holding	Bermuda	USD	3,693	**100**	100
13. DBS Group Holdings (Hong Kong) Ltd	Investment holding	Bermuda	HKD	2,619	**100**	100
14. DBS Capital Funding Corporation**	Capital funding	Cayman Islands	USD	#	**100**	100
15. DBS Capital Funding II Corporation**	Capital funding	Cayman Islands	USD	#	**100**	100
16. DBS Bank (China) Limited*	Retail, small and medium-sized enterprise and corporate banking services	China	CNY	4,000	**100**	100
17. DBS Private Equity Enterprise[(a)]*	Investment holding	China	USD	15	**99**	–
18. DBS Asia Capital Limited*	Corporate finance and advisory services	Hong Kong	HKD	92	**100**	100
19. PT Bank DBS Indonesia*	Commercial banking and financial services	Indonesia	IDR	2,225,000	**99**	99
20. DBSAM Funds*	Collective investment scheme	Luxembourg	USD	10	**99.7**	99.7
21. DBS Insurance Agency (Taiwan) Limited*	Provision of insurance agency services	Republic of Taiwan	NTD	3	**100**	100
Held by other subsidiaries						
22. AXS Infocomm Pte Ltd[(b)]	Development and operation of multimedia transactional pay phone kiosks	Singapore	SGD	19	**86.2**	86.2
23. DBS Vickers Securities (Singapore) Pte Ltd	Securities and futures broker	Singapore	SGD	50	**100**	100
24. DBS Vickers Securities Online Holdings Pte Ltd	Investment holding	Singapore	SGD	35	**100**	100
25. DBS Vickers Research (Singapore) Pte Ltd	Market research consultants	Singapore	SGD	1	**100**	100
26. Vickers Ballas Asset Management Pte Ltd	Marketing, distributing and managing investment funds	Singapore	SGD	1	**100**	100
27. DBS Vickers Securities Nominees (Singapore) Pte Ltd	Nominee services	Singapore	SGD	#	**100**	100
28. DBS Asset Management (United States) Pte Ltd	Investment management services	Singapore	SGD	#	**100**	100
29. DBS Asset Management (Hong Kong) Ltd*	Investment management services	Hong Kong	HKD	13	**100**	100
30. DBS Bank (Hong Kong) Limited*	Retail, corporate and investment banking services	Hong Kong	HKD	7,000	**100**	100
31. DBS Corporate Services (Hong Kong) Limited*	Investment holding and corporate services	Hong Kong	HKD	1	**100**	100
32. DHB Limited*	Investment holding	Hong Kong	HKD	2,300	**100**	100
33. DBS Vickers (Hong Kong) Limited*	Securities and futures broker	Hong Kong	HKD	150	**100**	100

Name of subsidiary	Principal activities	Country of incorporation	Share capital Currency	In millions	Effective shareholding % 2009	2008
Held by other subsidiaries						
34. DBS Vickers Securities Nominees (Hong Kong) Limited*	Nominee services	Hong Kong	HKD	#	**100**	100
35. DBS Vickers Securities (Hong Kong) Limited*	Investment holding	Hong Kong	HKD	8	**100**	100
36. Kenson Asia Ltd*	Corporate services	Hong Kong	HKD	#	**100**	100
37. Kingly Management Ltd*	Corporate services	Hong Kong	HKD	#	**100**	100
38. Ting Hong Nominees Limited*	Nominee services	Hong Kong	HKD	#	**100**	100
39. Hang Lung Bank (Nominees) Limited*	Nominee services	Hong Kong	HKD	#	**100**	100
40. DBS Kwong On (Nominees) Limited*	Nominee services	Hong Kong	HKD	#	**100**	100
41. Overseas Trust Bank Nominees Limited*	Nominee services	Hong Kong	HKD	#	**100**	100
42. Worldson Services Ltd*	Corporate services	Hong Kong	HKD	#	**100**	100
43. DBS Trustee (Hong Kong) Limited*	Trustee services	Hong Kong	HKD	3	**100**	100
44. PT DBS Vickers Securities (Indonesia)*	Securities broker	Indonesia	IDR	55,000	**99**	99
45. DBS Vickers Securities (Thailand) Co. Ltd*	Securities broker	Thailand	THB	690	**100**	100
46. DHJ Management Limited**	Corporate services	British Virgin Islands	USD	#	**100**	100
47. JT Administration Limited**	Corporate services	British Virgin Islands	USD	#	**100**	100
48. Market Success Limited**	Corporate services	British Virgin Islands	USD	#	**100**	100
49. Kendrick Services Limited**	Corporate directorship services	British Virgin Islands	USD	#	**100**	100
50. Lushington Investment Limited**	Corporate shareholding services	British Virgin Islands	USD	#	**100**	100
51. Quickway Limited**	Corporate directorship services	British Virgin Islands	USD	#	**100**	100
52. DBS Group (HK) Limited*	Investment holding	Bermuda	USD	588	**100**	100
53. DBS Vickers Securities (UK) Ltd*	Securities broker	United Kingdom	GBP	#	**100**	100
54. DBS Vickers Securities (USA), Inc***	Securities broker	United States	USD	3	**100**	100
55. DBS Trustee H.K. (Jersey) Limited*	Trustee services	Jersey	GBP	#	**100**	100
56. DBS Trustee H.K. (New Zealand) Limited*	Trustee services	New Zealand	NZD	#	**100**	100
57. DNZ Limited**	Nominee services	Samoa	USD	#	**100**	100
58. Asian Islamic Investment Management Sdn Bhd(c)*	Investment management services	Malaysia	RM	10	**51**	51

 # Amount under $500,000
** Audited by PricewaterhouseCoopers network 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) In addition to the shareholding of 99%, there is a direct shareholding of 1% (2008: -) held through DBS Capital Investments Ltd
(b) Shareholding includes 26.4% (2008: 26.4%) held through the Bank. In addition, there is an indirect shareholding of 10.6% (2008: 10.6%) held through Network for Electronic Transfers (Singapore) Pte Ltd
(c) In addition to the effective shareholding of 51%, there is an indirect shareholding of 13.6% (2008: 13.6%) held through Hwang-DBS (Malaysia) Bhd

Notes to the Financial Statements

for the year ended 31 December 2009

The significant joint ventures in the Group are listed below:

	Name of joint venture	Principal activities	Country of incorporation	Share capital Currency	Share capital In millions	Effective shareholding % 2009	Effective shareholding % 2008
	Held by the Bank						
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	3,665	**37.5**	37.5
	Held by other subsidiaries						
3.	Hutchinson DBS Card Limited*	Provision of credit card services	British Virgin Islands	HKD	1	**50.0**	50.0

* *Audited by PricewaterhouseCoopers network 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 Currency	Share capital In millions	Effective shareholding % 2009	Effective shareholding % 2008
	Quoted - Held by the Bank						
1.	Bank of the Philippine Islands***	Commercial banking and financial services	The Philippines	PHP	32,466	**20.3**	20.3
	Quoted – Held by other subsidiaries						
2.	Hwang – DBS (Malaysia) Bhd[(a)]*	Investment holding	Malaysia	RM	266	**27.7**	27.7
	Unquoted - Held by the Bank						
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	#	**33.3**	33.3
5.	Network for Electronic Transfers (Singapore) Pte Ltd	Electronic funds transfer	Singapore	SGD	7	**33.3**	33.3
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.	Raffles Fund 1 Limited***	Investment holding	Cayman Islands	USD	7	**24.2**	29.0
8.	Investment and Capital Corporation of the Philippines***	Financial services	The Philippines	PHP	300	**20.0**	20.0

			Share capital		Effective shareholding %	
Name of associate	Principal activities	Country of incorporation	Currency	In millions	2009	2008
Unquoted - Held by other subsidiaries						
9. Hwang-DBS Investment Management Berhad*	Investment management services	Malaysia	RM	10	**30.0**	30.0
10. Hwang-DBS Vickers Research (Malaysia) Sdn Bhd[(b)]*	Investment management	Malaysia	RM	3	**49.0**	49.0
11. Singapore Consortium Investment Management Ltd	Investment management services	Singapore	SGD	1	**33.3**	33.3
12. Changsheng Fund Management Company***	Establishment and management of investment	China	RMB	150	**33.0**	33.0

\# *Amount under $500,000*

* *Audited by PricewaterhouseCoopers network firms outside Singapore*

*** *Audited by other auditors*

(a) *Shareholding includes 4.15% held through the Bank*

(b) *In addition to the effective shareholding of 49%, there is an indirect shareholding of 14.1% (2008: 14.1%) held through Hwang-DBS (Malaysia) Bhd. There is no control over indirect shareholding, thus consolidation was not applied*

The significant operating special purpose entities controlled and consolidated 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. Constellation Investment Ltd	Issuance of structured notes	Cayman Islands

Basel II Pillar 3 Disclosures

Year ended 31 December 2009

DBS Group Holdings Ltd and its subsidiaries (the Group) have adopted Basel II as set out in the revised Monetary Authority of Singapore Notice to Banks No. 637 (Notice on Risk Based Capital Adequacy Requirements for Banks incorporated in Singapore or MAS Notice 637) with effect from 1 January 2008.

The Group views Basel II as part of continuing efforts to strengthen its risk management culture and ensure that the Group pursues business growth across segments and markets with the right risk management discipline, practices and processes in place.

The following information concerning the Group's risk exposures, risk management practices and capital adequacy is disclosed as accompanying information to the annual report, and does not form part of the audited accounts.

1 SCOPE OF APPLICATION

The Group applies the Basel II Internal Ratings-Based Approach (IRBA) for computing part of its regulatory capital requirements for credit risk. Approved wholesale portfolios are on the Foundation IRBA, while the approved retail portfolios are on the Advanced IRBA. Most of the remaining credit exposures are on the Standardised Approach. The Group also adopts the Standardised Approach for operational and market risks.

The Group's capital requirements are generally based on the principles of consolidation adopted in the preparation of its financial statements, as discussed in Note 2.2 to the Financial Statements, except where deductions from eligible capital are required under MAS Notice 637 or where entities meet separation requirements set by the MAS. Refer to Note 52 to the Financial Statements for the list of consolidated entities.

Certain subsidiaries are subject to minimum capital requirements imposed by their respective regulatory agencies. During the course of the year, these subsidiaries did not experience any impediments in the distribution of dividends.

2 REGULATORY CAPITAL MANAGEMENT

2.1 Key capital management principles

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 the Capital and Balance Sheet Committee, includes periodic reviews of both the demand for and supply of capital across the Group. 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.

2.2 Capital structure and adequacy

The following table sets forth details on the capital resources and capital adequacy ratios for the Group as at 31 December 2009. MAS Notice 637 sets out the current requirements relating to the minimum capital adequacy ratios for a bank incorporated in Singapore and the methodology for calculating these ratios. The Group's Tier 1 and total capital adequacy ratios as at 31 December 2009 were 13.1% and 16.7% respectively, which are above the MAS minimum requirements of 6.0% and 10.0%.

The constituents of total eligible capital are set out in MAS Notice 637 Part VI. These include shareholders' funds after regulatory-related adjustments, minority interests, and eligible capital instruments issued by the Group. Refer to Notes 35 and 38 to the Financial Statements for the terms of these capital instruments.

In $ millions	2009
Tier 1 capital	
Share capital	8,435
Disclosed reserves	16,802
Paid-up non-cumulative preference shares	1,100
Minority interests	408
Innovative Tier 1 instruments	2,618
Less: Deductions from Tier 1 capital	
Goodwill and deferred tax assets	5,970
Other deductions (50%)	128
Eligible Tier 1 capital	23,265
Tier 2 capital subject to limits	6,491
Less: Deductions from Tier 2 capital	
Other deductions (50%)	128
Total eligible capital	29,628
Risk-Weighted Assets (RWA)	
Credit	137,389
Market	28,669
Operational	11,164
Total RWA	177,222
Tier 1 Capital Adequacy Ratio (%)	13.1
Total Capital Adequacy Ratio (%)	16.7

In $ millions	RWA 2009
Credit risk:	
Internal ratings-based approach (IRBA)	
Retail exposures	
Residential mortgage exposures	3,121
Qualifying revolving retail exposures	1,821
Other retail exposures	1,360
Wholesale exposures	
Sovereign exposures	3,005
Bank exposures	11,627
Corporate exposures	52,671
Corporate small business exposures	2,424
Specialised lending exposures	20,508
Equity exposures	5,087
Securitisation exposures	57
Total IRBA RWA	101,681
Adjusted IRBA RWA post scaling factor of 1.06	107,782
Standardised approach (SA)	
Residential mortgage exposures	674
Regulatory retail exposures	765
Corporate exposures	16,240
Private equity and venture capital (PE/VC) investment exposures	155
Other exposures	
Real estate, premises, equipment and other fixed assets	1,532
Exposures to individuals	5,979
Others	4,262
Total SA RWA	29,607
Total RWA for credit risk	137,389
Market risk:	
Standardised approach (SA)	
Interest rate risk	21,616
Equity position risk	251
Foreign exchange risk	6,800
Commodity risk	2
Total RWA for market risk	28,669
Operational risk standardised approach	11,164
Total RWA	177,222

3 CREDIT RISK - GENERAL DISCLOSURES

3.1 Credit risk management

Credit risk is the risk of loss resulting from the failure of borrowers or counterparties to meet their debt or contractual obligations. Credit exposure can arise from financial activities including lending, sales, trading, derivatives, payment transactions and securities settlements.

The Group Credit Risk Committee serves as an executive forum for discussion on credit trends and all aspects of credit risk management, including the identification, measurement, monitoring, mitigation and control processes.

The Group Credit Risk Committee sets and ensures adherence to the credit limits and policies at the country, sector and business levels. An enterprise-wide Core Credit Risk Policy sets forth the principles by which the Group conducts its credit risk management activities. The Policy ensures consistency in credit risk underwriting across the Group, and provides guidance in the formulation of business-specific credit policies.

Consumer credit risks are generally managed on a portfolio basis. Each account is assigned to a risk pool, taking into consideration factors such as borrower characteristics and collateral type. On the other hand, wholesale credit risks are analysed individually and approved by experienced credit officers who consider a number of factors related to the borrower's financial condition in the identification and assessment of credit risk. Exposures are monitored on a regular basis so that deteriorating exposures are systematically identified and appropriate remedial actions can be taken.

Credit control functions ensure that credit risks are being taken and maintained in compliance with group-wide credit policies and guidelines. These functions ensure proper activation of approved limits, appropriate endorsement of excesses and policy exceptions, and also monitor compliance with credit standards and/or credit covenants established by management and/or regulators.

An independent credit risk review team conducts regular reviews of credit exposures and judgmental credit risk management processes. It also conducts independent validation of internal credit risk rating processes on an annual basis. These reviews provide senior management with objective and timely assessments of the effectiveness of credit risk management practices and ensure group-wide policies, internal rating models and guidelines are being adopted consistently across different business units including relevant subsidiaries.

Stress testing of credit risk has assumed increasing importance in the discipline of credit risk management. DBS uses credit risk stress testing approaches to assess the vulnerability of the portfolio to "exceptional but plausible" adverse credit risk events.

3.2 Country risk

The principles and approach in the management of cross-border risk are set out in the Group's Country Risk Management Framework. The Framework includes an internal country (and sovereign) risk rating system where the assessments are made independent of business decisions. Benchmark country limits are set to alert the Group when exposures rise to levels that may imply concentration risk. Day-to-day operational country limits, called working limits, are also imposed to manage the shape and growth of the cross-border exposures as they build up. A rigorous scanning process is established, with the objective of adjusting country exposures according to risks perceived at the global, regional and country level. There are close consultations with the businesses and credit management in right sizing cross-border exposures to take into account not only risks and opportunities, but also the strategic intent of the Group.

3.3 Summary of credit exposures[(a)]

The following table summarises the Group's credit exposures:

In $ millions	2009 Exposures
Advanced IRBA	
Retail exposures	
Residential mortgage exposures	35,019
Qualifying revolving retail exposures	3,885
Other retail exposures	3,073
Foundation IRBA	
Wholesale exposures	
Sovereign exposures	44,672
Bank exposures	47,373
Corporate exposures	77,019
Corporate small business exposures	2,723
Specialised lending exposures	18,625
IRBA for equity exposures	2,700
IRBA for securitisation exposures	312
Total IRBA	235,401
SA	
Residential mortgage exposures	1,832
Regulatory retail exposures	1,012
Corporate exposures	16,926
PE/VC investment exposures	78
Other exposures	
Real estate, premises, equipment and other fixed assets	1,532
Exposures to individuals	5,954
Others	6,718
Total SA	34,052
Total	**269,453**

(a) *Amounts represent exposures after credit risk mitigation and where applicable include on-balance sheet amounts and credit equivalent amounts of off-balance sheet items determined in accordance with MAS Notice 637*

Refer to Notes 46 and 48 to the Financial Statements for an analysis of maximum exposures to credit risk by geographic location, industry and residual contractual maturity distribution.

4 CREDIT RISK ASSESSED USING INTERNAL RATINGS-BASED APPROACH

4.1 Scope of application

The Group adopts various rating systems for the different asset classes under IRBA. There is a robust governance process for the development and approval of a credit risk model. Credit risk models developed are validated by an independent risk unit in the Group to ensure they are fit for purpose. The models are placed through a rigorous review process prior to endorsement by the Group Credit Risk Committee and have to be approved by the Board Risk Management Committee before use.

To ensure the adequacy and robustness of these rating systems on an ongoing basis, Risk Management Group – Credit Portfolio Analytics conducts monthly performance monitoring on these rating systems and reports the results to the Group Credit Risk Committee. This process will highlight any material deterioration in the credit systems for management attention. In addition, an independent risk unit, Risk Management Group – Model Validation, conducts formal validation annually for each of the rating systems. The validation processes are also subject to an independent review by Group Audit.

The internal credit risk ratings produced by credit rating models are used to calculate the IRBA capital requirements. In addition, the ratings from the credit models are used as the basis to support the underwriting of credit, monitor the performance of the portfolios and determine business strategies.

The Group applies the supervisory Loss Given Default (LGD) estimate provided by MAS for its Foundation IRBA portfolios. These supervisory LGD estimates are used in the computation of risk weights and regulatory capital calculations for the portfolios. For its Advanced IRBA portfolios, the LGD is estimated using internal models, and used in capital calculations and risk-return assessments.

Exposure or Exposure-at-Default (EAD) is the sum of the on-balance sheet amount and/or credit equivalent of the off-balance sheet item (multiplied by a credit conversion factor) determined in accordance with MAS Notice 637.

4.2 Retail exposures

Retail portfolios under the Advanced IRBA are categorised into asset classes, namely Residential Mortgages, Qualifying Revolving Retail Exposures and Other Retail Exposures, which includes vehicle loans extended to individuals.

Within each asset class, exposures are managed on a portfolio basis. Each account is assigned to a risk pool, taking into consideration factors such as borrower characteristics and collateral type. Loss estimates are based on historical default and realised losses within a defined period. The definition of default is applied at the level of a particular facility, rather than at the level of the obligor. Business-specific credit risk policies and procedures including underwriting criteria, scoring models, approving authorities, frequency of asset quality and business strategy reviews, as well as systems, processes and techniques to monitor portfolio performance against benchmarks are in place. Credit Risk models for secured loans are used to update the risk level of each loan on a monthly basis, reflecting the broad usage of risk models in portfolio quality reviews in accordance with Basel II principles.

The following tables summarise the Group's retail credit exposures measured using IRBA as at 31 December 2009:

(A) Residential mortgage exposures

Expected Loss (EL) % range	Exposures[a] (In $ millions)	Exposure-weighted average risk weight[b] (%)
Up to 0.10%	30,505	6
> 0.10% to 0.50%	4,133	24
> 0.50%	381	70
Total	**35,019**	**9**

(a) Includes undrawn commitments set out in table (D) below
(b) Percentages disclosed are before the application of IRBA scaling factor

(B) Qualifying revolving retail exposures

EL % range	Exposures[a] (In $ millions)	Exposure-weighted average risk weight[b] (%)
Up to 5%	3,599	28
> 5%	286	285
Total	**3,885**	**47**

(a) Includes undrawn commitments set out in table (D) below
(b) Percentages disclosed are before the application of IRBA scaling factor

(C) Other retail exposures

EL % range	Exposures (In $ millions)	Exposure-weighted average risk weight[a] (%)
Up to 0.30%	1,223	19
> 0.30%	1,850	61
Total	**3,073**	**44**

(a) Percentages disclosed are before the application of IRBA scaling factor

(D) Undrawn commitment for retail exposures

In $ millions	Notional amount	Credit equivalent amount[a]
Qualifying revolving retail exposures	7,998	2,893
Residential mortgage exposures	4,923	4,923
Total	**12,921**	**7,816**

(a) Credit equivalent amount represents notional amounts multiplied by the applicable credit conversion factors

4.3 Wholesale exposures

Wholesale exposures comprise sovereign, bank, corporate, corporate small business, specialised lending and securitisation exposures. These exposures are assessed under the Foundation IRBA. The risk ratings for the wholesale exposures (other than securitisation exposures) have been mapped to likely corresponding external rating equivalents. A description of the rating grades is provided in the following table to give a qualitative explanation of the risk benchmarks.

Sovereign exposures are risk rated using internal risk rating models and guidelines in line with IRBA portfolios. Country specific macro-economic risk factors, political risk factors, social risk factors and liquidity risk factors are reviewed objectively in the sovereign rating models to assess the sovereign credit risk in a disciplined and systematic approach.

Bank exposures are assessed using a bank rating model covering various credit risk factors such as capital levels and liquidity, asset quality, earnings, management and market sensitivity. The risk ratings derived are benchmarked against external credit risk ratings to ensure that the internal rating systems are well-aligned and appropriately calibrated.

Individual corporate credit are assessed using approved credit models, and reviewed and analysed by experienced credit approvers taking into consideration the relevant credit risk factors. Large corporate credits are assessed using approved models as well as reviews by designated credit approvers. Credit factors considered in the risk assessment process include the obligor's financial standing and outlook, industry and economic conditions, market position, access to capital and management strength. The Counterparty Risk Rating assigned to smaller business borrowers is primarily based on the borrower's financial position and strength, which are assessed via the use of a validated quantitative tool. This is supplemented by expert judgement of qualitative factors, such as management strength, by credit officers.

Basel II Pillar 3 Disclosures

Year ended 31 December 2009

Credit ratings under the IRBA portfolios are, at a minimum, reviewed on an annual basis unless credit conditions require more frequent assessment. The Counterparty Risk Rating process is reinforced by the Facility Risk Rating Systems which considers other exposure risk mitigants, such as collateral, third party guarantees and transfer risk.

A default is considered to have occurred with regard to a particular obligor when either or both of the two following events have taken place:

- Subjective default: Obligor is unlikely to pay its credit obligations in full, without recourse by the Group to actions such as realising security (if held).

- Technical default: Obligor is past due more than 90 days on any credit obligation to the Group.

This is consistent with the guidance provided under MAS Notice 637.

A description of the internal ratings used for the various portfolios is as follows:

DBS Group PD Grade (ACRR)	Description of Rating Grade	Internal Classification	Likely Corresponding MAS Classification	Likely Corresponding S&P Rating Equivalent
PD Grade 1	Taking into account the impact of relevant economic, social or geopolitical conditions, capacity to meet its financial commitment is exceptional	Exceptional	Passed	AAA
PD Grade 2	Taking into account the impact of the relevant economic, social or geopolitical conditions, capacity to meet its financial commitment is excellent	Excellent	Passed	AA+, AA, AA-
PD Grade 3	More susceptible to adverse economic, social, geopolitical conditions and other circumstances. Capacity to meet its financial commitment is strong	Strong	Passed	A+, A, A-
PD Grade 4A/4B	Adequate protection against adverse economic, social or geopolitical conditions or changing circumstances. More likely to lead to a weakened capacity of the obligor to meet its financial commitment	Good	Passed	BBB+/BBB
PD Grade 5	Relatively worse off than an obligor rated "4B" but exhibits adequate protection parameters	Satisfactory	Passed	BBB-
PD Grade 6A/6B	Satisfactory capacity to meet its financial commitment but capacity may become inadequate due to adverse business, financial, economic, social or geopolitical conditions and changing circumstances	Acceptable	Passed	BB+/BB
PD Grade 7A/B	Marginal capacity to meet its financial commitment but capacity may become inadequate or uncertain due to adverse business, financial, economic, social or geopolitical conditions and changing circumstances	Marginal	Passed	BB-
PD Grade 8A	Sub-marginal capacity to meet its financial commitment. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment	Sub-Marginal	Passed	B+

DBS Group PD Grade (ACRR)	Description of Rating Grade	Internal Classification	Likely Corresponding MAS Classification	Likely Corresponding S&P Rating Equivalent
PD Grade 8B/8C	Low capacity to meet its financial commitment. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment	Special Caution	Special Mention	B/B-
PD Grade 9	Vulnerable to non-payment and is dependent upon favourable business, financial, and economic conditions for the obligor to meet its financial commitment. Likely to have little capacity to meet its financial commitment under adverse conditions	Sub-Performing	Sub-Standard (Non-Defaulting)	CCC-C
PD Grade 10 and Above	An obligor rated '10' and above is in default (as defined under Basel II)	Default	Sub-Standard and Below (Defaulting)	D

The following tables summarise the Group's wholesale credit exposures using IRBA as at 31 December 2009:

(A) Sovereign exposures

PD grade	PD range (%)	Exposures (In $ millions)	Exposure-weighted average risk weights[a] (%)
PD grade 1-3	0.00 – 0.10	43,504	5
PD grade 4A-5B	0.10 – 0.47	–	–
PD grade 6A/6B	0.47 – 1.11	778	68
PD grade 7A-9	1.11 – 99.99	390	106
Total		**44,672**	**7**

(a) Percentages disclosed are before the application of IRBA scaling factor

(B) Bank exposures

PD grade	PD range (%)	Exposures (In $ millions)	Exposure-weighted average risk weights[a] (%)
PD grade 1-3	0.03[b] – 0.10	27,363	11
PD grade 4A/4B	0.10 – 0.33	12,550	33
PD grade 5	0.33 – 0.47	3,462	47
PD grade 6A/6B	0.47 – 1.11	2,964	66
PD grade 7A-9	1.11 – 99.99	939	101
PD 10	Default	95	–
Total		**47,373**	**25[c]**

(a) Percentages disclosed are before the application of IRBA scaling factor
(b) For bank exposures, the PD is the greater of the one-year PD associated with the internal borrower grade to which that exposure is assigned, or 0.03% as specified in MAS Notice 637
(c) Excludes default exposures

(C) Corporate exposures

PD grade	PD range (%)	Exposures (In $ millions)	Exposure-weighted average risk weights[a] (%)
PD grade 1-3	0.03[b] – 0.10	11,289	18
PD grade 4A/4B	0.10 – 0.33	7,563	43
PD grade 5	0.33 – 0.47	11,370	53
PD grade 6A/6B	0.47 – 1.11	20,001	70
PD grade 7A-9	1.11 – 99.99	24,518	111
PD 10	Default	2,278	–
Total		**77,019**	**70[c]**

(a) Percentages disclosed are before the application of IRBA scaling factor
(b) For corporate exposures, the PD is the greater of the one-year PD associated with the internal borrower grade to which that exposure is assigned, or 0.03% as specified in MAS Notice 637
(c) Excludes default exposures

(D) Corporate small business [(a)] exposures

PD grade	PD range (%)	Exposures (In $ millions)	Exposure-weighted average risk weights[(b)] (%)
PD grade 1-3	0.03[(c)] – 0.10	–	–
PD grade 4A/4B	0.10 – 0.33	5	31
PD grade 5	0.33 – 0.47	79	51
PD grade 6A/6B	0.47 – 1.11	655	65
PD grade 7A-9	1.11 – 99.99	1,896	103
PD 10	Default	88	–
Total		**2,723**	**92[(d)]**

(a) Corporate small business refers to corporations with reported annual sales of less than S$100 million as defined under MAS Notice 637

(b) Percentages disclosed are before the application of IRBA scaling factor

(c) For corporate small business exposures, the PD is the greater of the one-year PD associated with the internal borrower grade to which that exposure is assigned, or 0.03% as specified in MAS Notice 637

(d) Excludes default exposures

4.4 Specialised lending exposures

Specialised lending IRBA portfolios, consisting of income-producing real estate finance, project finance, object finance, hotel finance and structured trade/commodities finance, adopt the supervisory slotting criteria specified under Annex 7V of MAS Notice 637. The supervisory slotting criteria guidelines under the supervisory rating categories are used to determine the risk weights to calculate the credit risk-weighted exposures.

The following table summarises the Group's specialised lending exposures as at 31 December 2009:

2009	RWA (In $ millions)	Exposures (In $ millions)	Exposure-weighted average risk weights[(a)] (%)
Strong	2,080	3,858	54
Good	5,338	7,257	74
Satisfactory	4,286	3,727	115
Weak	8,804	3,522	250
Default	–	261	–
Total	**20,508**	**18,625**	**112[(b)]**

(a) Percentages disclosed are before the application of IRBA scaling factor

(b) Excludes default exposures

4.5 Securitisation exposures

As at 31 December 2009, the Group does not have significant investments in securitised assets. Additionally, the Group is not active in securitisation activities that are motivated by credit risk transfer or other strategic considerations.

The Group's investments in securitised assets are accounted for using the principles of Financial Reporting Standards (FRS) 39. Refer to Note 2.7 to the Financial Statements for the Group's accounting policies on financial assets.

Where securitised assets are rated by external rating agencies, the Ratings-Based Method (RBM) is used to calculate the risk weights of the exposures. The Group only accepts ratings from Standard & Poor's, Moody's and Fitch for such exposures.

The table below sets out the securitisation exposures (net of specific allowances) purchased by the Group, analysed by risk weights:

2009 In $ millions	Exposures subject to Rating-Based Method (RBM)	Exposures not subject to RBM	RWA	Deductions from Tier 1 and Tier 2 capital
Risk weights				
0% – 12%	18	–	1	–
15% – 18%	93	–	15	–
20% – 50%	131	–	30	–
60% – 650%	14	–	11	–
Deducted	48	8	–	56
Total	**304**	**8**	**57**	**56**

The table below sets out the securitisation exposures (net of specific allowances) purchased by the Group, analysed by exposure type:

2009 In $ millions	Total exposures	Exposures risk-weighted	Deductions from Tier 1 and Tier 2 capital
Exposure type			
ABS collateralised debt/loan obligations (CDO)	76	28	48
Non-ABS CDO, Mortgage-Backed Securities (MBS) and others	236	228	8
Total	**312**	**256**	**56**

4.6 Provisioning policies for past due and impaired exposures

Refer to the Notes to the Financial Statements listed in the following table for the Group's provisioning policies in relation to past due and impaired exposures.

Notes to the Financial Statements	Financial disclosures
2.8	The Group's accounting policies on the assessment of specific and general allowances on financial assets
46.3	Classified loans and past due loans by geographic and industry distribution
13, 20, 21 and 33	Movements in specific and general allowances during the year for the Group

4.7 Comparison of Expected Loss against Actual Losses

The following table sets out the actual loss incurred in 2009 compared with expected loss reported for certain IRBA asset classes at December 2008. Actual loss refers to specific impairment loss allowance and charge-offs to the Group's income statement during the financial year ended 31 December 2009.

Basel Asset Class	31 Dec 08 Expected Loss In $ millions	2009 Actual Loss In $ millions
Wholesale Exposures		
Sovereigns	7	–
Banks	56	33
Corporates (including SME & Specialised Lending)	731	739
Retail Exposures		
Residential Mortgage Loans ("RML")	21	6
Auto-loans	9	7

Expected Loss is a Basel II measure of expected future losses based on Internal Ratings-Based (IRB) models where PDs are more through-the-cycle and LGDs are on a downturn basis, floored by regulatory minimums. Actual Loss is an accounting construct which includes impairment allowances for new loans originated, other incremental impairment provisions on defaulted exposures and charge-offs during the year. The two measures of loss are therefore not directly comparable.

4.8 IRB Model performance

As estimated IRB parameters are based on a through-the-cycle methodology, it is inappropriate to assess performance based solely on 2009 experience and observations.

5 CREDIT RISK ASSESSED USING STANDARDISED APPROACH

5.1 Scope of application

The Group applies the SA for portfolios which are individually immaterial in terms of both size and risk profile and for transitioning portfolios. These portfolios include:

- IRBA-transitioning retail and wholesale exposures
- IRBA-exempt retail exposures
- IRBA-exempt wholesale exposures

The transitioning retail exposures are expected to transition to the Advanced IRBA over the next few years, subject to certification by MAS. In the meantime, the SA has been applied.

The portfolios under the SA are subject to the Group's overall governance framework and credit risk management practices. Under this framework, the Group continues to monitor the size and risk profile of these portfolios and will look to enhance risk measurement processes should these risk exposures become material.

The Group uses external ratings for credit exposures under the SA, where relevant, and the Group only accepts ratings from Standard & Poor's, Moody's and Fitch's in such cases. The Group follows the process prescribed in MAS Notice 637 to map the ratings to the relevant risk weights.

5.2 Exposures by risk weights

The following table represents the exposures under SA (excluding PE/VC investment exposures disclosed in Note 10 of the Basel II Pillar 3 Disclosures), analysed by risk weights:

In $ millions	2009 Exposures
Risk weights	
0%	2,090
20%	454
35%	1,782
50%	1,444
75%	1,001
100%	27,080
150%	123
Total	**33,974**

6 CREDIT RISK MITIGATION

Credit risk mitigation techniques are taken into account when determining credit RWA. Exposures are adjusted for eligible financial collateral or other eligible collaterals allowed under MAS Notice 637.

Recognised collaterals include both financial and physical assets. Financial collaterals consist of mainly cash deposits, debt securities and shares, while physical collaterals include land and buildings, vehicles and equipment.

Eligible credit protection is also used to abate credit losses upon default. Refer to Note 46 to the Financial Statements for the policies and procedures on credit risk mitigation techniques. The Group adopts the comprehensive approach for credit risk mitigation and the impact on PD or LGD is based on the same guidelines for Foundation IRBA portfolios.

The following table summarises the extent to which credit exposures are covered by eligible financial collateral, other eligible collateral and eligible credit protection after the application of haircuts:

2009 In $ millions	Eligible financial collateral	Other eligible collateral	Amount by which credit exposures have been reduced by eligible credit protection
Foundation IRBA			
Wholesale exposures			
Sovereign exposures	109	–	–
Bank exposures	671	–	86
Corporate exposures	2,471	3,523	2,536
Corporate small business exposures	203	1,131	150
Sub-total	3,454	4,654	2,772
SA			
Residential mortgage exposures	165	–	–
Regulatory retail exposures	158	1	1
Corporate/other exposures	2,803	62	687
Sub-total	3,126	63	688
Total	**6,580**	**4,717**	**3,460**

The above table excludes exposures where collateral has been taken into account directly in the risk weights, such as the specialised lending and residential mortgage exposures. It also excludes exposures where the collateral generally considered as eligible under Basel II may not meet the required legal/operational standards e.g. in the case of legal enforcement uncertainty in specific jurisdictions. Certain exposures where the collateral is eligible under Foundation IRBA and not under SA have also been excluded for portfolios where the SA is applied (for example, exposures collateralised by commercial properties).

7 COUNTERPARTY CREDIT RISK-RELATED EXPOSURES

7.1 Notional principal amounts of credit derivatives

In $ millions	Notional of Credit Derivatives Protection Bought	Protection Sold
Own Credit Portfolio	33,884	31,619
Client Intermediation Activities	15,104	14,725
Total	**48,988**	**46,344**
Credit default swaps	48,863	46,344
Total return swaps	125	–
Total	**48,988**	**46,344**

Notional values of credit derivatives do not accurately reflect their economic risks. They comprise both beneficiary and guarantor (buy and sell protection) positions.

The Group generally has a mismatch between the total notional amounts of protection bought and sold as these credit derivatives are used to hedge risks from other instruments, including those from customer flows. The protection sold in credit derivatives are largely matched with the protection bought after notional amounts are adjusted either to a duration-based equivalent basis, or to reflect the level of subordination in tranched structures.

The Group actively monitors its counterparty credit risk in credit derivative contracts. More than 95% of the notional value of the Group's credit derivative positions as at 31 December 2009 are to 15 large, established names with which the Group maintains collateral agreements.

7.2 Counterparty risk management

Counterparty credit exposure is managed as loan exposures and included under the Group's overall lending limits to counterparties.

The Group actively monitors and manages its exposure to counterparties in over-the-counter derivative trades to protect its balance sheet in the event of counterparty default. Counterparty risk exposures which may be materially and adversely affected by market risk events are identified, reviewed, managed and highlighted to the appropriate risk committees. The current exposure method is used to calculate the Group's net credit exposure and regulatory capital for counterparty exposures, using the mark-to-market exposures and an appropriate add-on factor to account for potential future exposures.

The Group further manages its credit exposure by entering into master netting arrangements with counterparties where it is appropriate and feasible to do so. The credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that, upon an event of default, all amounts with the counterparty are settled on a net basis.

The Group may also enter into Credit Support Annexes with counterparties for credit risk reduction and increased competitiveness. These are governed by internal guidelines with respect to the eligibility of various collaterals and the frequency of collateral calls.

7.3 Credit equivalent amounts for counterparty exposures

In $ millions	2009
Replacement cost	15,963
Potential future exposure	14,817
Gross credit equivalent amount	30,780
Comprising:	
Interest rate contracts	9,644
Credit derivative contracts	6,117
Equity contracts	336
Foreign exchange contracts and gold	14,682
Commodities contracts	1
Gross credit equivalent amount	30,780
Less: Effect of netting arrangement	14,486
Credit equivalent amount after netting	16,294
Less: Collateral amount	
Eligible financial collateral	293
Other eligible collateral	1
Net credit equivalent amount	**16,000**

Counterparty credit exposure is mitigated by exposure netting through ISDA agreements and recognition of eligible collateral, the effects of which have been included in regulatory capital calculations where appropriate.

8 MARKET RISK

8.1 Market risk management

Market risk is managed in accordance with the Group's market risk management framework. Details on how the Group manages market risk, including quantitative data on the Group's VaR, may be found in Note 47 to the Financial Statements.

8.2 Capital treatment for market risk

As at 31 December 2009, the Group used the Standardised Approach to calculate market risk capital requirements under MAS Notice 637. Please refer to Note 2.2 of the Basel II Pillar 3 Disclosures for details on market risk capital requirements.

9 OPERATIONAL RISK

9.1 Operational risk management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events, including legal risk, but does not include strategic or reputational risk. An Operational Risk Management Framework, approved by the Board Risk Management Committee, has been developed 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, risk event management, key risk indicator monitoring and process risk mapping. Risk events, including any significant incidents that may impact the Group's reputation, are required to be reported based on certain established thresholds. Key risk indicators with pre-defined escalation triggers are employed to facilitate risk monitoring in a forward-looking manner.

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 as well as outsourcing initiatives are subject to a 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 and outsourcing 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 Chief Executive Officer 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 oversees the Group's operational risk management infrastructure, including the Framework, policies, processes, information, methodologies and systems. The Group Operational Risk Committee also performs regular reviews of the operational risk profiles of the Group, and endorses and recommends corporate operational risk policies to be approved by senior management.

9.2 Capital treatment for operational risk

The Standardised Approach has been adopted to calculate the operational risk RWA as at 31 December 2009.

10 EQUITY EXPOSURES IN BANKING BOOK

10.1 Scope of application

The Group's banking book equity investments consist of:

- Investments held for yield and/or long-term capital gains;
- Strategic stakes in entities held as part of growth initiatives and/or in support of business operations.

The Group's banking book equity investments are classified and measured in accordance with FRS and are categorised as either AFS investments or Investments in Associates. Refer to Notes 2.2 and 2.7 to the Financial Statements for the Group's accounting policies. Entities in which the Group holds significant interests are disclosed in Note 52 to the Financial Statements.

10.2 Capital treatment

The Group has adopted the IRBA simple risk weight method to calculate regulatory capital for equity exposures in its banking book, except for PE/VC investments which are subject to supervisory risk weights and capital deductions as set out in MAS Notice 637.

The following table summarises the Group's equity exposures, in the banking book, including investments in Tier 1 capital instruments of financial institutions:

2009 In $ millions	Exposures subject to risk-weighting	Risk weights (%)	Deductions from Tier 1 and Tier 2 Capital
Simple risk weight method			
Equities listed on MAS recognised exchanges	625	150	25
Equities not listed on MAS recognised exchanges	2,075	200	71
Sub-total	2,700	–	96
Supervisory risk weight method			
PE/VC	78	200	#
Total	**2,778**	**–**	**96**

Amount under $500,000

Details of the Group's investments in AFS securities and Associates are set out in Notes 21 and 25 to the Financial Statements respectively.

Equity exposures under the simple risk weight method are further analysed by the following equity groupings:

2009	Exposures (in $ millions)	Exposure-weighted average risk weights[(a)] (%)
Major stake companies approved under section 32 of the Banking Act	571	195
Capital investments in financial institutions incorporated in Singapore, approved, licensed, registered or otherwise regulated by the Authority <= 2% of Eligible Total Capital	35	150
Other equity exposures	2,094	187
Total	**2,700**	**188**

(a) Percentages disclosed are before the application of IRBA scaling factor

Realised gains arising from sales and liquidations of equity exposures:

In $ millions	Realised gains
2009	214

Total unrealised gains for equity that have not been reflected in the Group's income statement, but have been included in Tier 2 Capital, amounted to $87 million.

Income Statement

for the year ended 31 December 2009

In $ millions	Note	2009	2008
Income			
Interest income		**4,530**	6,077
Interest expense		**1,419**	3,078
Net interest income		**3,111**	2,999
Net fee and commission income		**952**	837
Net trading income		**287**	112
Net income/(loss) from financial instruments designated at fair value		**114**	(133)
Net income from financial investments	2	**364**	431
Other income		**9**	10
Total income		**4,837**	4,256
Expenses			
Employee benefits		**808**	782
Depreciation of properties and other fixed assets		**119**	82
Other expenses		**743**	760
Allowances for credit and other losses		**1,199**	338
Total expenses		**2,869**	1,962
Profit before tax		**1,968**	2,294
Income tax expense		**199**	356
Net profit for the year		**1,769**	1,938

(see notes on pages 150 to 151, which form part of these financial statements)

Statement of Comprehensive Income

for the year ended 31 December 2009

In $ millions	2009	2008
Net profit for the year	**1,769**	1,938
Other comprehensive income:		
Available-for-sale financial assets		
Net valuation taken to equity	**774**	(1,130)
Transferred to income statement due to impairment	**–**	16
Transferred to income statement on sale	**(323)**	(312)
Tax on items taken directly to or transferred from equity	**(71)**	242
Other comprehensive income for the year, net of tax	**380**	(1,184)
Total comprehensive income	**2,149**	754

Balance Sheet

at 31 December 2009

In $ millions	Note	2009	2008
Assets			
Cash and balances with central banks		**21,415**	14,684
Singapore Government securities and treasury bills		**15,960**	14,797
Due from banks		**19,086**	17,512
Financial assets at fair value through profit or loss		**9,976**	8,714
Positive fair values for financial derivatives		**16,212**	33,049
Loans and advances to customers		**97,074**	92,536
Financial investments		**18,774**	16,538
Securities pledged		**279**	448
Subsidiaries	3	**11,920**	12,685
Due from special purpose entities		**67**	-
Investments in joint ventures		**93**	91
Investments in associates		**884**	877
Properties and other fixed assets		**473**	534
Investment properties		**31**	-
Deferred tax assets		**77**	128
Other assets		**3,758**	4,832
Total assets		**216,079**	217,425
Liabilities			
Due to banks		**8,297**	8,013
Due to non-bank customers		**138,004**	123,885
Financial liabilities at fair value through profit or loss		**7,502**	9,569
Negative fair values for financial derivatives		**16,550**	32,746
Bills payable		**468**	681
Current tax liabilities		**672**	712
Other liabilities		**3,514**	3,685
Other debt securities in issue		–	28
Due to holding company		**2,970**	17
Due to subsidiaries	4	**8,293**	9,009
Due to special purpose entities		**224**	195
Subordinated term debts		**7,702**	9,085
Total liabilities		**194,196**	197,625
Net assets		**21,883**	19,800
Equity			
Share capital	5	**12,096**	12,096
Other reserves	6	**2,485**	2,105
Revenue reserves	6	**7,302**	5,599
Shareholders' funds		**21,883**	19,800
Total equity		**21,883**	19,800
Off-balance sheet items			
Contingent liabilities and commitments		**76,595**	71,260
Financial derivatives		**1,388,961**	1,716,365

(see notes on pages 150 to 151, which form part of these financial statements)

Notes to the Supplementary Financial Statements

for the year ended 31 December 2009

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 2009.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	2009	2008
Dividends from subsidiaries	**66**	70
Dividends from joint ventures/associates	**41**	56
Total	**107**	126

3 SUBSIDIARIES

In $ millions	2009	2008
Unquoted equity shares [(a)]	**10,810**	10,488
Less: impairment allowances	**806**	768
Sub-total	**10,004**	9,720
Due from subsidiaries	**1,916**	2,965
Total	**11,920**	12,685

(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

Movements in impairment allowances during the year are as follows:

In $ millions	2009	2008
Balance at 1 January	**768**	768
Charge to income statement	**38**	–
Balance at 31 December	**806**	768

4 DUE TO SUBSIDIARIES

In $ millions	2009	2008
Subordinated term debts issued to DBS Capital Funding Corporation (Note 4.1)	**1,118**	1,121
Subordinated term debts issued to DBS Capital Funding II Corporation (Note 4.2)	**1,500**	1,500
Due to subsidiaries	**5,675**	6,388
Total	**8,293**	9,009

4.1 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 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).

4.2 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.

5 SHARE CAPITAL

Issued and fully paid up	2009	2008
1,962,302,697 (2008 : 1,962,302,697) ordinary shares	**1,962**	1,962
11,000,000 (2008 : 11,000,000) non-cumulative non-convertible perpetual preference shares	**11**	11
Total number of shares (millions)	**1,973**	1,973
Total Share Capital (in $ millions)	**12,096**	12,096

6 OTHER RESERVES

6.1 Other reserves

In $ millions	2009	2008
Available-for-sale revaluation reserves	**125**	(255)
General reserves	**2,360**	2,360
Share plan reserves	**–**	–
Total	**2,485**	2,105

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 2009	**(255)**	**2,360**	**–**	**2,105**
Available-for-sale:				
– net valuation taken to equity	**774**	**–**	**–**	**774**
– transferred to income statement on sale	**(323)**	**–**	**–**	**(323)**
– tax on items taken directly to or transferred from equity	**(71)**	**–**	**–**	**(71)**
Balance at 31 December 2009	**125**	**2,360**	**–**	**2,485**
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

(a) The 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

6.2 Revenue reserves

In $ millions	2009	2008
Balance at 1 January	**5,599**	4,984
Net profit attributable to shareholders	**1,769**	1,938
Amount available for distribution	**7,368**	6,922
Less: Nil (2008: $0.16) tax exempt ordinary final dividends	**–**	304
Nil (2008: $0.49) tax exempt ordinary interim dividends	**–**	953
6% tax exempt preference dividends (2008: 6% tax exempt)	**66**	66
Balance at 31 December	**7,302**	5,599

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 2009, 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
Piyush Gupta	–	Chief Executive Officer (Appointed 9 November 2009)
Ang Kong Hua		
Andrew Robert Fowell Buxton		
Bart Joseph Broadman		
Christopher Cheng Wai Chee		
Euleen Goh Yiu Kiang		
Kwa Chong Seng		
John Alan Ross		
Ambat Ravi Shankar Menon	–	(Appointed 1 May 2009)
Peter Seah Lim Huat	–	(Appointed 16 November 2009)

Messrs Ang Kong Hua, John Alan Ross and Kwa Chong Seng will retire in accordance with article 95 of the Company's Articles of Association at the forthcoming Annual General Meeting (AGM). Messrs Ang Kong Hua, John Alan Ross and Kwa Chong Seng will offer themselves for re-election.

Messrs Piyush Gupta, Ambat Ravi Shankar Menon and Peter Seah Lim Huat will retire in accordance with article 101 of the Company's Articles of Association at the forthcoming AGM. Messrs Piyush Gupta, Ambat Ravi Shankar Menon and Peter Seah Lim Huat will offer themselves for re-election.

Mr Andrew Robert Fowell Buxton who is above 70 years of age is required to retire pursuant to Section 153(2) of the Companies Act, Chapter 50. Mr Buxton may be re-appointed by shareholders at the forthcoming AGM to continue office as a director until the next AGM. He has given consent to be reappointed as a director of the Company.

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 OR 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:

	Holdings in which Directors have a direct interest		Holdings in which Directors are deemed to have an interest	
	As at 31 Dec 2009	As at 31 Dec 2008 (or date of appointment if later)	As at 31 Dec 2009	As at 31 Dec 2008 (or date of appointment if later)
DBS Group Holdings Ltd (DBSH) ordinary shares				
Koh Boon Hwee	145,017	27,870	–	–
Piyush Gupta (appointed on 9 November 2009)	79,113	79,113	–	–
Ang Kong Hua	–	–	–	–
Andrew Robert Fowell Buxton	9,000	6,000	–	–
Bart Joseph Broadman	10,000	–	–	–
Christopher Cheng Wai Chee	–	–	–	–
Euleen Goh Yiu Kiang	4,185	2,790	–	–

	Holdings in which Directors have a direct interest		Holdings in which Directors are deemed to have an interest	
	As at 31 Dec 2009	As at 31 Dec 2008 (or date of appointment if later)	As at 31 Dec 2009	As at 31 Dec 2008 (or date of appointment if later)
Kwa Chong Seng	65,000	42,129	150,000	100,000
John Alan Ross	30,000	20,000	–	–
Ambat Ravi Shankar Menon (appointed on 1 May 2009)	–	–	–	–
Peter Seah Lim Huat (appointed on 16 November 2009)	15,000	15,000	–	–
DBS Bank 6% non-cumulative non-convertible perpetual preference shares				
Euleen Goh Yiu Kiang	500	500	–	–
DBS Capital Funding II Corporation 5.75% non-cumulative non-convertible non-voting guaranteed preference shares				
Kwa Chong Seng	2	2	–	–

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2010.

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 since 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 unissued ordinary shares 1 January 2009	During the year Rights Issue	Exercised	Forfeited/ Expired	Number of unissued ordinary shares 31 December 2009	Exercise price per share[a]	Expiry date
July 1999 [b]	664,244	117,122	454,652	326,714	–	$13.01	28 July 2009
March 2000	899,000	158,489	–	21,171	1,036,318	$17.75	06 March 2010
July 2000	762,000	134,325	–	21,172	875,153	$18.99	27 July 2010
March 2001	3,048,950	537,615	2,000	98,044	3,486,521	$15.05	15 March 2011
August 2001	150,400	26,522	23,527	–	153,395	$11.00	01 August 2011
March 2002	2,626,680	463,155	67,825	156,204	2,865,806	$12.53	28 March 2012
August 2002	137,900	24,311	9,410	3,529	149,272	$10.43	16 August 2012
December 2002	10,000	1,763	–	–	11,763	$9.75	18 December 2012
February 2003	2,305,100	406,421	296,649	43,288	2,371,584	$8.84	24 February 2013
March 2004	2,534,007	446,733	91,506	254,761	2,634,473	$12.53	02 March 2014
March 2005	1,234,911	221,143	66,032	75,670	1,314,352	$12.81	01 March 2015
	14,373,192	2,537,599	1,011,601	1,000,553	14,898,637		

(a) Adjusted for effects of rights issue in January 2009

(b) Expired on 28 July 2009

Directors' Report

The DBSH Share Option Plan has expired on 19 June 2009 and it was not extended or replaced. The termination of DBSH Share Option Plan will not affect the rights of holders of any outstanding existing options. Therefore, no further options were granted by the Company during 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

During the financial year, time-based awards in respect of an aggregate of 4,415,717 ordinary shares were granted pursuant to the DBSH Share Plan, to selected employees of the DBSH Group. This included 327,991 ordinary shares comprised in awards granted to directors Mr Koh Boon Hwee, Mr Piyush Gupta and the late Mr Richard Daniel Stanley. The number of ordinary shares comprised in the awards granted represents a 100% payout.

Information on the DBSH Share Plan is as follows:

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

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 time-based awards are granted, participants are awarded ordinary shares of DBSH, 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. At an Extraordinary General Meeting (the EGM) held on 8 April 2009, DBSH Share Plan was extended for another ten years, from 18 September 2009 to 17 September 2019, provided always that the DBSH Share Plan may continue beyond the above stipulated period with the approval of the shareholders of DBSH 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 DBSH.

(v) At the EGM held on 8 April 2009, the shareholders of the Company have also approved the reduction of total number of new ordinary shares of DBSH 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, from 15% to 7.5% of the total number of issued shares in the capital of DBSH (excluding treasury shares).

(vi) Subject to the prevailing legislation and SGX-ST guidelines, DBSH will have the flexibility to deliver ordinary shares of DBSH 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 DBSH 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 DBSH (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation, or distribution) or if DBSH makes a capital distribution or a declaration of a special dividend (whether in cash or in specie), upon the written confirmation of the auditor of DBSH 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 Christopher Cheng Wai Chee, Mr Ambat Ravi Shankar Menon, Ms Euleen Goh Yiu Kiang and Mr Peter Seah Lim Huat. 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 2009, the Audit Committee has discussed with management and the external auditor 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 auditor, 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 PricewaterhouseCoopers LLP (PwC) and has considered the financial, business and professional relationship between PwC and the Group. It is of the view that such relationship is compatible with maintaining PwC's independence.

The Audit Committee recommends to the Board of Directors the re-appointment of PwC as independent external auditor at the forthcoming Annual General Meeting of the Company on 30 April 2010.

INDEPENDENT AUDITOR

PricewaterhouseCoopers LLP has expressed its willingness to accept re-appointment as independent external auditor.

On behalf of the Directors

Koh Boon Hwee

Piyush Gupta

3 February 2010
Singapore

Statement by the Directors

We, Koh Boon Hwee and Piyush Gupta, 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 60 to 135, 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 2009, 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

Piyush Gupta

3 February 2010
Singapore

Independent Auditor's 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 60 to 135, which comprise the balance sheets of the Company and of the Group as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act (Cap. 50) (the Act) and Singapore Financial Reporting Standards. This responsibility includes:

(a) devising and maintaining a system of internal accounting control sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;
(b) selecting and applying appropriate accounting policies; and
(c) making accounting estimates that are reasonable in the circumstances.

Auditor's 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 as to 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 auditor's judgement, 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 auditor considers 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 management, 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,

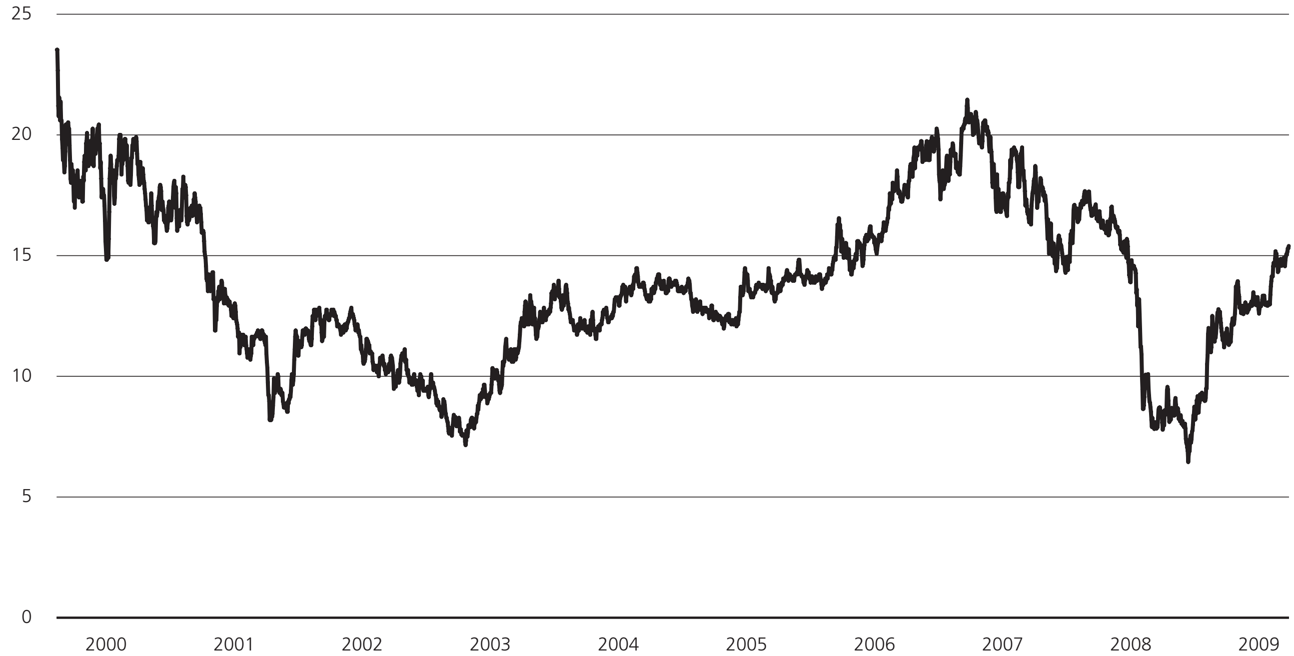
(a) the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards, including the modification of the requirements of FRS 39 Financial Instruments: Recognition and Measurement 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 Company and of the Group as at 31 December 2009 and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and

(b) 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 auditor, have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers LLP
Public Accountants and Certified Public Accountants

3 February 2010

Share Price



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Share Price ($) (1)										
High	23.21	18.02	12.67	13.18	14.28	14.28	19.21	21.17	17.55	15.40
Low	14.62	8.08	9.10	7.06	11.39	11.82	13.43	16.07	7.68	6.45
Close	16.66	11.73	9.35	12.50	13.69	14.03	19.21	17.60	8.42	15.40
Average	17.97	12.32	11.02	9.82	12.87	13.09	15.50	18.60	14.23	11.48
Per Ordinary Share ($)										
Gross dividend yield (2)	2.1	2.1	2.3	2.6	2.6	3.8	4.2	3.7	4.6	4.9
Price-to-earning ratio (number of times) (3)	18.7	20.4	15.0	11.6	11.7	14.0	12.7	13.4	12.5	12.6
Price-to-book ratio (number of times)	2.6	1.6	1.4	1.2	1.4	1.5	1.6	1.8	1.4	1.1

(1) Figures have been adjusted for rights issue in 2008 (exercised in January 2009)

(2) Dividend amounts are on gross basis prior to Fourth Quarter 2007 and on one-tier tax-exempt basis thereafter. 2000 and 2006 include special dividends of 13 cents and 4 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 (Distinction) Harvard Business School

Last date of re-election: 8 April 2009

Current Directorships of listed companies or major appointments

Company	Title
1. DBS Group Holdings Ltd	Chairman
2. DBS Bank Ltd	Chairman
3. Sunningdale Tech Ltd	Chairman
4. Agilent Technologies, Inc.	Director
5. AAC Acoustic Technologies Holdings Ltd	Chairman
6. Temasek Holdings (Pte) Ltd	Director
7. Harvard Singapore Foundation	Director
8. Nanyang Technological University Board of Trustees	Chairman
9. EDB International Advisory Council	Deputy Chairman
10. The William and Flora Hewlett Foundation	Director
11. Yeo Hiap Seng Ltd	Director
12. Yeo Hiap Seng (Malaysia) Berhad	Director

Directorships of listed companies or major appointments for the past 3 years

Company	Title
1. Pacific Internet Ltd	Director
2. Sunningdale Tech Ltd	Executive Chairman & CEO
3. Wuthelam Holdings Ltd	Chairman
4. Infiniti Solutions Ltd	Chairman
5. Lee Kuan Yew School of Public Policy	Member
6. Research, Innovation & Enterprise Council	Member
7. MediaRing Ltd	Executive Director

MR PIYUSH GUPTA
Academic and Professional Qualifications:
- Post Graduate Diploma in Management Indian Institute of Management, Ahmedabad, India
- Bachelor of Arts, Economics University of Delhi, India

Last date of re-election: Not applicable

Current Directorships of listed companies or major appointments

Company	Title
1. DBS Group Holdings Ltd	Chief Executive Officer
2. DBS Bank Ltd.	Chief Executive Officer
3. The Institute of Banking & Finance	Council Member
4. The American Chamber of Commerce in Singapore	Member, Board of Governors
5. Global Indian Foundation	Board Member
6. Sim Kee Boon Institute for Financial Economics	Advisory Board Member
7. Dr Goh Keng Swee Scholarship Fund	Director
8. The Association of Banks in Singapore	Council Member
9. MasterCard Asia/Pacific, Middle East and Africa Regional Advisory Board	Director

Directorships of listed companies or major appointments for the past 3 years

Company	Title
Nil	

MR ANG KONG HUA
Academic and Professional Qualifications:
- Bachelor of Science in Economics (2nd Class Upper Hons) University of Hull

Last date of re-election: 4 April 2007

Current Directorships of listed companies or major appointments

Company	Title
1. DBS Group Holdings Ltd	Director
2. DBS Bank Ltd	Director
3. GIC Special Investments Private Limited	Director
4. Government of Singapore Investment Corporation Private Limited	Director
5. NSL Ltd	Executive Director
6. Sembcorp Industries Ltd	Director

Further information on Directors

Directorships of listed companies or major appointments for the past 3 years

Company	Title
1. k1 Ventures Limited	Director
2. Neptune Orient Lines Ltd	Vice Chairman
3. Yantai Raffles Shipyard Limited	Director

MR BART JOSEPH BROADMAN

Academic and Professional Qualifications:

- Bachelor of Science in Agricultural and Management
  University of California at Davis
- MBA in Financial Economics
  University of Southern California,
  Graduate School of Business
- Ph.D in Financial Economics
  University of Southern California,
  Graduate School of Business

Last date of re-election: 8 April 2009

Current Directorships of listed companies or major appointments

Company	Title
1. DBS Group Holdings Ltd	Director
2. DBS Bank Ltd	Director
3. Alphadyne Asset Management Pte Ltd	Director
4. Central Provident Fund Board	Director
5. Singapore American School	Chairman

Directorships of listed companies or major appointments for the past 3 years

Company	Title
Nil	

MR ANDREW ROBERT FOWELL BUXTON

Academic and Professional Qualifications:

- Honorary Doctorate of Science
  City University, London
- Master of Arts, Politics, Philosophy, Economics
  Oxford University (Pembroke College)
- Fellow, Institute of Bankers

Last date of re-election: 8 April 2009

Current Directorships of listed companies or major appointments

Company	Title
1. DBS Group Holdings Ltd	Director
2. DBS Bank Ltd	Director
3. The Islamic Bank of Asia Limited	Director

Directorships of listed companies or major appointments for the past 3 years

Company	Title
1. CapitaLand Limited	Director
2. CapitaLand Financial Limited	Director

MR CHRISTOPHER CHENG WAI CHEE

Academic and Professional Qualifications:

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

Last date of re-election: 8 April 2009

Current Directorships of listed companies or major appointments

Company	Title
1. DBS Group Holdings Ltd	Director
2. DBS Bank Ltd	Director
3. DBS Bank (China) Limited	Director
4. The Hong Kong General Chamber of Commerce	Director
5. The Hong Kong Jockey Club	Director
6. Wing Tai Corporation Ltd	Director
7. Wing Tai Garment Industrial Holdings Ltd	Director
8. Kingboard Chemical Holdings Ltd	Director
9. NWS Holdings Ltd	Director
10. USI Holdings Ltd	Chairman
11. Winsor Properties Holdings Limited	Chairman

Directorships of listed companies or major appointments for the past 3 years

Company	Title
1. DBS Bank (Hong Kong) Ltd	Director
2. PICC Property and Casualty Company Ltd.	Director

MS EULEEN GOH YIU KIANG

Academic and Professional Qualifications:
- Institute of Chartered Accountants in England and Wales
- Institute of Taxation, UK
- Institute of Certified Public Accountant of Singapore
- Institute of Bankers, UK

Last date of re-election: 8 April 2009

Current Directorships of listed companies or major appointments

Company	Title
1. DBS Group Holdings Ltd	Director
2. DBS Bank Ltd	Director
3. Singapore Airlines Limited	Director
4. Singapore Exchange Limited	Director
5. Singapore International Foundation	Chairman, Board of Governors
6. Accounting Standards Council	Chairperson
7. Singapore Institute of International Affairs	Adviser
8. Aviva Plc	Director
9. Management Advisory Board of NUS Business School	Member

Directorships of listed companies or major appointments for the past 3 years

Company	Title
1. International Enterprise Singapore	Chairman
2. Standard Chartered Bank (Thai) pcl	Director
3. Standard Chartered Bank Malaysia Berhad	Director
4. CapitaLand Financial Limited	Deputy Chairman
5. The Institute of Banking and Finance	Council Member
6. Financial Industry Competency Standards Committee	Chairperson

MR KWA CHONG SENG

Academic and Professional Qualifications:
- Bachelor of Engineering
- University of Singapore

Last date of re-election: 30 March 2006

Current Directorships of listed companies or major appointments

Company	Title
1. DBS Group Holdings Ltd	Director
2. DBS Bank Ltd	Director
3. DBS Bank (Hong Kong) Limited	Chairman
4. ExxonMobil Asia Pacific Pte Ltd	Chairman & MD
5. Temasek Holdings (Pte) Ltd	Deputy Chairman
6. Sinopec SenMei (Fujian) Petroleum Company Limited	Director
7. Public Service Commission	Member

Directorships of listed companies or major appointments for the past 3 years

Company	Title
Nil	

MR AMBAT RAVI SHANKAR MENON

Academic and Professional Qualifications:
- Master in Public Administration
  Havard University
- Bachelor of Social Science (Economics)
  National University of Singapore

Last date of re-election: Not applicable

Current Directorships of listed companies or major appointments

Company	Title
1. DBS Group Holdings Ltd	Director
2. DBS Bank Ltd.	Director
3. National Research Foundation	Director
4. Institute of South Asian Studies	Member, Management Board
5. Singapore Indian Development Association	Member, Board of Trustees
6. Singapore-India Partnership Foundation	Member & Director
7. Singapore Cooperation Enterprise	Deputy Chairman
8. Centre for International Law	Member, Governing Board

Directorships of listed companies or major appointments for the past 3 years

Company	Title
1. Central Provident Fund Board	Deputy Chairman
2. Civil Service College	Director

Further information on Directors

MR JOHN ALAN ROSS

Academic and Professional Qualifications:

– Master of Business Administration
  The Wharton School of The University of Pennsylvania
– Bachelor of Arts
  Hobart & William Smith Colleges

Last date of re-election: 2 April 2008

Current Directorships of listed companies or major appointments

Company	Title
1. DBS Group Holdings Ltd	Director
2. DBS Bank Ltd	Director
3. DBS Bank (China) Limited	Chairman

Directorships of listed companies or major appointments for the past 3 years

Company	Title
Nil	

MR PETER SEAH LIM HUAT

Academic and Professional Qualifications:

– Bachelor of Business Administration (Honours)
  National University of Singapore

Last date of re-election: Not applicable

Current Directorships of listed companies or major appointments

Company	Title
1. DBS Group Holdings Ltd	Director
2. DBS Bank Ltd.	Director
3. CapitaLand Limited	Deputy Chairman
4. Fullerton Financial Holdings Pte. Ltd.	Deputy Chairman
5. Starhub Ltd.	Director
6. Sembcorp Industries Ltd	Chairman
7. Singapore Technologies Engineering Ltd	Chairman
8. STT Communications Ltd	Deputy Chairman
9. STATS ChipPac Ltd	Director
10. Global Crossing Limited	Deputy Chairman
11. Government of Singapore Investment Corporation Pte Ltd	Director
12. Singapore Health Services Pte Ltd	Chairman
13. LaSalle Foundation Limited	Chairman
14. Alliance Bank Malaysia Berhad	Director
15. Bank of China Limited	Director
16. GIC Special Investments Private Limited	Director
17. Defence Science & Technology Agency	Member
18. S Rajaratnam School of International Studies	Member, Board of Governors
19. Singapore Chinese Chamber of Commerce & Industry	Sr Hon Council Member
20. Singapore-British Business Council	Deputy Co-Chairman
21. Temasek Holdings (Private) Limited	Advisory Panel

Directorships of listed companies or major appointments for the past 3 years

Company	Title
1. The National Kidney Foundation	Director
2. Chinese Chamber Realty Private Limited	Director
3. Singapore Computer Systems Limited	Chairman
4. PT Bank Internasional Indonesia Tbk	President Commissioner
5. PT Indosat Tbk	President Commissioner
6. EDB Investments Pte Ltd	Director
7. Chartered Semiconductor Manufacturing Ltd	Director

Shareholding Statistics

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

				As at 15 March 2010
Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	4,213	9.31	1,209,168	0.05
1,000 – 10,000	36,947	81.65	100,940,370	4.42
10,001 – 1,000,000	4,053	8.96	135,088,500	5.92
1,000,001 & above	37	0.08	2,045,541,805	89.61
Total	45,250	100.00	2,282,779,843	100.00
Location of Shareholders				
Singapore	42,827	94.65	2,263,426,737	99.15
Malaysia	1,427	3.15	10,199,763	0.45
Overseas	996	2.20	9,153,343	0.40
Total	45,250	100.00	2,282,779,843	100.00

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

	Name of Shareholders	No. of Shareholdings	%
1	Citibank Nominees Singapore Pte Ltd	420,754,740	18.43
2	DBS Nominees Pte Ltd	379,573,703	16.63
3	Maju Holdings Pte. Ltd.	351,745,560	15.41
4	Temasek Holdings (Private) Ltd	278,510,692	12.20
5	DBSN Services Pte Ltd	227,126,909	9.95
6	HSBC (Singapore) Nominees Pte Ltd	141,980,709	6.22
7	United Overseas Bank Nominees Pte Ltd	80,667,497	3.53
8	Raffles Nominees (Pte) Ltd	43,225,758	1.89
9	DB Nominees (S) Pte Ltd	16,977,670	0.74
10	Lee Pineapple Company Pte Ltd	12,500,000	0.55
11	BNP Paribas Securities Services Singapore Branch	10,727,958	0.47
12	Merrill Lynch (Singapore) Pte Ltd	9,541,269	0.42
13	Lee Foundation	8,836,000	0.39
14	Morgan Stanley Asia (Singapore) Securities Pte Ltd	6,927,225	0.30
15	DBS Vickers Securities (S) Pte Ltd	5,557,315	0.24
16	UOB Kay Hian Pte Ltd	4,239,583	0.19
17	BNP Paribas Nominees Singapore Pte Ltd	3,787,424	0.17
18	KEP Holdings Limited	3,750,000	0.16
19	TM Asia Life Singapore Ltd – Par Fund	3,380,000	0.15
20	Phillip Securities Pte Ltd	3,222,084	0.14
	Total	**2,013,032,096**	**88.18**

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 99,713,061 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 180,654 NVCPS: Maju Holdings Pte. Ltd.

Shareholding Statistics

Substantial ordinary shareholders (As shown in the Register of Substantial Shareholders as at 15 March 2010)

	Direct interest No. of Shares	%	Deemed interest No. of Shares	%
Maju Holdings Pte. Ltd.	351,745,560	15.41	0	0.00
Temasek Holdings (Private) Limited	278,510,692	12.20	357,247,299	15.65

1. Maju Holdings Pte. Ltd. (“Maju”) is a wholly-owned subsidiary of Temasek Holdings (Private) Limited (“Temasek”).

2. Temasek, a company wholly-owned by Minister for Finance (Incorporated), is deemed to be interested in 357,247,299 ordinary shares in which its subsidiaries and associated companies have or are deemed to have interests. The breakdown is as follows:

   a. Maju – 351,745,560 shares (15.41%).
   b. DBS Group Holdings Ltd (DBSH) – 1,732,739 shares (0.08%), in which associated companies in DBSH group is deemed to have an interest.
   c. Singapore Airlines Limited – 13,000 shares (0.00%), a subsidiary of Temasek.
   d. ST Asset Management Ltd – 6,000 shares (0.00%), a subsidiary of Temasek.
   e. Keppel Corporation Limited – 3,750,000 shares (0.16%) held by Kep Holdings Ltd, a subsidiary of Keppel Corporation Limited (“KCL”). KCL is an associated company of Temasek.

3. Percentage shareholding is based on issued share capital as at 15 March 2010.

As at 15 March 2010, approximately 72.06% of DBSH's issued ordinary shares is held by the public and, therefore, Rule 723 of the Listing Manual is complied with.

Financial Calendar

29 April 2009	Payment date of 2008 Final Dividend on Ordinary Shares
4 June 2009	Payment date of 2009 first quarter Dividend on Ordinary Shares, Non-Voting Convertible Preference Shares and Non-Voting Redeemable Convertible Preference Shares
4 September 2009	Payment date of 2009 second quarter Dividend on Ordinary Shares, Non-Voting Convertible Preference Shares and Non-Voting Redeemable Convertible Preference Shares
4 December 2009	Payment date of 2009 third quarter Dividend on Ordinary Shares, Non-Voting Convertible Preference Shares and Non-Voting Redeemable Convertible Preference Shares
31 December 2009	Financial Year End
8 May 2009	Announcement of first quarter results for 2009
7 August 2009	Announcement of second quarter results for 2009
6 November 2009	Announcement of third quarter results 2009
5 February 2010	Announcement of full year results 2009
30 April 2010	Annual General Meeting
May 2010	Announcement of first quarter results for 2010
July 2010	Announcement of half year results 2010
November 2010	Announcement of third quarter results for 2010
February 2011	Announcement of full year results 2010