Company Registration No. 196800306E

Statutory Accounts

DBS BANK LTD AND ITS SUBSIDIARIES

(Incorporated in Singapore)

For the Year Ended 31 December 2008

Financial Statements
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DBS BANK LTD AND ITS SUBSIDIARIES
INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

In $ millions	Note	Bank Group 2008	Bank Group 2007	Bank 2008	Bank 2007
Income					
Interest income		8,122	9,090	6,077	6,581
Interest expense		3,821	4,983	3,078	3,800
Net interest income	5	4,301	4,107	2,999	2,781
Net fee and commission income	6	1,274	1,462	837	806
Net trading (loss)/income	7	(187)	180	112	365
Net income/(loss) from financial instruments designated at fair value	8	210	(86)	(133)	15
Net income from financial investments	9	367	450	431	578
Other income	10	88	49	10	4
Total income		6,053	6,162	4,256	4,549
Expenses					
Employee benefits	11	1,301	1,384	782	873
Depreciation of properties and other fixed assets	28	149	126	82	72
Other expenses	12	1,205	1,106	760	737
Allowances for credit and other losses	13	888	617	338	816
Total expenses		3,543	3,233	1,962	2,498
Share of profits of associates		75	110	-	-
Profit before tax		2,585	3,039	2,294	2,051
Income tax expense	14	446	589	356	428
Net profit for the year		2,139	2,450	1,938	1,623
Attributable to:					
Shareholders		1,997	2,334	1,938	1,623
Minority interests		142	116		
		2,139	2,450	1,938	1,623

(see notes on pages 6 to 84, which form part of these financial statements)

DBS BANK LTD AND ITS SUBSIDIARIES
BALANCE SHEETS AT 31 DECEMBER 2008

In $ millions	Note	Bank Group 2008	Bank Group 2007(a)	Bank 2008	Bank 2007
ASSETS					
Cash and balances with central banks	16	15,790	18,564	14,684	17,680
Singapore Government securities and treasury bills	17	14,797	15,433	14,797	15,433
Due from banks		20,467	22,910	17,512	16,833
Financial assets at fair value through profit or loss	18	9,401	19,543	8,714	17,389
Positive replacement values for financial derivatives	41	32,328	13,119	33,049	13,714
Loans and advances to customers	19	125,841	106,344	92,536	76,165
Financial investments	20	22,782	19,182	16,538	13,421
Securities pledged	21	997	4,115	448	2,093
Subsidiaries	22	-	-	12,685	12,059
Due from special purpose entities	23	-	-	-	1,116
Investments in joint ventures	24	-	-	91	107
Investments in associates	25	604	715	877	557
Goodwill on consolidation	26	5,847	5,842	-	-
Properties and other fixed assets	28	1,311	1,235	534	462
Investment properties	28	293	299	-	-
Deferred tax assets	29	171	25	128	-
Other assets	30	6,089	5,711	4,832	3,070
TOTAL ASSETS		256,718	233,037	217,425	190,099
LIABILITIES					
Due to banks		9,021	15,464	8,013	14,034
Due to non-bank customers	31	163,359	144,740	123,885	106,501
Financial liabilities at fair value through profit or loss	32	11,282	18,242	9,569	14,144
Negative replacement values for financial derivatives	41	31,918	12,791	32,746	13,689
Bills payable		714	380	681	340
Current tax liabilities		779	881	712	740
Deferred tax liabilities	29	45	172	-	117
Other liabilities	33	5,874	6,975	3,685	3,355
Other debt securities in issue	34	638	1,199	28	738
Due to holding company		17	21	17	21
Due to subsidiaries	35	-	-	9,009	6,078
Due to special purpose entities		-	-	195	994
Subordinated term debts	36	9,085	8,954	9,085	8,954
TOTAL LIABILITIES		232,732	209,819	197,625	169,705
NET ASSETS		23,986	23,218	19,800	20,394
EQUITY					
Share capital	37	12,096	12,096	12,096	12,096
Other reserves	38	1,962	3,372	2,105	3,314
Revenue reserves	38	6,857	6,179	5,599	4,984
SHAREHOLDERS' FUNDS		20,915	21,647	19,800	20,394
Minority interests	39	3,071	1,571		
TOTAL EQUITY		23,986	23,218	19,800	20,394
OFF-BALANCE SHEET ITEMS					
Contingent liabilities and commitments	40	92,656	106,961	71,260	88,718
Financial derivatives	41	1,704,717	1,816,007	1,716,365	1,847,378
CLIENT TRUST ACCOUNTS (a)					
Amounts held with the Bank Group		568	396		
Bank balances with third parties		745	628		
		1,313	1,024		
Bank balances with third parties		745	628		
Less: Amounts held in trust		(745)	(628)		
		-	-		

(a) 2007 customer monies in trust accounts pertaining to the Bank Group's securities brokerage business have been reclassified out of "Due from banks" and "Due to non-bank customers" to be consistent with the current year's presentation

(see notes on pages 6 to 84, which form part of these financial statements)

DBS BANK LTD AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008

In $ millions	Ordinary shares	6% Non-cumulative non-convertible preference shares	Other reserves	Revenue reserves	Minority interests	Total equity
2008						
Balance at 1 January 2008	12,096	#	3,372	6,179	1,571	23,218
Net exchange translation adjustments			(51)		(12)	(63)
Share of associates' reserves			(40)			(40)
Cost of share-based payments			(30)			(30)
Available-for-sale investments:						
- 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
Net profit for the year				1,997	142	2,139
Dividends paid on preference shares				(66)		(66)
Final dividends paid for previous year				(302)		(302)
Interim dividends paid for current year				(951)		(951)
Dividends paid to minority interests					(131)	(131)
Change in minority interests [(a)]					1,501	1,501
Balance at 31 December 2008	12,096	#	1,962	6,857	3,071	23,986
2007						
Balance at 1 January 2007	12,096	#	2,858	4,745	1,265	20,964
Net exchange translation adjustments			(38)		(72)	(110)
Share of associates' reserves			37			37
Cost of share-based payments			34			34
Draw-down of reserves upon vesting of performance shares			(36)			(36)
Available-for-sale investments:						
- Net valuation taken to equity			940			940
- Transferred to income statement on sale			(392)			(392)
- Tax on items taken directly to or transferred from equity			(61)			(61)
Net profit for the year				2,334	116	2,450
Appropriation from prior year's net profit			30	(30)		-
Dividends paid on preference shares				(54)		(54)
Final dividends paid for previous year				(65)		(65)
Interim dividends paid for current year				(751)		(751)
Dividends paid to minority interests					(89)	(89)
Change in minority interests [(b)]					351	351
Balance at 31 December 2007	12,096	#	3,372	6,179	1,571	23,218

Amount under $500,000

(a) Includes issuance of performance shares to third parties by DBS Capital Funding II Corporation (Refer to Note 39.2)

(b) Includes acquisition of new subsidiary

(see notes on pages 6 to 84, which form part of these financial statements)

DBS BANK LTD AND ITS SUBSIDIARIES
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008

In $ millions	Ordinary shares	6% Non-cumulative non-convertible preference shares	Other reserves	Revenue reserves	Total equity
2008					
Balance at 1 January 2008	**12,096**	**#**	**3,314**	**4,984**	**20,394**
Transfer of share plan reserves to holding company			**(25)**		**(25)**
Available-for-sale investments:					
- 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**
Net profit for the year				**1,938**	**1,938**
Dividends paid on preference shares				**(66)**	**(66)**
Final dividends paid for previous year				**(304)**	**(304)**
Interim dividends paid for current year				**(953)**	**(953)**
Balance at 31 December 2008	**12,096**	**#**	**2,105**	**5,599**	**19,800**
2007					
Balance at 1 January 2007	12,096	#	2,847	4,263	19,206
Cost of share-based payments			30		30
Draw-down of reserves upon vesting of performance shares			(40)		(40)
Available-for-sale investments:					
- Net valuation taken to equity			917		917
- Transferred to income statement on sale			(414)		(414)
- Tax on items taken directly to or transferred from equity			(56)		(56)
Net profit for the year				1,623	1,623
Appropriation from prior year's profit			30	(30)	-
Dividends paid on preference shares				(54)	(54)
Final dividends paid for previous year				(65)	(65)
Interim dividends paid for current year				(753)	(753)
Balance at 31 December 2007	12,096	#	3,314	4,984	20,394

\# Amount under $500,000

(see notes on pages 6 to 84, which form part of these financial statements)

DBS BANK LTD AND ITS SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

In $ millions	2008	2007[(a)]
Cash flows from operating activities		
Net profit for the year	2,139	2,450
Adjustments for non-cash items:		
Allowances for credit and other losses	888	617
Depreciation of properties and other fixed assets	149	126
Share of profits of associates	(75)	(110)
Net gain on disposal of properties and other fixed assets	(27)	(6)
Net gain on disposal of financial investments	(367)	(450)
Income tax expense	446	589
Profit before changes in operating assets and liabilities	3,153	3,216
Increase/(Decrease) in:		
Due to banks	(7,855)	7,601
Due to non-bank customers	15,480	22,648
Financial liabilities at fair value through profit or loss	(6,960)	(1,466)
Other liabilities including bills payable	16,768	4,579
Debt securities and borrowings	(530)	(2,647)
Due to holding and related companies	(4)	(180)
(Increase)/Decrease in:		
Change in restricted balances with central banks	(501)	(55)
Singapore Government securities and treasury bills	636	(2,590)
Due from banks	2,600	2,330
Financial assets at fair value through profit or loss	10,147	(3,047)
Loans and advances to customers	(17,980)	(21,323)
Financial investments	(3,349)	3,539
Other assets	(16,488)	(6,986)
Tax paid	(565)	(501)
Net cash (used in)/ generated from operating activities (1)	(5,448)	5,118
Cash flows from investing activities		
Dividends from associates	53	61
Purchase of properties and other fixed assets	(178)	(196)
Proceeds from disposal of properties and other fixed assets	128	74
Acquisition of interest in associates	-	(39)
Net proceeds from acquisition of new business	2,171	-
Net cash generated from/ (used in) investing activities (2)	2,174	(100)
Cash flows from financing activities		
Proceeds from issuance of subordinated term debts	1,500	3,044
Payment upon maturity of subordinated term debts	-	(402)
Dividends paid to shareholders of the Bank	(1,319)	(870)
Dividends paid to minority interests	(131)	(89)
Net cash generated from financing activities (3)	50	1,683
Exchange translation adjustments (4)	(51)	(38)
Net change in cash and cash equivalents (1)+(2)+(3)+(4)	(3,275)	6,663
Cash and cash equivalents at 1 January	15,953	9,290
Cash and cash equivalents at 31 December (Note 42)	12,678	15,953

(a) Figures have been restated to make them consistent with current period's presentation

(see notes on pages 6 to 84, which form part of these financial statements)

These Notes are integral to the financial statements.

The consolidated financial statements for the year ended 31 December 2008 were authorised for issue by the directors on 12 February 2009.

1 Domicile and Activities

DBS Bank Ltd (referred to as the Bank) is incorporated and domiciled in the Republic of Singapore and has its registered office at 6 Shenton Way, DBS Building Tower One, Singapore 068809. It is a wholly-owned subsidiary of DBS Group Holdings Ltd (referred to as DBSH).

The Bank is principally engaged in the provision of retail, small and medium-sized enterprise, corporate and investment banking services, including the operations of an Asian Currency Unit under terms and conditions specified by the Monetary Authority of Singapore. The principal activities of the subsidiaries of the Bank are disclosed in Note 53.

The financial statements relate to the Bank and its subsidiaries (referred to as the Bank Group) and the Bank 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 Bank 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 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 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 2008, the Bank 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 Bank Group:

FRS 39 (revised)	Financial Instruments: Recognition and Measurement – Reclassification of Financial Assets
FRS 107 (revised)	Financial Instruments: Disclosures – Reclassification of Financial Assets
INT FRS 111	FRS 102 – Group and Treasury Share Transactions
INT FRS 114	FRS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above FRS and INT FRS did not result in substantial changes to the Bank Group's accounting policies, which are consistent with those used in the previous financial year, except for the changes disclosed in Note 3.

2.2 Group accounting

Subsidiaries
Subsidiaries are entities that the Bank 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 Bank 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 Bank Group's accounting policy on "Goodwill on consolidation".

The direct method is used by the Bank 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 Bank Group holds little or no equity are consolidated as subsidiaries if the Bank 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 Bank Group together with one or more parties through contractual arrangements. The Bank Group recognises its interest in joint ventures using the proportionate consolidation method.

Proportionate consolidation involves combining the Bank Group's share of the joint venture's income, expenses, assets and liabilities on a line-by-line basis with similar items in the Bank Group's financial statements.

Associates
Associates are entities in which the Bank Group has significant influence, but not control, and generally holds a shareholding of between and including 20% and 50% of the voting rights. The Bank Group recognises its investment in associates using the equity method of accounting.

Under the equity method of accounting, the Bank 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 Bank Group's share of net assets of the associate, less any impairment in value after the date of acquisition. Where the Bank Group's share of losses in an associate equals or exceeds its interest in the associate, the Bank 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 Bank Group.

Investment cost at Bank level
Investments in subsidiaries, associates and joint ventures are stated at cost less accumulated impairment losses in the Bank'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 Bank Group and its associates and joint ventures are eliminated to the extent of the Bank 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 Bank Group.

2.3 Foreign currency translation

Functional and presentation currency
Items in the financial statements of the Bank and each of the Bank 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 Bank and the Bank 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 Bank Group's operations whose functional currency is not Singapore dollars are translated into Singapore dollars in the following manner:

- Assets and liabilities are translated at the exchange rate ruling at the balance sheet date;
- Income and expenses in the income statement are translated at an average exchange rate approximating the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the capital reserves.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the closing rate. For acquisitions prior to 1 January 2005, the foreign exchange rates at the dates of acquisition were used.

Consolidation adjustments
On consolidation, foreign exchange differences arising from the translation of net investments in foreign entities, as well as any borrowings and instruments designated as foreign currency hedges of such investments, are taken to the capital reserves. When a foreign operation is disposed of, such currency translation differences are recognised in the income statement as part of the gain or loss on disposal.

2.4 Segment reporting

The Bank Group's financial businesses are organised into the Consumer Banking, Institutional Banking, Global Financial Markets, Central Treasury Unit and Central Operations. In total, the Bank Group reports five business segments.

A **business segment** provides products or services whose risks and returns are different from those of other business segments. A **geographical segment** provides products or services within a particular economic environment whose risks and returns are different from those of other economic environments. Business segments are the primary reporting segments.

2.5 Revenue recognition

Net interest income
Net interest income, being interest income less interest expense, is recognised on a time-proportionate basis using the effective interest method. The effective interest rate is the rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period to its carrying amount. The calculation includes significant fees and transaction costs that are integral to the effective interest rate, as well as premiums or discounts. No interest expense is accrued on the Bank Group's structured investment deposits which are carried at fair value through profit or loss.

When a receivable is impaired, the Bank 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 Bank 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. (See also Note 3.1.)

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 Bank 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.

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 Bank Group commits to purchase or sell the asset. Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Bank Group has transferred substantially all risks and rewards of ownership.

Initial measurement
Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, for which transaction costs are expensed off immediately. The fair value of a financial asset on initial recognition is usually the transaction price.

Subsequent measurement
Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Unquoted equity investments classified as available-for-sale for which fair values cannot be reliably determined are carried at cost, less impairment.

Realised or unrealised gains or losses on financial assets held for trading and financial assets designated under the fair value option, 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 Bank Group are the current bid prices. If the market for a financial asset is not active, the Bank 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 Bank 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 Bank Group carries out regular and systematic reviews of all credit facilities extended to customers.

The criteria that the Bank 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 Bank 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 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 Bank Group is not likely to collect part or all of the principal and interest due contractually on the claim. An allowance is reversed only when there has been an identifiable event that led to an improvement in the collectibility of the claim.

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

Collective: Homogenous consumer loans, such as housing loans and credit card receivables, are pooled according to their risk characteristics, and assessed and provided for collectively as a group, taking into account the historical loss experience of such loans.

General allowances for credit losses
Apart from specific allowances, the Bank Group also carries general allowances for credit losses. The Bank Group maintains a level of allowances that is deemed sufficient to absorb all credit losses inherent in its loan portfolio (including off-balance sheet credit exposures). In determining the level of general allowances, the Bank Group considers country and portfolio risks, as well as industry practices. The Bank 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. Refer to Note 2.1 for more details.

(b) Financial assets classified as available-for-sale
The Bank 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:

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 Bank 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 Bank Group accounting policy on derivatives is detailed in Note 2.15.

Financial liabilities designated under the fair value option meet at least one of the following criteria upon designation:

- it eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring financial liabilities, or recognising gains or losses on them, using different bases; or
- the financial liability contains an embedded derivative that would otherwise need to be separately recorded.

Financial liabilities are initially recognised at fair value, net of transaction costs incurred. Financial liabilities classified at fair value through profit or loss are subsequently carried at fair value. Realised or unrealised gains or losses on financial liabilities held for trading and financial liabilities designated under the fair value option, 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 Bank 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 Bank Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

2.15 Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value at the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are classified as assets when the fair value is positive ("Positive replacement values for financial derivatives") and as liabilities when the fair value is negative ("Negative replacement 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 Bank 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 Bank 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.

(a) 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.

(b) 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.

(c) Hedge of net investment in a foreign operation
Hedges of net investments in the Bank 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 Bank 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 43.

Equity instruments granted and ultimately vested under the Plans are recognised in the income statement based on the fair value of the equity instrument at the date of grant by DBSH. The expense is amortised over the vesting period of each award. Monthly contributions to the Scheme are expensed off when incurred.

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.

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 Bank 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

Ordinary shares and preference shares which do not result in the Bank 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 Bank Group, are classified as equity. Incremental external costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.21 Dividend payment

Dividends are recorded during the financial year in which they are approved by the Board of Directors and declared payable.

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 Bank 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

3.1 Revised FRS adopted

FRS 39 (revised): Financial Instruments – Recognition and Measurement (Reclassification of Financial Assets) and
FRS 107 (revised): Financial Instruments – Disclosures (Reclassification of Financial Assets)
With the adoption of these two revised accounting standards, the Bank Group has reclassified certain financial assets from held for trading to available-for-sale as well as from available-for-sale to loans and receivables categories. The reclassifications were effected according to the transitional provisions of FRS 39 and FRS 107.

The Bank Group views the rapid deterioration of the global financial markets during the course of the third quarter of 2008, which has in turn resulted in highly illiquid markets, as a rare circumstance. One of the ramifications of this development is that certain held for trading assets have had their tradability compromised by the ensuing market illiquidity. As the Bank Group will no longer, as a consequence, hold these assets for the purpose of selling or trading over the near term, these assets were reclassified to the available-for-sale category in the third quarter of 2008.

The Bank Group also reclassified certain financial assets from available-for-sale to loans and receivables category in the fourth quarter of 2008. At the date of reclassification, the markets for these financial assets are inactive and the Bank Group has the intention and ability to hold them for the foreseeable future or until maturity.

Refer to Note 15 for more disclosures on the adoption of these revised accounting standards.

3.2 New FRS issued but not yet effective

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

FRS 1: Presentation of Financial Statements
Amendments to FRS 1 become effective for financial years beginning on or after 1 January 2009. The standard 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 FRS 1 will create additional disclosure requirements for the Bank Group's financial statements.

FRS 27: Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
This amendment to FRS 27 becomes effective for financial years beginning on or after 1 January 2009. The standard removes the requirement to differentiate pre-acquisition from post-acquisition dividends. Dividends received will be treated as revenue. The changes introduced must be applied prospectively and will affect how dividends received in the future are accounted for.

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

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

Other new or revised accounting standards
The following new/revised accounting standards take effect for the Bank Group for the financial year beginning 1 January 2009 or later periods. There is no expected material impact on the Bank Group's financial statements from the adoption of these new/revised accounting changes:

- Amendments to FRS 1 Presentation of Financial Statements and FRS 32 Financial Instruments: Presentation – Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendments to FRS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
- FRS 102: Share-based Payments – Vesting Conditions and Cancellations
- INT FRS 113: Customer Loyalty Programmes
- INT FRS 116: Hedges of a Net Investment in a Foreign Operation
- INT FRS 117: Distributions of Non-cash Assets to Owners
- Improvements to FRSs

4 Critical Accounting Estimates

The Bank 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 Bank Group believes its estimates for determining the valuation of its assets and liabilities are appropriate.

The following is a brief description of the Bank Group's critical accounting estimates involving management's valuation judgement.

4.1 Impairment allowances on claims

It is the Bank 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) is 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. These arrangements will be in place until the Bank Group believes that the incurred loss concept under FRS 39 can be robustly determined.

4.2 Fair value of financial instruments

Fair value is defined as the value at which positions can be closed or sold in a transaction with a willing and knowledgeable counterparty. The majority of the Bank 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 DBSH Board and the oversight of senior management committees. The Valuation Framework is implemented in the Bank 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 Bank 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 Bank 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 Bank 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 Bank Group. In making this judgement, the Bank 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. Refer to Note 33 for more details.

5 Net Interest Income

In $ millions	Bank Group 2008	Bank Group 2007	Bank 2008	Bank 2007
Cash and balances with central banks and Due from banks	926	1,261	882	1,166
Loans and advances to customers	5,051	5,405	3,483	3,588
Debt securities	2,145	2,424	1,712	1,827
Total interest income	8,122	9,090	6,077	6,581
Due to banks	728	591	730	786
Due to non-bank customers	2,395	3,080	1,591	1,840
Others	698	1,312	757	1,174
Total interest expense	3,821	4,983	3,078	3,800
Net interest income	4,301	4,107	2,999	2,781

In $ millions	Bank Group 2008	Bank Group 2007	Bank 2008	Bank 2007
Interest income for financial assets at fair value through profit or loss	808	975	785	871
Interest income for financial assets not at fair value through profit or loss	7,314	8,115	5,292	5,710
Interest expense for financial liabilities at fair value through profit or loss	(299)	(675)	(278)	(627)
Interest expense for financial liabilities not at fair value through profit or loss	(3,522)	(4,308)	(2,800)	(3,173)
Total	4,301	4,107	2,999	2,781

6 Net Fee and Commission Income

In $ millions	Bank Group 2008	Bank Group 2007	Bank 2008	Bank 2007
Fee and commission income	1,542	1,804	955	917
Fee and commission expense	268	342	118	111
Net fee and commission income	1,274	1,462	837	806
Comprising:				
Loan-related	299	232	251	177
Trade and remittances	225	206	133	113
Stock broking	152	250	-	-
Credit card	143	132	106	95
Wealth management	137	249	79	137
Investment banking	90	171	78	122
Deposit-related	81	78	74	70
Others	66	65	70	58
Guarantees	49	36	46	34
Fund management	32	43	-	-
Net fee and commission income[(a)]	1,274	1,462	837	806

(a) Bank Group - Includes net fee and commission income of $62 million (2007: $75 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 $521 million (2007: $440 million) during the year
Bank - Includes net fee and commission income of $21 million (2007: $23 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 $426 million (2007: $341 million) during the year

7 Net Trading (Loss)/Income

In $ millions	Bank Group 2008	Bank Group 2007	Bank 2008	Bank 2007
From trading businesses				
- Foreign exchange	660	151	477	57
- Interest rates, credit and equities[(a)]	(892)	45	(401)	77
Other businesses	45	(16)	36	231
Total	(187)	180	112	365

(a) Includes dividend income of $19 million (2007: $31 million) for the Bank Group; and $19 million (2007: $30 million) for the Bank

8 Net Income/(Loss) from Financial Instruments Designated at Fair Value

In $ millions	Bank Group 2008	Bank Group 2007	Bank 2008	Bank 2007
Financial assets designated at fair value	(148)	(3)	(148)	(3)
Financial liabilities designated at fair value	358	(83)	15	18
Total	210	(86)	(133)	15

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	Bank Group 2008	Bank Group 2007	Bank 2008	Bank 2007
Debt securities				
- Available-for-sale	66	47	65	43
- Loans and receivables	1	1	1	1
Equity securities[(a) (b)]	300	402	365	534
Total	367	450	431	578
Comprising gains transferred from:				
Available-for-sale revaluation reserves	349	392	312	414

(a) 2008 includes $7 million profits on sale of unquoted equity securities which were stated at cost. Their carrying amounts were $48 million at the time of sale. There was no sale of unquoted securities in 2007.
(b) Includes dividend income of $29 million (2007: $28 million) for the Bank Group; and $152 million (2007: $133 million) for the Bank

10 Other Income

In $ millions	Bank Group 2008	Bank Group 2007	Bank 2008	Bank 2007
Rental income	14	14	2	1
Net gain on properties and other fixed assets[(a)]	27	6	1	1
Others	47	29	7	2
Total	88	49	10	4

(a) 2008 includes $22 million one-time gain from the sale of office buildings in Hong Kong for the Bank Group

11 Employee Benefits

In $ millions	Bank Group 2008	Bank Group 2007	Bank 2008	Bank 2007
Salary and bonus[(a)]	1,118	1,186	622	747
Contributions to defined contribution plans	59	55	40	36
Share-based expenses	28	34	28	30
Others	96	109	92	60
Total	1,301	1,384	782	873

(a) 2008 includes $45 million one-time restructuring costs

12 Other Expenses

	Bank Group		Bank	
In $ millions	2008	2007	2008	2007
Computerisation expenses[a]	**385**	370	**277**	258
Occupancy expenses[b]	**219**	189	**130**	114
Revenue-related expenses	**147**	135	**124**	126
Others[c]	**454**	412	**229**	239
Total	**1,205**	1,106	**760**	737

(a) Computerisation expenses include hire and maintenance of computer hardware and software
(b) Occupancy expenses include rental expenses of office and branch premises of $120 million (2007: $96 million) for the Bank Group, and $73 million (2007: $58 million) for the Bank; as well as amounts incurred in the maintenance and service of buildings owned by subsidiary companies
(c) Others include product and corporate image advertising expenses, office administration expenses (e.g. printing and stationary, telecommunications, etc) and legal and professional fees.

Included in the above table are:

	Bank Group		Bank	
In $ millions	2008	2007	2008	2007
Hire and maintenance of fixed assets, including building-related expenses	**229**	203	**146**	133
Audit fees payable to external auditors[a]				
- Singapore	**3**	3	**3**	3
- Outside Singapore	**2**	2	**1**	#
Non audit fees payable to external auditors[a]				
- Singapore	**1**	#	**#**	#
- Outside Singapore	**#**	1	**#**	#

\# Amount under $500,000
(a) 2008: PricewaterhouseCoopers; 2007: Ernst & Young

13 Allowances for Credit and Other Losses

	Bank Group		Bank	
In $ millions	2008	2007	2008	2007
Loans and advances to customers (Note 19)	**524**	128	**312**	29
Financial investments				
- Available-for-sale [a]	**125**	262	**122**	273
- Loans and receivables (Note 20)	**185**	273	**185**	273
Investment in subsidiaries (Note 22)	**-**	-	**-**	(53)
Due from special purpose entities (Note 23)	**-**	-	**6**	276
Investment in joint venture	**-**	-	**10**	-
Investment in associates	**-**	-	**(370)**	-
Properties and other fixed assets [b] (Note 28)	**1**	(86)	**1**	(10)
Off-balance sheet credit exposures (Note 33)	**46**	6	**45**	4
Others (bank loans and sundry debtors)	**7**	34	**27**	24
Total	**888**	617	**338**	816

(a) 2008 includes $104 million (2007: $264 million) impairment charges for a Thai investment
(b) 2007 includes $78 million one-time allowance write-back for a Singapore property

14 Income Tax Expense

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

In $ millions	Bank Group 2008	Bank Group 2007	Bank 2008	Bank 2007
Current tax expense				
- Current year	472	620	360	447
- Prior years' provision	(9)	-	-	-
Deferred tax expense				
- Effect of change in tax rate	-	4	-	4
- Origination of temporary differences	(17)	(35)	(4)	(23)
Total	446	589	356	428

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

In $ millions	Bank Group 2008	Bank Group 2007	Bank 2008	Bank 2007
Accelerated tax depreciation	6	(3)	10	(1)
Allowances for loan losses	(11)	(9)	-	(1)
Other temporary differences	(12)	(19)	(14)	(17)
Deferred tax expense credited to income statement	(17)	(31)	(4)	(19)

The tax on the Bank Group's profit (before share of profits of associates) and the Bank's profit differ from the theoretical amount that would arise using the Singapore basic tax rate as follows:

In $ millions	Bank Group 2008	Bank Group 2007	Bank 2008	Bank 2007
Profit	2,510	2,929	2,294	2,051
Prima facie tax calculated at a tax rate of 18% (2007: 18%)	452	527	413	369
Effect of different tax rates in other countries	63	62	64	56
Effect of change in tax rate	-	4	-	4
Income not subject to tax	(61)	(56)	(69)	(53)
Income taxed at concessionary rate	(42)	(63)	(37)	(76)
Non-tax deductible provisions	31	33	(45)	88
Others	3	82	30	40
Income tax expense charged to income statement	446	589	356	428

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

15 Measurement Basis of Financial Instruments

In $ millions	Held for trading	Designated at fair value through profit or loss	Bank Group 2008 Loans and receivables /amortised cost	Available-for-sale	Held for hedging	Total
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 replacement 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 replacement 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
Due to holding company	-	-	17	-	-	17
Subordinated term debts	-	-	9,085	-	-	9,085
Total financial liabilities	40,863	1,913	188,531	-	424	231,731
Other liability items outside the scope of FRS 39 [(b)]						1,001
Total liabilities						232,732

(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	Held for hedging	Total
			Bank Group 2007			
ASSETS						
Cash and balances with central banks	-	-	18,564	-	-	18,564
Singapore Government securities and treasury bills	3,568	-	-	11,865	-	15,433
Due from banks	-	-	22,910	-	-	22,910
Financial assets at fair value through profit or loss	17,148	2,395	-	-	-	19,543
Positive replacement values for financial derivatives	12,906	-	-	-	213	13,119
Loans and advances to customers	-	-	106,344	-	-	106,344
Financial investments	-	-	2,427	16,755	-	19,182
Securities pledged	1,662	-	-	2,453	-	4,115
Other assets	-	-	5,711	-	-	5,711
Total financial assets	35,284	2,395	155,956	31,073	213	224,921
Other asset items outside the scope of FRS 39 [(a)]						8,116
Total assets						233,037
LIABILITIES						
Due to banks	-	-	15,464	-	-	15,464
Due to non-bank customers	-	-	144,740	-	-	144,740
Financial liabilities at fair value through profit or loss	14,625	3,617	-	-	-	18,242
Negative replacement values for financial derivatives	12,663	-	-	-	128	12,791
Bills payable	-	-	380	-	-	380
Other liabilities	-	-	6,843	-	-	6,843
Other debt securities in issue	-	-	1,199	-	-	1,199
Due to holding company	-	-	21	-	-	21
Subordinated term debts	-	-	8,954	-	-	8,954
Total financial liabilities	27,288	3,617	177,601	-	128	208,634
Other liability items outside the scope of FRS 39 [(b)]						1,185
Total liabilities						209,819

(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	Held for hedging	Total
	Bank 2008					
ASSETS						
Cash and balances with central banks	-	-	14,684	-	-	14,684
Singapore Government securities and treasury bills	3,063	-	-	11,734	-	14,797
Due from banks	-	-	17,512	-	-	17,512
Financial assets at fair value through profit or loss	7,421	1,293	-	-	-	8,714
Positive replacement values for financial derivatives	32,627	-	-	-	422	33,049
Loans and advances to customers	-	-	92,536	-	-	92,536
Financial investments	-	-	4,030	12,508	-	16,538
Securities pledged	257	-	-	191	-	448
Subsidiaries	-	-	2,965	-	-	2,965
Due from special purpose entities	-	-	-	-	-	-
Other assets	-	-	4,832	-	-	4,832
Total financial assets	43,368	1,293	136,559	24,433	422	206,075
Other asset items outside the scope of FRS 39 [(a)]						11,350
Total assets						217,425
LIABILITIES						
Due to banks	-	-	8,013	-	-	8,013
Due to non-bank customers	-	-	123,885	-	-	123,885
Financial liabilities at fair value through profit or loss	8,798	771	-	-	-	9,569
Negative replacement values for financial derivatives	32,397	-	-	-	349	32,746
Bills payable	-	-	681	-	-	681
Other liabilities	-	-	3,511	-	-	3,511
Other debt securities in issue	-	-	28	-	-	28
Due to holding company	-	-	17	-	-	17
Due to subsidiaries	-	-	9,009	-	-	9,009
Due to special purpose entities	-	-	195	-	-	195
Subordinated term debts	-	-	9,085	-	-	9,085
Total financial liabilities	41,195	771	154,424	-	349	196,739
Other liability items outside the scope of FRS 39 [(b)]						886
Total liabilities						197,625

(a) Includes investments in subsidiaries, joint ventures and associates, goodwill on consolidation, properties and other fixed assets 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	Bank 2007 Loans and receivables /amortised cost	Available-for-sale	Held for hedging	Total
ASSETS						
Cash and balances with central banks	-	-	17,680	-	-	17,680
Singapore Government securities and treasury bills	3,568	-	-	11,865	-	15,433
Due from banks	-	-	16,833	-	-	16,833
Financial assets at fair value through profit or loss	16,686	703	-	-	-	17,389
Positive replacement values for financial derivatives	13,506	-	-	-	208	13,714
Loans and advances to customers	-	-	76,165	-	-	76,165
Financial investments	-	-	2,364	11,057	-	13,421
Securities pledged	304	-	-	1,789	-	2,093
Subsidiaries			1,823	-	-	1,823
Due from special purpose entities	-	-	1,116	-	-	1,116
Other assets	-	-	3,070	-	-	3,070
Total financial assets	34,064	703	119,051	24,711	208	178,737
Other asset items outside the scope of FRS 39 (a)						11,362
Total assets						190,099
LIABILITIES						
Due to banks	-	-	14,034	-	-	14,034
Due to non-bank customers	-	-	106,501	-	-	106,501
Financial liabilities at fair value through profit or loss	13,235	909	-	-	-	14,144
Negative replacement values for financial derivatives	13,590	-	-	-	99	13,689
Bills payable	-	-	340	-	-	340
Other liabilities	-	-	3,226	-	-	3,226
Other debt securities in issue	-	-	738	-	-	738
Due to holding company	-	-	21	-	-	21
Due to subsidiaries	-	-	6,078	-	-	6,078
Due to special purpose entities	-	-	994	-	-	994
Subordinated term debts	-	-	8,954	-	-	8,954
Total financial liabilities	26,825	909	140,886	-	99	168,719
Other liability items outside the scope of FRS 39 (b)						986
Total liabilities						169,705

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

During the year, the Bank Group reclassified certain non-derivative trading financial assets comprising debt securities which are no longer held for selling in the near term out of the held for trading category into the available-for-sale category. The Bank Group believes that the deterioration of the global financial markets that occurred in 2008 represents a rare circumstance that allows such a reclassification.

In addition, the Bank Group has reclassified certain financial assets which comprise debt securities out of the available-for-sale category into the loans and receivables category. The Bank Group has the intention and ability to hold these reclassified assets for the foreseeable future or until maturity at the date of reclassification.

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

Bank Group				
In $ millions **Reclassified from**	**Reclassified to**	**Fair values and carrying amounts on date of reclassification**	**Fair values as at 31 December 2008**	**Carrying amounts as at 31 December 2008**
Held for trading	Available-for-sale	2,389	2,149	2,149
Available-for-sale	Loans and receivables	1,789	1,621	1,696
Total		4,178	3,770	3,845

Bank				
In $ millions **Reclassified from**	**Reclassified to**	**Fair values and carrying amounts on date of reclassification**	**Fair values as at 31 December 2008**	**Carrying amounts as at 31 December 2008**
Held for trading	Available-for-sale	2,389	2,149	2,149
Available-for-sale	Loans and receivables	586	540	589
Total		2,975	2,689	2,738

In the current year before reclassification, for the reclassified financial assets, the Bank Group and the Bank have recognised interest income of $98 million and $75 million respectively in the income statement. Both the Bank Group and the Bank have also recognised fair value losses of $100 million in the income statement. Another $139 million and $128 million for the Bank Group and the Bank respectively are recognised in the revaluation reserves.

After reclassification, $97 million and $79 million of interest income was recognised in the income statement for the Bank Group and Bank respectively, and a fair value loss of $246 million for both the Bank Group and Bank was recognised in revaluation reserves respectively for the reclassified financial assets.

For the financial year ended 31 December 2007, the Bank Group has recognised interest income of $115 million in the income statement, and fair value losses of $54 million and $4 million in the income statement and revaluation reserves respectively. For the financial year ended 31 December 2007, the Bank has recognised interest income of $91 million in the income statement, and fair value losses of $54 million in the income statement. There was no impact on the Bank's revaluation reserves.

If the Bank Group had not reclassified financial assets in the current year, fair value losses recognised for the year in which the financial assets were reclassified (including fair value losses recognised before reclassification) would have amounted to $340 million and $214 million in the income statement and revaluation reserves respectively. If the Bank had not reclassified financial assets in the current year, fair value losses recognised for the year in which the financial assets were reclassified (including fair value losses recognised before reclassification) would have amounted to $340 million and $177 million in the income statement and revaluation reserves respectively.

As at the date of reclassification of the financial assets, the effective interest rates on the reclassified assets are between 2.02% and 10.16% for both the Bank Group and the Bank. The estimated amounts of undiscounted cash flows expected to be recovered from these reclassified financial assets is $5,337 million and $3,994 million for the Bank Group and Bank respectively.

16 Cash and Balances with Central Banks

	Bank Group		Bank	
In $ millions	2008	2007	2008	2007
Cash on hand	1,040	1,007	903	915
Balances with central banks				
- Restricted balances	3,112	2,611	2,607	2,227
- Non-restricted balances	11,638	14,946	11,174	14,538
Total	15,790	18,564	14,684	17,680

17 Singapore Government Securities and Treasury Bills

In $ millions	Bank Group 2008	Bank Group 2007	Bank 2008	Bank 2007
Held for trading	**3,063**	3,568	**3,063**	3,568
Available-for-sale	**11,734**	11,865	**11,734**	11,865
Total	**14,797**	15,433	**14,797**	15,433
Market value	**14,797**	15,433	**14,797**	15,433

18 Financial Assets at Fair Value through Profit or Loss

In $ millions	Bank Group 2008	Bank Group 2007	Bank 2008	Bank 2007
Trading				
Other government securities and treasury bills	**2,102**	2,752	**1,610**	2,329
Corporate debt securities	**3,805**	9,957	**3,774**	9,918
Equity securities	**295**	1,529	**295**	1,529
Loans and advances to customers	**50**	1,650	**50**	1,650
Other financial assets (due from banks)	**1,692**	1,260	**1,692**	1,260
Sub-total	**7,944**	17,148	**7,421**	16,686
Fair value designated				
Other government securities and treasury bills	**24**	-	**24**	-
Corporate debt securities	**842**	1,957	**717**	591
Loans and advances to customers	**591**	438	**552**	112
Sub-total	**1,457**	2,395	**1,293**	703
Total	**9,401**	19,543	**8,714**	17,389
Analysed by industry				
Manufacturing	**1,133**	1,314	**1,094**	988
Building and construction	**205**	286	**205**	286
General commerce	**45**	124	**45**	124
Transportation, storage and communications	**347**	888	**343**	883
Financial institutions, investment and holding companies	**4,598**	9,909	**4,446**	9,784
Government	**2,126**	2,752	**1,634**	2,329
Others	**947**	4,270	**947**	2,995
Total	**9,401**	19,543	**8,714**	17,389
Fair value designated loans and advances and related credit derivatives/enhancements				
Maximum credit exposure	**591**	438	**552**	112
Credit derivatives/enhancements – protection bought	**(591)**	(438)	**(552)**	(112)
Cumulative change in fair value arising from changes in credit risk	**(55)**	(40)	**(49)**	(15)
Cumulative change in fair value of related credit derivatives/enhancements	**55**	40	**50**	15

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.

Bank Group:
During the year, the amount of change in the fair value of the loans and advances attributable to credit risk was $15 million (2007: $33 million). During the year, the amount of change in the fair value of the related credit derivatives/enhancements was $15 million (2007: $33 million).

Bank:
During the year, the amount of change in the fair value of the loans and advances attributable to credit risk was $34 million (2007: $13 million). During the year, the amount of change in the fair value of the related credit derivatives/enhancements was $35 million (2007: $13 million).

19 Loans and Advances to Customers

In $ millions	Bank Group 2008	Bank Group 2007	Bank 2008	Bank 2007
Gross	127,725	107,685	93,815	77,063
Less: Specific allowances	868	436	483	246
General allowances	1,016	905	796	652
Net total	125,841	106,344	92,536	76,165
Comprising:				
Bills receivable	4,648	3,519	4,175	3,104
Loans	121,193	102,825	88,361	73,061
Net total	125,841	106,344	92,536	76,165
Analysed by industry				
Manufacturing	15,356	14,018	9,976	8,454
Building and construction	17,931	13,004	11,849	8,763
Housing loans	29,375	26,306	21,442	18,692
General commerce	13,075	10,042	7,175	4,803
Transportation, storage and communications	12,457	11,169	10,046	9,002
Financial institutions, investment and holding companies	14,490	12,373	13,959	11,737
Professionals and private individuals (except housing loans)	10,478	9,730	7,370	6,394
Others	14,563	11,043	11,998	9,218
Gross total	127,725	107,685	93,815	77,063
Analysed by products				
Long-term loans	61,964	48,923	44,787	34,490
Short-term facilities	28,369	25,621	21,367	18,820
Overdrafts	3,410	3,242	1,974	1,888
Housing loans	29,381	26,306	21,448	18,692
Trade financing	4,601	3,593	4,239	3,173
Gross total	127,725	107,685	93,815	77,063
Analysed by currency and fixed/variable pricing				
Fixed rate[(a)]				
Singapore dollar	15,788	10,597	15,788	10,597
Hong Kong dollar	664	614	-	-
US dollar	1,736	1,513	582	556
Other	2,695	2,827	979	1,090
Sub-total	20,883	15,551	17,349	12,243
Floating or adjustable rates[(b)]				
Singapore dollar	37,732	32,050	37,718	32,036
Hong Kong dollar	28,683	25,398	6,334	5,134
US dollar	25,835	23,009	21,968	19,296
Others	14,592	11,677	10,446	8,354
Sub-total	106,842	92,134	76,466	64,820
Gross total	127,725	107,685	93,815	77,063

(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:

In $ millions	Bank Group 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	11	-	-	-	150
Building and construction	129	50	-	-	-	179
Housing loans	134	(86)	-	-	-	48
General commerce	99	30	-	-	-	129
Transportation, storage and communications	112	13	-	-	-	125
Financial institutions, investment and holding companies	124	20	-	-	-	144
Professionals and private individuals (except housing loans)	97	7	-	-	-	104
Others	71	71	-	14	(19)	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 form the acquisition of Bowa Commercial Bank (refer to Note 27)

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

In $ millions	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
	Bank 2008					
Specific allowances						
Manufacturing	79	130	(82)	54	-	181
Building and construction	4	(13)	(1)	25	-	15
Housing loans	30	(27)	4	33	-	40
General commerce	80	(41)	1	61	-	101
Transportation, storage and communications	2	(4)	(1)	5	-	2
Financial institutions, investment and holding companies	9	55	-	-	-	64
Professionals and private individuals (except housing loans)	20	58	(87)	50	-	41
Others	22	6	(23)	35	(1)	39
Total specific allowances	246	164	(189)	263	(1)	483
General allowances						
Manufacturing	84	14	-		-	98
Building and construction	88	30	-		-	118
Housing loans	57	17	-		-	74
General commerce	47	24	-		-	71
Transportation, storage and communications	90	10	-		-	100
Financial institutions, investment and holding companies	117	22	-		-	139
Professionals and private individuals (except housing loans)	64	9	-		-	73
Others	105	22	-	14	(18)	123
Total general allowances	652	148	-	14	(18)	796
Total allowances	898	312	(189)	277	(19)	1,279

(a) Relates to allowances arising from the acquisition of Bowa Commercial Bank (refer to Note 27)

In $ millions	Bank 2007 Balance at 1 January	Charge/(Write back) to income statement	Net write-off during the year	Exchange and other movements	Balance at 31 December
Specific allowances					
Manufacturing	127	65	(113)	-	79
Building and construction	29	(11)	(14)	-	4
Housing loans	47	(19)	2	-	30
General commerce	82	1	(3)	-	80
Transportation, storage and communications	10	(8)	-	-	2
Financial institutions, investment and holding companies	32	(28)	5	-	9
Professionals and private individuals (except housing loans)	26	3	(9)	-	20
Others	46	11	(27)	(8)	22
Total specific allowances	399	14	(159)	(8)	246
General allowances					
Manufacturing	77	7	-	-	84
Building and construction	80	8	-	-	88
Housing loans	170	(113)	-	-	57
General commerce	39	8	-	-	47
Transportation, storage and communications	56	34	-	-	90
Financial institutions, investment and holding companies	82	35	-	-	117
Professionals and private individuals (except housing loans)	53	11	-	-	64
Others	112	25	-	(32)	105
Total general allowances	669	15	-	(32)	652
Total allowances	1,068	29	(159)	(40)	898

20 Financial Investments

In $ millions	Bank Group 2008	Bank Group 2007	Bank 2008	Bank 2007
Available-for-sale				
Quoted other government securities and treasury bills	**4,549**	2,248	**3,731**	2,033
Quoted corporate debt securities	**11,986**	12,184	**7,667**	6,731
Quoted equity securities	**793**	1,987	**786**	1,972
Unquoted equity securities	**351**	336	**324**	321
Available-for-sale financial investments	**17,679**	16,755	**12,508**	11,057
Loans and receivables				
Corporate debt securities	**5,586**	2,720	**4,513**	2,657
Less: Impairment allowances	**483**	293	**483**	293
Loans and receivables financial investments	**5,103**	2,427	**4,030**	2,364
Total	**22,782**	19,182	**16,538**	13,421
Market value of quoted securities	**22,255**	18,921	**16,025**	13,170
Analysed by industry				
Manufacturing	**629**	1,005	**618**	1,005
Building and construction	**816**	1,664	**714**	1,635
General commerce	**542**	266	**228**	27
Transportation, storage and communications	**906**	787	**831**	751
Financial institutions, investment and holding companies	**10,720**	10,579	**5,901**	5,555
Government	**4,549**	2,248	**3,731**	2,033
Others	**4,620**	2,633	**4,515**	2,415
Total carrying value	**22,782**	19,182	**16,538**	13,421

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

In $ millions	Balance at 1 January	Charge to income statement	Exchange and other movements	Balance at 31 December
	Bank Group			
2008				
Loans and receivables				
Corporate debt securities	**293**	**185**	**5**	**483**
2007				
Loans and receivables				
Corporate debt securities	27	273	(7)	293

In $ millions	Balance at 1 January	Charge to income statement	Exchange and other movements	Balance at 31 December
	Bank			
2008				
Loans and receivables				
Corporate debt securities	**293**	**185**	**5**	**483**
2007				
Loans and receivables				
Corporate debt securities	27	273	(7)	293

21 Securities Pledged

In $ millions	Bank Group 2008	Bank Group 2007	Bank 2008	Bank 2007
Securities pledged				
Singapore Government securities and treasury bills	**186**	268	**186**	268
Other government securities and treasury bills	**806**	3,629	**257**	1,607
Corporate debt securities	**5**	218	**5**	218
Total securities pledged[(a)]	**997**	4,115	**448**	2,093
Related liabilities	**991**	3,711	**448**	2,089

(a) Includes financial assets at fair value through profit or loss of $787 million (2007: $1,662 million) for the Bank Group; and $257 million (2007: $304 million) for the Bank

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

22 Subsidiaries

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

(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	Bank 2008	2007
Balance at 1 January	768	821
Write-back to income statement	-	(53)
Balance at 31 December	768	768

Refer to Note 53 for details of significant subsidiaries.

23 Due from Special Purpose Entities

In $ millions	Bank 2008	2007
Due from special purpose entities[a]	-	1,392
Less: Impairment allowances	-	276
Total	-	1,116

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

Movements in impairment allowances during the year are as follows:

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

(a) 2008 and 2007 include impairment allowances on a loan to Rosa

Refer to Note 53 for details of significant special purpose entities.

24 Investments in Joint Ventures

In $ millions	Bank 2008	2007
Quoted investments in joint ventures [a]	100	106
Unquoted investments in joint ventures at cost	1	1
Less: Impairment allowances	10	-
Net book value	91	107
Market value – quoted investments	32	240

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

In $ millions	Bank Group 2008	2007
Income statement		
Share of income	89	83
Share of expenses	(87)	(72)
Balance sheet		
Share of total assets	865	829
Share of total liabilities	752	716

(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

Refer to Note 53 for details of significant joint ventures.

25 Investments in Associates

In $ millions	Bank Group 2008	Bank Group 2007
Unquoted		
Cost	92	92
Share of post acquisition reserves	81	69
Less: impairment allowances	42	42
Sub-total	131	119
Quoted		
Cost	1,254	1,290
Net exchange translation adjustments	(33)	(9)
Share of post acquisition reserves	89	152
Less: Impairment allowances	837	837
Sub-total	473	596
Total	604	715
Market value – quoted investments	794	1,244

In $ millions	Bank 2008	Bank 2007
Quoted investments in associates [a]	1,154	1,205
Unquoted investments in associates at cost	45	44
Less: Impairment allowances	322	692
Net book value	877	557
Market value – quoted investments	762	1,173

(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

The Bank 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	Bank Group 2008	Bank Group 2007
Income statement		
Share of income	400	444
Share of expenses	(323)	(344)
Balance sheet		
Share of total assets	4,645	6,018
Share of total liabilities	4,021	5,070
Off-balance sheet		
Share of contingent liabilities and commitments	56	52

Refer to Note 53 for details of significant associates.

26 Goodwill on Consolidation

Set out below is the carrying value of the Bank Group's goodwill arising from acquisition of subsidiaries and joint ventures as at 31 December, after an assessment for impairment is performed:

	Bank Group	
In $ millions	**2008**	**2007**
Balance at 1 January	**5,842**	5,840
Additional interest in a subsidiary	**11**	-
Exchange differences	**(6)**	2
Balance at 31 December	**5,847**	5,842

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

	As at 31 December	
In $ millions	**2008**	**2007**
DBS Bank (Hong Kong) Limited	**5,649**	5,649
DBS Vickers Securities Holdings Pte Ltd	**154**	154
Cholamandalam DBS Finance Limited	**27**	33
Primefield Company Pte Ltd	**17**	6
Total	**5,847**	5,842

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 covering a three year period and a projection for the fourth and fifth years, 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.

Management has undertaken sensitivity analysis on the financial budgets and forecasts and noted that for DBS Bank (Hong Kong) Limited, if the estimated net profit after tax forecasts from 2009 - 2011 were reduced by 30%, the Bank Group's value-in-use calculation is still higher than the carrying amounts. Further, if the estimated long term growth rates for DBS Bank (Hong Kong) Limited and DBS Vickers Securities Holdings Pte Ltd are reduced by 50 basis points or the estimated discount rates increased by 50 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 2008. However, if conditions in Hong Kong and the banking industry deteriorate and turn out to be significantly worse than anticipated in the Bank Group's performance forecasts, goodwill may need to be impaired in future periods.

27 Acquisitions

On 1 February 2008, the Bank 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 Bank 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 is 24 May 2008.

Since the acquisition of Bowa on 24 May 2008, Bowa contributed revenue of $31 million and incremental specific allowances of $30 million to the Bank Group for the period ended 31 December 2008. The incremental specific allowances of $30 million arise mainly from the acquired loans portfolio. If the acquisition had occurred on 1 January

2008, the additional impact to the Bank Group revenue for the period from 1 January 2008 to 24 May 2008 and the Group net profit for the year would not be material.

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

In $ millions	Recognised on acquisition by the Bank 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
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

The fair value amounts contain provisional balances which will be finalised within 12 months of the acquisition date.

28 Properties and Other Fixed Assets

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

In $ millions	Bank Group 2008	2007
Minimum lease receivable		
Not later than 1 year	33	18
Later than 1 year but not later than 5 years	54	38
Later than 5 years	-	-
	87	56

The Bank 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.

In $ millions	Investment property	Bank 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	341	898	662	1,560	1,901
Acquisition of new business	-	173	42	215	215
Additions	-	6	172	178	178
Disposals	-	(62)	(190)	(252)	(252)
Write-off	-	-	-	-	-
Exchange differences	-	24	(3)	21	21
Balance at 31 December	341	1,039	683	1,722	2,063
Less: Accumulated depreciation					
Balance at 1 January	42	96	204	300	342
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	48	105	234	339	387
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	-	-	-
2007					
Cost					
Balance at 1 January	341	1,063	700	1,763	2,104
Additions	-	6	190	196	196
Disposals	-	(53)	(212)	(265)	(265)
Write-off	-	(79)	-	(79)	(79)
Exchange differences	-	(39)	(16)	(55)	(55)
Balance at 31 December	341	898	662	1,560	1,901
Less: Accumulated depreciation					
Balance at 1 January	38	95	296	391	429
Depreciation charge	5	22	99	121	126
Disposals	-	(16)	(181)	(197)	(197)
Exchange differences	(1)	(5)	(10)	(15)	(16)
Balance at 31 December	42	96	204	300	342
Less: Allowances for impairment	-	25	-	25	25
Net book value at 31December	299	777	458	1,235	1,534
Market value at 31 December	465	1,241	-	-	-

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

In $ millions	Investment property	Owner-occupied property	Other fixed assets[(a)]	Subtotal of non-investment property	Total
		Bank Non-investment property			
	(1)	(2)	(3)	(4)=(2+3)	(5)=(1+4)
2008					
Cost					
Balance at 1 January	-	228	489	717	717
Acquisition of new business	-	173	42	215	215
Additions	-	6	77	83	83
Disposals	-	(4)	(81)	(85)	(85)
Write-off	-	-	-	-	-
Exchange differences	-	-	-	-	-
Balance at 31 December	-	403	527	930	930
Less: Accumulated depreciation					
Balance at 1 January	-	56	194	250	250
Acquisition of new business	-	18	30	48	48
Depreciation charge	-	8	74	82	82
Disposals	-	(3)	(34)	(37)	(37)
Exchange differences	-	-	-	-	-
Balance at 31 December	-	79	264	343	343
Less: Allowances for impairment					
- Acquisition of new business	-	46	-	46	46
- Others	-	7	-	7	7
Net book value at 31 December	-	271	263	534	534
Market value at 31 December	-	323	-	-	-
2007					
Cost					
Balance at 1 January	-	247	546	793	793
Additions	-	4	101	105	105
Disposals	-	(24)	(158)	(182)	(182)
Write-off	-	-	-	-	-
Exchange differences	-	1	-	1	1
Balance at 31 December	-	228	489	717	717
Less: Accumulated depreciation					
Balance at 1 January	-	56	268	324	324
Depreciation charge	-	7	65	72	72
Disposals	-	(7)	(139)	(146)	(146)
Exchange differences	-	-	-	-	-
Balance at 31 December	-	56	194	250	250
Less: Allowances for impairment	-	5	-	5	5
Net book value at 31 December	-	167	295	462	462
Market value at 31 December	-	221	-	-	-

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

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

In $ millions	Bank Group 2008	Bank Group 2007	Bank 2008	Bank 2007
Balance at 1 January	25	194	5	16
Acquisition of new business	46	-	46	-
Charge/(write-back) to income statement	1	(86)	1	(10)
Disposals	-	(1)	-	(1)
Write-off	-	(79)	-	-
Exchange and other movements	-	(3)	-	-
Balance at 31 December	72	25	52	5

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 $452 million as at 31 December 2008 (2007: $460 million). Its fair value was independently appraised at $628 million (2007: $706 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	Bank Group 2008	Bank Group 2007	Bank 2008	Bank 2007
Deferred tax assets	171	25	128	-
Deferred tax liabilities	(45)	(172)	-	(117)
Total	126	(147)	128	(117)

The movement in deferred income tax assets and liabilities (prior to offsetting of balances with the same tax jurisdiction) is as follows:

In $ millions		Bank Group 2008		
Deferred income tax assets		**Allowances for losses**	**Other temporary differences**	**Total**
Balance at 1 January		87	51	138
Credit/(Charge) to income statement		11	11	22
Charge to equity		-	-	-
Balance at 31 December		98	62	160
Deferred income tax liabilities	**Accelerated tax depreciation**	**Available-for-sale investments/cash flow hedge**	**Other temporary differences**	**Total**
Balance at 1 January	(118)	(165)	(2)	(285)
Credit/(Charge) to income statement	(6)	-	1	(5)
Charge to equity	-	256	-	256
Balance at 31 December	(124)	91	(1)	(34)

In $ millions		Bank Group 2007		
Deferred income tax assets		**Allowances for losses**	**Other temporary differences**	**Total**
Balance at 1 January		78	30	108
Credit/(Charge) to income statement		9	21	30
Charge to equity		-	-	-
Balance at 31 December		87	51	138
Deferred income tax liabilities	**Accelerated tax depreciation**	**Available-for-sale investments/cash flow hedge**	**Other temporary differences**	**Total**
Balance at 1 January	(121)	(104)	-	(225)
Credit/(Charge) to income statement	3	-	(2)	1
Charge to equity	-	(61)	-	(61)
Balance at 31 December	(118)	(165)	(2)	(285)

In $ millions		Bank 2008		
Deferred income tax assets		Allowances for losses	Other temporary differences	Total
Balance at 1 January		43	39	82
Credit/(Charge) to income statement		-	13	13
Charge to equity		-	-	-
Balance at 31 December		43	52	95
Deferred income tax liabilities	Accelerated tax depreciation	Available-for-sale investments/cash flow hedge	Other temporary differences	Total
Balance at 1 January	(26)	(173)	-	(199)
Credit/(Charge) to income statement	(10)	-	-	(10)
Charge to equity	-	242	-	242
Balance at 31 December	(36)	69	-	33

In $ millions		Bank 2007		
Deferred income tax assets		Allowances for losses	Other temporary differences	Total
Balance at 1 January		42	22	64
Credit/(Charge) to income statement		1	17	18
Charge to equity		-	-	-
Balance at 31 December		43	39	82
Deferred income tax liabilities	Accelerated tax depreciation	Available-for-sale investments/cash flow hedge	Other temporary differences	Total
Balance at 1 January	(27)	(117)	-	(144)
Credit/(Charge) to income statement	1	-	-	1
Charge to equity	-	(56)	-	(56)
Balance at 31 December	(26)	(173)	-	(199)

30 Other Assets

In $ millions	Bank Group 2008	Bank Group 2007	Bank 2008	Bank 2007
Accrued interest receivable	**1,019**	1,180	**761**	878
Deposits and prepayments	**288**	272	**230**	288
Clients' monies receivable from securities business	**316**	774	**-**	-
Sundry debtors and others	**4,466**	3,485	**3,841**	1,904
Total	**6,089**	5,711	**4,832**	3,070

31 Due to Non-Bank Customers

In $ millions	Bank Group 2008	Bank Group 2007	Bank 2008	Bank 2007
Analysed by currency				
Singapore dollar	**89,331**	79,023	**89,180**	78,900
US dollar	**26,858**	25,028	**17,072**	16,347
Hong Kong dollar	**23,052**	24,511	**1,990**	1,905
Others	**24,118**	16,178	**15,643**	9,349
Total	**163,359**	144,740	**123,885**	106,501
Analysed by product				
Savings accounts	**70,369**	51,278	**62,708**	44,146
Current accounts	**20,730**	16,144	**17,108**	13,276
Fixed deposits	**70,580**	74,520	**43,359**	47,137
Other deposits	**1,680**	2,798	**710**	1,942
Total	**163,359**	144,740	**123,885**	106,501

32 Financial Liabilities at Fair Value through Profit or Loss

In $ millions	Bank Group 2008	Bank Group 2007	Bank 2008	Bank 2007
Trading				
Other debt securities in issue (Note 32.1)	**1,779**	2,588	**1,751**	2,588
Due to non-bank customers				
– structured investments	**4,405**	5,725	**4,405**	5,725
– others	**1,305**	1,138	**1,305**	1,138
Payable in respect of short sale of securities	**1,330**	4,157	**787**	2,767
Other financial liabilities	**550**	1,017	**550**	1,017
Sub-total	**9,369**	14,625	**8,798**	13,235
Fair value designated[(a)]				
Due to non-bank customers – structured investments	**790**	1,341	**13**	25
Other debt securities in issue (Note 32.2)	**1,123**	2,276	**758**	884
Sub-total	**1,913**	3,617	**771**	909
Total	**11,282**	18,242	**9,569**	14,144

(a) 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 benchmark interest rate, foreign exchange rate or index of prices or rates. Change in fair value arising from change in credit risk is considered not significant. Unrealised gain for the fair value designated liabilities at 31 December 2008 amount to $628 million (2007: $119 million) for the Bank Group and $30 million (2007: $25 million) for the Bank

32.1 Other debt securities in issue (Trading)

Details of other debt securities issued and outstanding at 31 December 2008 are as follows:

In $ millions Type	Issue Date	Maturity Date	Bank Group 2008	Bank Group 2007	Bank 2008	Bank 2007
Equity linked notes	10 May 2004 to 30 Dec 2008	2 Jan 2009 to 21 May 2014	**467**	845	**467**	845
Credit linked notes	7 Apr 2003 to 31 Dec 2008	23 Feb 2009 to 20 Jun 2016	**1,075**	1,192	**1,047**	1,192
Interest linked notes	13 Jan 2004 to 31 Dec 2008	9 Dec 2010 to 3 Dec 2019	**211**	531	**211**	531
Exchange linked notes	2 Jul 2008 to 3 Oct 2008	5 Jan 2009 to 9 Sep 2009	**26**	20	**26**	20
Total			**1,779**	2,588	**1,751**	2,588
Due within 1 year			**485**	628	**485**	628
Due after 1 year			**1,294**	1,960	**1,266**	1,960
Total			**1,779**	2,588	**1,751**	2,588

32.2 Other debt securities in issue (Fair value designated)

In $ millions	Bank Group 2008	Bank Group 2007	Bank 2008	Bank 2007
Negotiable certificates of deposit	**56**	80	**-**	-
Other debt securities	**1,067**	2,196	**758**	884
Total	**1,123**	2,276	**758**	884
Due within 1 year	**795**	763	**449**	581
Due after 1 year	**328**	1,513	**309**	303
Total	**1,123**	2,276	**758**	884

Details of negotiable certificates of deposit issued and outstanding at 31 December 2008 are as follows:

In $ millions Face Value	Interest Rate and Repayment Terms	Issue Date	Maturity Date	Bank Group 2008	Bank Group 2007	Bank 2008	Bank 2007
HK$300m	3-mth HIBOR* +0.01%, payable quarterly	21 Jan 2005	21 Jan 2009	56	75	-	-
US$3m	3-mth LIBOR**, payable quarterly	30 Mar 2005	7 Apr 2008	-	5	-	-
Total				56	80	-	-

* HIBOR: Hong Kong Interbank Offer Rate
** LIBOR: London Interbank Offer Rate

Details of other debt securities issued and outstanding at 31 December 2008 are as follows:

In $ millions			Bank Group		Bank	
Type	Issue Date	Maturity Date	2008	2007	2008	2007
Credit linked notes	26 Jan 2004 to 22 Dec 2008	16 Jan 2009 to 5 Sep 2014	1,017	2,113	758	884
Equity linked notes	10 Nov 2006	10 Nov 2009 to 10 Nov 2011	50	46	-	-
Secured asset-backed medium term notes (Note (a))	30 Nov 2001	25 Apr 2008	-	37	-	-
Total			1,067	2,196	758	884

(a) The notes issued by New Heights Investment Limited were redeemed at a fixed interest rate on maturity and there was no occurrence of a credit event. The notes were secured on deposits equivalent to the issue price, a series of credit default swaps whereby the issuer sold credit protection, and cross currency swaps. The notes expired in 2008.

33 Other Liabilities

	Bank Group		Bank	
In $ millions	2008	2007	2008	2007
Sundry creditors	3,255	3,735	1,830	1,483
Cash collaterals received in respect of derivative portfolios	830	567	830	567
Interest payable	487	631	310	436
Loss allowances for off-balance sheet credit exposures	177	132	174	129
Clients' monies payable in respect of securities business	297	629	-	-
Other payable[(a)]	828	1,281	541	740
Total	5,874	6,975	3,685	3,355

(a) 2008 includes provision of approximately $70 million less amounts paid for potential compensation to certain customers who had bought structured investments from the Bank Group

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

Bank Group In $ millions	Balance at 1 January	Charge to income statement	Exchange and other movements	Balance at 31 December
2008				
Contingent liabilities and commitments	132	46	(1)	177
2007				
Contingent liabilities and commitments	126	6	-	132

Bank In $ millions	Balance at 1 January	Charge to income statement	Exchange and other movements	Balance at 31 December
2008				
Contingent liabilities and commitments	129	45	-	174
2007				
Contingent liabilities and commitments	125	4	-	129

34 Other Debt Securities in Issue

In $ millions	Bank Group 2008	Bank Group 2007	Bank 2008	Bank 2007
Negotiable certificates of deposit	336	216	-	102
Other debt securities	302	983	28	636
Total	638	1,199	28	738
Due within 1 year	263	960	28	738
Due after 1 year	375	239	-	-
Total	638	1,199	28	738

Details of negotiable certificates of deposit issued and outstanding at 31 December 2008 are as follows:

In $ millions Face Value	Interest Rate and Repayment Terms	Issue Date	Maturity Date	Bank Group 2008	Bank Group 2007	Bank 2008	Bank 2007
TWD2,100m	2.20% to 2.23%, payable on maturity	29 Oct 2007 to 4 Dec 2007	29 Jan 2008 to 11 Mar 2008	-	93	-	93
INR250m	8.15%, payable on maturity	28 Sep 2007	31 Jan 2008	-	9	-	9
HK$777m	3.48% to 4.22%, payable quarterly	22 Aug 2008 to 17 Oct 2008	23 Aug 2013 to 17 Oct 2018	151	65	-	-
HK$940m	2.59% to 4.20%, payable yearly	9 Mar 2006 to 12 Sep 2008	9 Mar 2009 to 28 Aug 2018	185	49	-	
Total				336	216	-	102

Details of other debt securities issued and outstanding at 31 December 2008 are as follows:

In $ millions Face Value/ Type	Interest Rate and Repayment Terms	Issue Date	Maturity Date	Bank Group 2008	Bank Group 2007	Bank 2008	Bank 2007
TWD630m	2.50%, payable half-yearly	29 Apr 2004	29 Oct 2009	28	-	28	-
Stapled notes with non-voting redeemable preference shares and fixed rate notes (Note (a))		11 Dec 2007	12 Dec 2008	-	636	-	636
Equity linked notes		29 Nov 2007 to 20 Dec 2007	7 Jan 2008 to 22 Jan 2008	-	1	-	-
Redeemable non-convertible debentures (Note (b))							
- Fixed rate at 8.65% to 13.00%		25 Apr 2006 to 12 Sep 2008	19 Jan 2009 to 21 Nov 2018	266	243	-	-
- Floating rate at INBMK* +0.50% to +1.30%		3 Mar 2005 to 31 Jul 2006	3 Mar 2008 to 31 Jul 2009	-	23	-	-
- Floating rate at MIBOR** +2.18%		18 Jul 2006 to 19 Jul 2006	17 Jul 2009 to 20 Jul 2009	8	80	-	-
Total				302	983	28	636

* INBMK: Indian Benchmark
** MIBOR: Mumbai Interbank Offer Rate

(a) The notes issued by the Bank consist of non-voting redeemable preference shares and fixed rate notes which are issued and stapled together. The notes expired in 2008.

(b) The notes were issued by Cholamandalam DBS Finance Limited, a joint venture. The medium-term debentures amounting to INR24.7 billion (2007: INR25.2 billion) are secured on a pari passu by way of specific charge on assets under hypothecation, hire-purchase assets and immovable property.

35 Due to Subsidiaries

In $ millions	Bank 2008	Bank 2007
Subordinated term debts issued to DBS Capital Funding Corporation (Note 35.1)	1,183	1,188
Subordinated term debts issued to DBS Capital Funding Corporation II (Note 35.2)	1,500	-
Due to subsidiaries	6,326	4,890
Total	9,009	6,078

35.1 T he subordinated term debts were issued by the Bank to DBS Capital Funding Corporation, both wholly-owned subsidiaries of DBSH, 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).

35.2 The $1,50 0 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 DBSH. 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.

36 Subordinated Term Debts

Subordinated term debts issued by subsidiaries of the Bank 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 Bank Group's assets in the case of a default or liquidation.

In $ millions				Bank Group		Bank	
Face Value		Issue Date	Maturity Date	2008	2007	2008	2007
US$750m	7.88% Subordinated Notes (Note 36.1)	10 Aug 1999	10 Aug 2009	**1,099**	1,120	**1,099**	1,120
US$500m	7.88% Subordinated Notes (Note 36.2)	15 Apr 2000	15 Apr 2010	**766**	767	**766**	767
US$850m	7.13% Subordinated Notes (Note 36.3)	15 May 2001	15 May 2011	**1,340**	1,292	**1,340**	1,292
US$750m	5.00% Subordinated Notes callable with step-up in 2014 (Note 36.4)	1 Oct 2004	15 Nov 2019	**1,144**	1,075	**1,144**	1,075
US$900m	Floating Rate Subordinated Notes callable with step-up in 2016 (Note 36.5)	16 Jun 2006	15 Jul 2021	**1,293**	1,298	**1,293**	1,298
S$500m	4.47% Subordinated Notes callable with step-up in 2016 (Note 36.6)	11 Jul 2006	15 Jul 2021	**500**	500	**500**	500
US$500m	5.13% Subordinated Notes callable with step-up in 2012 (Note 36.7)	15 May 2007	16 May 2017	**788**	739	**788**	739
US$1,500m	Floating Rate Subordinated Notes callable with step-up in 2012 (Note 36.8)	15 May 2007	16 May 2017	**2,155**	2,163	**2,155**	2,163
Total				**9,085**	8,954	**9,085**	8,954
Due within 1 year				**1,099**	-	**1,099**	-
Due after 1 year				**7,986**	8,954	**7,986**	8,954
Total				**9,085**	8,954	**9,085**	8,954

36.1 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 Bank Group's capital adequacy ratio, these notes qualify as Tier 2 capital, the eligible amount being dependent on regulatory amortisation rules.

36.2 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 Bank Group's capital adequacy ratio, these notes qualify as Tier 2 capital, the eligible amount being dependent on regulatory amortisation rules.

36.3 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 Bank Group's capital adequacy ratio, these notes qualify as Tier 2 capital, the eligible amount being dependent on regulatory amortisation rules.

36.4 Intere st 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 Bank Group's capital adequacy ratio, these notes qualify as Tier 2 capital.

36.5 Intere st 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 Bank Group's capital adequacy ratio, these notes qualify as Tier 2 capital.

36.6 Intere st 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 Bank Group's capital adequacy ratio, these notes qualify as Tier 2 capital.

36.7 Intere st 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 Bank Group's capital adequacy ratio, these notes qualify as Tier 2 capital.

36.8 Intere st 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 Bank Group's capital adequacy ratio, these notes qualify as Tier 2 capital.

37 Share Capital

	Bank	
Issued and fully paid up	**2008**	**2007**
1,962,302,697 (2007 : 1,962,302,697) ordinary shares	1,962	1,962
11,000,000 (2007 : 11,000,000) non-cumulative non-convertible perpetual preference shares	#	#
Total number of shares (millions)	1,962	1,962
Total Share Capital (in $ millions)	12,096	12,096

Amount under $500,000

38 Other Reserves and Revenue Reserves

38.1 Other reserves

	Bank Group		Bank	
In $ millions	**2008**	**2007**	**2008**	**2007**
Available-for-sale revaluation reserves	(388)	901	(255)	929
General reserves	2,453	2,453	2,360	2,360
Capital reserves	(103)	(12)	-	-
Share plan reserves	-	30	-	25
Total	1,962	3,372	2,105	3,314

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

	Bank Group				
In $ millions	**Available-for-sale revaluation reserves**	**General reserves[a]**	**Capital reserves[b]**	**Share plan reserves**	**Total**
Balance at 1 January 2008	901	2,453	(12)	30	3,372
Net exchange translation adjustments	-	-	(51)	-	(51)
Share of associates' capital reserves	-	-	(40)	-	(40)
Transfer of share plan reserves to holding company	-	-	-	(30)	(30)
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)	-	1,962
Balance at 1 January 2007	414	2,423	(11)	32	2,858
Appropriation from prior year's net profit	-	30	-	-	30
Net exchange translation adjustments	-	-	(38)	-	(38)
Share of associates' capital reserves	-	-	37	-	37
Cost of share-based payments	-	-	-	34	34
Draw-down of reserves upon vesting of performance shares	-	-	-	(36)	(36)
Available-for-sale/cash flow hedge:					
- net valuation taken to equity	940	-	-	-	940
- transferred to income statement on sale	(392)	-	-	-	(392)
- tax on items taken directly to or transferred from equity	(61)	-	-	-	(61)
Balance at 31 December 2007	901	2,453	(12)	30	3,372

(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.

(b) The 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

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

In $ millions	Bank Available-for-sale revaluation reserves	General reserves [a]	Capital reserves	Share plan reserves	Total
Balance at 1 January 2008	929	2,360	-	25	3,314
Transfer of share plan reserves to holding company	-	-	-	(25)	(25)
Available-for-sale:					
- net valuation taken to equity	(1,130)	-	-	-	(1,130)
- transferred to income statement due to impairment	16	-	-	-	16
- transferred to income statement on sale	(312)	-	-	-	(312)
- tax on items taken directly to or transferred from equity	242	-	-	-	242
Balance at 31 December 2008	(255)	2,360	-	-	2,105
Balance at 1 January 2007	482	2,330	-	35	2,847
Appropriation from prior year's net profit	-	30	-	-	30
Cost of share-based payments	-	-	-	30	30
Draw-down of reserves upon vesting of performance shares	-	-	-	(40)	(40)
Available-for-sale/cash flow hedge:					
- net valuation taken to equity	917	-	-	-	917
- transferred to income statement on sale	(414)	-	-	-	(414)
- tax on items taken directly to or transferred from equity	(56)	-	-	-	(56)
Balance at 31 December 2007	929	2,360	-	25	3,314

(a) 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

38.2 Revenue reserves

In $ millions	Bank Group 2008	Bank Group 2007	Bank 2008	Bank 2007
Balance at 1 January	6,179	4,745	4,984	4,263
Net profit attributable to shareholders	1,997	2,334	1,938	1,623
Transfer to general reserves[a]	-	(30)	-	(30)
Amount available for distribution	8,176	7,049	6,922	5,856
Less: $0.16 (2007 : $0.03) tax exempt ordinary final dividends	302	65	304	65
$0.49 (2007 : $0.38) tax exempt ordinary interim dividends	951	751	953	753
6% tax exempt preference dividends (2007: net of 18% tax)	66	54	66	54
Balance at 31 December	6,857	6,179	5,599	4,984

(a) Relates to appropriation from prior year's income statement

39 Minority Interests

In $ millions	Bank Group 2008	2007
Preference shares issued by DBS Capital Funding Corporation (Note 39.1)	1,121	1,125
Preference shares issued by DBS Capital Funding II Corporation (Note 39.2)	1,500	-
Other subsidiaries	450	446
Total	3,071	1,571

39.1 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 London Interbank Offer Rate ("LIBOR") + 3.20% per annum (Series A) and three-month Singapore Swap Offer Rate + 2.52% per annum (Series B). In computing the Bank Group's capital adequacy ratio, these guaranteed preference shares qualify as Tier 1 capital.

39.2 $1,500 million 5.75% non-cumulative non-convertible non-voting guaranteed preference shares, each 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 Bank Group's capital adequacy ratio, these guaranteed preference shares qualify as Tier 1 capital.

40 Contingent Liabilities and Commitments

The Bank 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 Bank Group to support the performance of a customer to third parties. As the Bank 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 Bank Group in respect of bills of exchange, which have been paid and subsequently rediscounted.

	Bank Group		Bank	
In $ millions	2008	2007	2008	2007
Guarantees on account of customers	**9,445**	8,455	**9,173**	8,111
Endorsements and other obligations on account of customers				
- Letters of credit	**4,644**	4,770	**3,912**	4,799
- Others	**1,281**	1,366	**1,167**	1,038
Other contingent items (Note 40.2)	**50**	65	**50**	65
Undrawn credit facilities	**75,993**	91,182	**55,968**	73,793
Undisbursed commitments in securities	**88**	132	**88**	132
Sub-total	**91,501**	105,970	**70,358**	87,938
Operating lease commitments (Note 40.3)	**1,075**	907	**857**	709
Capital commitments	**80**	84	**45**	71
Total	**92,656**	106,961	**71,260**	88,718
Analysed by industry (except for operating lease commitments and capital commitments)				
Manufacturing	**14,272**	15,454	**10,893**	12,455
Building and construction	**6,379**	7,465	**4,303**	5,806
Housing loans	**2,503**	2,633	**2,390**	2,594
General commerce	**13,177**	12,071	**7,984**	7,611
Transportation, storage and communications	**5,342**	8,176	**5,150**	7,969
Financial institutions, investment and holding companies	**17,175**	26,957	**16,864**	29,262
Professionals and private individuals (except housing loans)	**16,270**	17,813	**7,786**	9,106
Others	**16,383**	15,401	**14,988**	13,135
Total	**91,501**	105,970	**70,358**	87,938

40.1 The Bank has existing outsourcing agreements for the provision of information technology and related support to the Bank Group's operations in Singapore, Hong Kong and China. There are various termination clauses in the agreements that could require the Bank 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.

40.2 Included in "Other contingent items" at 31 December 2008, is an amount of $50 million (2007: $65 million), representing the termination fee payable by the Bank should a distribution agreement be terminated prematurely prior to December 2011.

40.3 The Bank Group has existing significant operating lease commitments for 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. This 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.

41 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 Bank 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.

41.1 Trading derivatives

Most of the Bank Group's derivatives relate to sales and trading activities. Sale activities include the structuring and marketing of derivatives to customers to enable them to take, transfer, modify or reduce current or expected risks. Trading activities are entered into principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. Trading includes market making, positioning and arbitraging activities. Market making involves quoting bid and offer prices to other market participants with the intention of generating revenues based on spread and volume. Positioning involves managing market risk positions with the expectation of profiting from favourable movements in prices, rates or indices. Arbitraging involves identifying and profiting from price differentials of the same product in different markets or the same economic factor in different products.

41.2 Hedging derivatives

The accounting treatment of the hedge derivative transactions varies according to the nature of the hedge and whether the hedge meets the specified criteria to qualify for hedge accounting. Derivatives transacted as economic hedges but do not qualify for hedge accounting are treated in the same way as derivative instruments used for trading purposes.

The Bank Group's fair value hedges consist principally of interest rate swaps used for managing interest rate gaps.

At the Bank Group, for the year ended 31 December 2008, the gain on the hedging instruments was $167 million (2007: gain of $41 million). The total loss on hedged items attributable to the hedged risk amounted to $166 million (2007: loss of $44 million). The ineffectiveness arising from hedges of net investments in foreign operations is insignificant.

At the Bank, for the year ended 31 December 2008, the gain on the hedging instruments was $190 million (2007: gain of $112 million). The total loss on hedged items attributable to the hedged risk amounted to $189 million (2007: loss of $115 million). The ineffectiveness arising from hedges of net investments in foreign operations is insignificant.

The following tables summarise the contractual or underlying principal amounts of derivative financial instruments held or issued for trading and hedging purposes. The notional or contractual amounts of these instruments reflect the volume of transactions outstanding at balance sheet date, and do not represent amounts at risk.

In the financial statements, trading derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected in "Positive replacement value for financial derivatives" or "Negative replacement value for financial derivatives" respectively.

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

In $ millions	2008 Underlying notional	2008 Year-end positive replacement values for financial derivatives	2008 Year-end negative replacement values for financial derivatives	2007 Underlying notional	2007 Year-end positive replacement values for financial derivatives	2007 Year-end negative replacement values for financial derivatives
Derivatives held for trading						
Interest rate derivatives						
Forward rate agreements bought	1,989	1	7	2,858	-	3
Forward rate agreements sold	2,942	11	-	4,705	4	-
Interest rate swaps	853,126	13,797	14,238	863,065	5,560	5,411
Financial futures bought	19,880	34	1	19,459	11	3
Financial futures sold	7,800	-	21	20,316	4	9
Interest rate options bought	2,495	65	-	2,986	41	-
Interest rate options sold	2,946	-	75	7,055	-	67
Interest rate futures options bought	862	3	-	1,730	2	-
Interest rate futures options sold	804	-	1	996	-	3
Interest rate caps/floors bought	11,361	120	-	10,180	62	-
Interest rate caps/floors sold	13,282	-	150	15,968	-	108
Sub-total	917,487	14,031	14,493	949,318	5,684	5,604
Foreign exchange ("FX") derivatives						
FX contracts	440,029	8,987	8,092	460,467	2,602	2,475
Currency swaps	75,384	1,905	1,847	58,937	1,829	1,432
Currency options bought	69,010	2,111	-	100,613	1,082	-
Currency options sold	70,770	-	1,749	100,494	-	1,056
FX futures bought	102	1	-	-	-	-
Sub-total	655,295	13,004	11,688	720,511	5,513	4,963
Equity derivatives						
Equity options bought	2,145	145	4	5,765	376	12
Equity options sold	1,544	-	110	5,256	1	316
Equity swaps	2,744	81	180	2,406	82	232
Sub-total	6,433	226	294	13,427	459	560
Credit derivatives						
Credit default swaps	112,685	4,603	5,008	117,205	1,089	1,318
Sub-total	112,685	4,603	5,008	117,205	1,089	1,318
Commodity derivatives						
Commodity contracts	186	1	4	934	33	43
Commodity options bought	113	11	-	1,642	128	-
Commodity options sold	128	-	7	2,011	-	175
Sub-total	427	12	11	4,587	161	218
Total derivatives held for trading	1,692,327	31,876	31,494	1,805,048	12,906	12,663
Derivatives held for hedging						
Interest rate swaps held for fair value hedge	6,883	369	319	6,372	177	78
FX contracts held for fair value hedge	566	37	9	508	2	8
FX contracts held for hedge of net investment	1,878	46	70	1,430	34	15
Currency swaps held for hedge of net investment	3,063	-	26	2,649	-	27
Total derivatives held for hedging	12,390	452	424	10,959	213	128
Total derivatives	1,704,717	32,328	31,918	1,816,007	13,119	12,791

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

In $ millions	2008 Underlying notional	2008 Year-end positive replacement values for financial derivatives	2008 Year-end negative replacement values for financial derivatives	2007 Underlying notional	2007 Year-end positive replacement values for financial derivatives	2007 Year-end negative replacement values for financial derivatives
Derivatives held for trading						
Interest rate derivatives						
Forward rate agreements bought	1,989	1	7	2,858	-	3
Forward rate agreements sold	2,942	11	-	4,705	4	-
Interest rate swaps	861,455	13,942	14,401	878,630	5,735	5,513
Financial futures bought	19,916	36	-	18,733	10	3
Financial futures sold	7,622	-	20	19,818	4	9
Interest rate options bought	2,620	66	-	3,297	42	-
Interest rate options sold	2,942	-	75	7,007	-	67
Interest rate futures options bought	718	2	-	1,730	2	-
Interest rate futures options sold	732	-	1	996	-	3
Interest rate caps/floors bought	11,361	120	-	10,192	62	-
Interest rate caps/floors sold	13,283	-	150	16,265	-	108
Sub-total	925,580	14,178	14,654	964,231	5,859	5,706
Foreign exchange ("FX") derivatives						
FX contracts	439,237	8,861	8,746	472,592	2,578	3,037
Currency swaps	76,578	1,886	1,870	63,819	1,840	1,482
Currency options bought	70,682	2,115	-	100,786	1,080	-
Currency options sold	71,995	-	1,751	99,894	-	1,055
FX futures bought	102	1	1	-	-	-
Sub-total	658,594	12,863	12,368	737,091	5,498	5,574
Equity derivatives						
Equity options bought	1,793	279	4	4,918	438	12
Equity options sold	1,706	-	165	4,753	1	434
Equity swaps	3,158	270	187	2,666	99	322
Sub-total	6,657	549	356	12,337	538	768
Credit derivatives						
Credit default swaps	113,839	5,025	5,008	120,687	1,449	1,324
Sub-total	113,839	5,025	5,008	120,687	1,449	1,324
Commodity derivatives						
Commodity contracts	198	1	4	934	33	43
Commodity options bought	113	11	-	1,642	129	-
Commodity options sold	128	-	7	2,011	-	175
Sub-total	439	12	11	4,587	162	218
Total derivatives held for trading	1,705,109	32,627	32,397	1,838,933	13,506	13,590
Derivatives held for hedging						
Interest rate swaps held for fair value hedge	6,079	345	248	6,221	176	73
FX contracts held for fair value hedge	1,149	45	20	1,141	26	11
FX contracts held for hedge of net investment	965	32	55	582	6	10
Currency swaps held for fair value hedge	3,063	-	26	501	-	5
Total derivatives held for hedging	11,256	422	349	8,445	208	99
Total derivatives	1,716,365	33,049	32,746	1,847,378	13,714	13,689

The contractual or underlying principal amounts of derivative financial instruments of bank and non-bank counterparties amounted to $1,456 billion (2007: $1,441 billion) and $248 billion (2007: $374 billion) respectively for the Bank Group and $1,477 billion (2007: $1,514 billion) and $239 billion (2007: $333 billion) respectively for the Bank. These positions are mainly booked in Singapore. For purpose of managing its credit exposures, the Bank Group maintains collateral agreements and enters into master netting agreements with most of these counterparties.

42 Cash and Cash Equivalents

In $ millions	Bank Group[(a)] 2008	Bank Group[(a)] 2007	Bank[(a)] 2008	Bank[(a)] 2007
Cash on hand (Note 16)	1,040	1,007	903	915
Non-restricted balances with central banks (Note 16)	11,638	14,946	11,174	14,538
Total	12,678	15,953	12,077	15,453

(a) 2007 amount is restated to exclude $6,320 million and $5,897 million for the Bank Group and Bank respectively; in respect of trading government securities and treasury bills which are not readily convertible into cash.

43 Share-based Compensation Plans

43.1 DBSH Share Ownership Scheme

The DBSH Share Ownership Scheme is a fund set up to hold units of DBSH 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 Bank Group contribute up to 10% and 5% of monthly base salary respectively to buy units of DBSH ordinary shares. Amounts contributed by the Bank Group under the Scheme are recognised as employee benefits when paid.

Bank Group	Ordinary shares Number		Market value ($ millions)	
	2008	2007	2008	2007
Balance at 1 January	2,993,829	2,922,829	62	65
Balance at 31 December	3,522,570	2,993,829	30	62

43.2 DBSH Share Option Plan

Under the DBSH Share Option Plan (the "Option Plan"), options to subscribe for DBSH ordinary shares may be granted to Bank 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 DBSH 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 of DBSH (Committee), and are exercisable after the first anniversary of the date of the grant up to the date of expiration of the options

During the current and previous financial years, there were no awards granted to eligible employees under the Option Plan.

The following table sets out the movement of the unissued ordinary shares of DBSH under outstanding options, the weighted average exercise prices and expiration dates.

Bank Group	2008 Unissued number of ordinary shares under outstanding options	Weighted average exercise price ($)	2007 Unissued number of ordinary shares under outstanding options	Weighted average exercise price ($)
Balance at 1 January	17,776,673	15.29	25,014,807	15.21
Movements during the year:				
- Granted	-		-	-
- Exercised	(3,173,596)	14.29	(6,951,829)	15.01
- Forfeited	(229,885)	18.09	(286,305)	15.35
Balance at 31 December	14,373,192	15.46	17,776,673	15.29
Additional information:				
Outstanding options exercisable at 31 December	14,373,192	15.46	17,007,753	15.30
Weighted average remaining contractual life of options outstanding at 31 December	3.4 years		4.5 years	
Range of exercise price of options outstanding at 31 December	$10.40 to $22.33		$10.40 to $22.33	

In 2008, 3,173,596 options (2007: 6,951,829) were exercised at their contractual exercise prices for the Bank Group. During the year, the weighted average market price of DBSH shares was $18.59 (2007: $21.88).

Bank	2008 Unissued number of ordinary shares under outstanding options	2008 Weighted average exercise price ($)	2007 Unissued number of ordinary shares under outstanding options	2007 Weighted average exercise price ($)
Balance at 1 January	14,875,463	15.51	20,602,243	15.43
Movements during the year:				
- Granted	-		-	
- Exercised	(2,394,348)	14.52	(5,565,020)	15.19
- Forfeited	(213,085)	18.34	(161,760)	16.31
Balance at 31 December	12,268,030	15.65	14,875,463	15.51
Additional information:				
Outstanding options exercisable at 31 December	12,268,030	15.65	14,077,208	15.53
Weighted average remaining contractual life of options outstanding at 31 December	3.3 years		4.4 years	
Range of exercise price of options outstanding at 31 December	$10.40 to $22.33		$10.40 to $22.33	

In 2008 2,394,348 options (2007: 5,565,020) were exercised at their contractual exercise prices for the Bank. During the year, the weighted average market price of DBSH shares was $18.51 (2007: $21.88).

43.3 DBSH Share Plan

Under the DBSH Share Plan (the "Share Plan"), DBSH ordinary shares may be granted to Bank 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 performance-based awards are granted, participants are awarded shares of DBSH, their equivalent cash value or a combination of both (at the discretion of the Committee), when prescribed DBSH Group performance targets are met over a three-year performance period.

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

For performance-based awards, the shares will vest three years after the date of grant following completion of the prescribed performance period, provided the prescribed performance targets are met. A time-based award comprises two elements, namely, the main award and the "kicker" award. The shares comprised in the "kicker" award constitute twenty percent of the shares comprised in the main award. Fifty percent of the shares comprised in the main award will vest two years after the date of grant. The remainder fifty percent of the shares comprised in the main award, together with the shares comprised in the "kicker" award, will vest three years after the date of grant. In the case of both performance-based awards and time-based awards, the fair value of the shares awarded are computed based on the market price of the ordinary shares at the time of the award and is amortised through the income statement over the vesting period.

At each balance sheet date, the Bank 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.

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 dates. No performance-based awards were granted in the current and previous financial years.

Bank Group		
(Number of shares)	2008 grant	2007 grant
Balance at 1 January 2008	Not applicable	2,028,322
Granted in 2008	2,464,268	Not applicable
Forfeited in 2008	(297,616)	(355,513)
Balance at 31 December 2008	2,166,652	1,672,809
Fair value per share at grant date	$18.17	$23.00

Bank		
(Number of shares)	2008 grant	2007 grant
Balance at 1 January 2008	Not applicable	1,847,617
Granted in 2008	2,153,000	Not applicable
Forfeited in 2008	(285,272)	(348,029)
Balance at 31 December 2008	1,867,728	1,499,588
Fair value per share at grant date	$18.17	$23.00

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

43.4 DBSH Employee Share Plan

The DBSH Employee Share Plan (the "ESP") caters to all employees of the Bank 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 DBSH, their equivalent cash value or combinations of both (at the discretion of the Committee) when prescribed DBSH Group performance targets and/or time-based conditions are met. The ESP awards are granted at the absolute discretion of the Compensation and Management Development Committee.

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

Time-based awards were granted in 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 Bank 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.

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 dates.

Bank Group		
(Number of shares)	**2008 grant**	2007 grant
Balance at 1 January 2008	**Not applicable**	66,850
Granted in 2008	**175,900**	Not applicable
Forfeited in 2008	**(12,500)**	(9,150)
Balance at 31 December 2008	**163,400**	57,700
Fair value per share at grant date	**$17.94**	$23.00

Bank		
(Number of shares)	**2008 grant**	2007 grant
Balance at 1 January 2008	**Not applicable**	35,350
Granted in 2008	**95,400**	Not applicable
Forfeited in 2008	**(6,400)**	(6,100)
Balance at 31 December 2008	**89,000**	29,250
Fair value per share at grant date	**$17.94**	$23.00

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

44 Related Party Transactions

44.1 Transactions between the Bank and its subsidiaries, including consolidated special purpose entities, which are related parties of the Bank, have been eliminated on consolidation and are disclosed in Notes 44.6 and 44.7.

44.2 During the financial year, the Bank Group had banking transactions with related parties, consisting of associates, joint ventures, directors and key management personnel of the Bank Group. These included the taking of deposits and extension of credit card and other loan facilities. These transactions were made in the ordinary course of business and carried out at arms-length commercial terms, and are not material.

In addition, directors and key management personnel received remuneration for services rendered during the financial year. Non-cash benefits including performance shares were also granted.

44.3 Total compensation paid to the Bank's directors and key management personnel[(a)], as well as fees paid to the Bank's directors and directors of subsidiaries are as follows:

	Bank Group		Bank	
In $ millions	**2008**	2007	**2008**	2007
Short-term benefits	**46**	54	**28**	36
Post-employment benefits	**#**	#	**#**	#
Share-based payments	**7**	8	**6**	8
Total	**53**	62	**34**	44
Comprise amounts[(b)] paid to:				
-Bank directors	**13**	17	**13**	17
-Directors of subsidiaries	**15**	14	**-**	-
-Key management personnel	**25**	31	**21**	27
Total	**53**	62	**34**	44
Fees of Bank directors	**#**	#	**#**	#
Fees of subsidiaries directors	**1**	#	**-**	-
Total compensation and fees	**54**	62	**34**	44

\# Amount under $500,000
(a) Refers to members of the Management Committee, excluding members who are also the Bank's directors, but including key personnel who has authority and responsibility in planning the activities and direction of the Bank Group
(b) Includes cash bonus based on amount accrued during the year, to be paid in the following year

44.4 Share options granted to key management personnel

No share options were granted to key management personnel (including management personnel who were Bank directors) during the financial year. The outstanding number of share options granted to key management personnel at the end of the financial year was 1,330,570 (2007: 2,618,375).

44.5 Performance shares granted to key management personnel

During the financial year, 762,941 (2007: 713,594) awards in respect of DBSH ordinary shares were granted to key management personnel (including management personnel who were Bank directors).

44.6 Income received and expenses paid to related parties

In $ millions	Bank 2008	Bank 2007
Income received from:		
-Subsidiaries	144	191
-Special purpose entities	7	28
-Associates/joint ventures	#	3
Total	151	222
Expenses paid to:		
-Subsidiaries	320	365
-Subsidiaries of DBSH	#	#
-Special purpose entities	#	#
-Associates/joint ventures	4	8
Total	324	373

\# Amount under $500,000

44.7 Amounts due to and from related parties

In $ millions	Bank 2008	Bank 2007
Amounts due from:		
-Subsidiaries	2,965	1,823
-Special purpose entities	-	1,116
-Associates/joint ventures	#	#
Total	2,965	2,939
Amounts due to:		
-DBSH	17	21
-Subsidiaries	9,009	6,078
-Subsidiaries of DBSH	#	#
-Special purpose entities	195	994
-Associates/joint ventures	#	#
Total	9,221	7,093

\# Amount under $500,000

44.8 Loans and guarantees to related parties

Loans granted to subsidiaries amounted to $1,036 million (2007: $1,091 million) and will be settled in cash. There were no loans granted by subsidiaries to the Bank. An allowance charge of $276 million has been recognised in the previous financial year in respect of a loan granted by the Bank to Rosa, a consolidated special purpose entity of the Bank Group, to fund its assets.

Guarantees granted to and from subsidiaries amounted to $959 million (2007: $1,002 million) and $27 million (2007: $4 million) respectively.

45 Financial Assets and Liabilities not Carried at Fair Value

For financial assets and liabilities not carried at fair value on the financial statements, the Bank Group has ascertained that their fair values were not materially different from the carrying amounts at year-end. The basis of arriving at their fair value is as follows:

(a) Cash and balances with central banks and Due from banks
The estimated fair value of placements is based on the discounted cash flows using the prevailing money market interest rates for placements with similar credit risk and remaining maturity.

(b) Financial investments

The fair value has been estimated by reference to the net tangible asset backing of the investee. Unquoted equities of $172 million (2007: $160 million) for the Bank Group, and $147 million (2007: $143 million) for the Bank, were stated at cost less accumulated impairment losses because the fair values cannot be reliably estimated using valuation techniques supported by observable market data. The Bank Group intends to dispose of such financial instruments through trade sale.

(c) Loans and advances to customers

The estimated fair value of loans and advances to customers is based on discounted cash flows using the relevant market interest rates and credit spread by product types.

(d) Due to banks and Due to non-bank customers

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits and other borrowings is based on discounted cash flows using prevailing interest rates with similar remaining maturity.

(e) Other debt securities issued and Bills payable

The fair value of other debt securities issued and bills payable approximates their carrying amounts.

(f) Subordinated term debts

The estimated fair value of subordinated term debts is based on discounted cash flows using a current yield curve appropriate for the remaining term to maturity.

46 Risk Governance

Under the Bank 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 Bank Group sets risk appetite limits to guide risk-taking.

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

On a day-to-day basis, business units have primary responsibility for risk management. In partnership with the business units, independent control functions provide senior management with 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 Bank Group's risk governance framework.

47 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 sets forth the principles by which the Bank 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 Bank 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 Bank 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 Bank

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 Bank Group enters into collateralised margin transactions with counterparties. The Bank Group currently uses the current exposure method for the purpose of providing capital for such counterparty exposures. Internally, the Bank Group measures counterparty credit exposures using the mark-to-market exposure with an appropriate add-on for future potential exposures.

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

The Bank Group adopts a multi-level credit approval process requiring loan approval at successively higher levels and / or committees (as delegated) depending on, among other things, the size and nature of the proposed transactions. Exposures are monitored against credit limits and other control limits (such as large exposures and concentration limits) by credit management units at the transaction and 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 Bank 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 Bank Group may also take fixed and floating charges on assets of borrowers. It has put in place policies which governs the determination of eligibility of various collaterals to be considered for credit risk mitigation which includes the minimum operational requirements that are required for the specific collateral to be considered as effective risk mitigants. For collateral taken for global financial market operations, the collateral is marked to market on a mutually agreed period with the respective counterparties. For collateral taken for commercial banking, the collateral is revalued periodically ranging from daily to annually, depending on the type of collateral. Whilst real estate properties constitute the largest percentage of the collateral assets, the Bank Group generally considers the collateral assets to be diversified.

Master netting arrangements

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

47.1 Maximum exposure to credit risk

The maximum exposure to credit risk 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 to credit risk for the components of the balance sheet:

	Bank Group		Bank	
In $ millions	**2008**	2007	**2008**	2007
Cash and balances with central banks (excludes cash on hand)	**14,750**	17,557	**13,781**	16,765
Singapore Government securities and treasury bills	**14,797**	15,433	**14,797**	15,433
Due from banks	**20,467**	22,910	**17,512**	16,833
Financial assets at fair value through profit or loss (excludes equity securities)				
Other government securities and treasury bills	**2,126**	2,752	**1,634**	2,329
Corporate debt securities	**4,647**	11,914	**4,491**	10,509
Loans and advances to customers	**641**	2,088	**602**	1,762
Other financial assets	**1,692**	1,260	**1,692**	1,260
Positive replacement values for financial derivatives	**32,328**	13,119	**33,049**	13,714
Loans and advances to customers	**125,841**	106,344	**92,536**	76,165
Financial investments (excludes equity securities)				
Other government securities and treasury bills	**4,549**	2,248	**3,731**	2,033
Corporate debt securities	**17,089**	14,611	**11,697**	9,095
Securities pledged				
Singapore Government securities and treasury bills	**186**	268	**186**	268
Other government securities and treasury bills	**806**	3,629	**257**	1,607
Corporate debt securities	**5**	218	**5**	218
Other assets [(a)]	**6,089**	5,711	**4,832**	3,070
Sub-Total	**246,013**	220,062	**200,802**	171,061
Contingent liabilities and commitments (excludes operating lease and capital commitments)	**91,501**	105,970	**70,358**	87,938
Total credit exposure	**337,514**	326,032	**271,160**	258,999

(a) Other assets include investments in associates, goodwill on consolidation, properties and other fixed assets, investment properties, deferred tax assets and other assets. At Bank, other assets also include subsidiaries, due from special purpose entities and investments in joint ventures.

47.2 Performing and Non-performing assets

The Bank 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 Bank Group to categorise its credit portfolios according to its assessment of a borrower's ability to repay a loan from his normal sources of income. There are five categories of loans as follows:

Performing 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 Bank 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 loan recovery is assessed to be insignificant.

The Bank Group may also apply a split classification to any credit facility where appropriate. For instance, when a non-performing loan is partially secured, the 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.

47.3 Loans and advances to customers

Loans and advances to customers are summarised as follows:

In $ millions	Bank Group 2008	Bank Group 2007	Bank 2008	Bank 2007
Loans and advances to customers				
Performing Loans				
- Neither past due nor impaired (i)	124,493	104,909	92,637	76,139
- Past due but not impaired (ii)	1,274	1,608	69	250
Non-Performing Loans				
- Impaired (iii)	1,958	1,168	1,109	674
Total gross loans (Note 19)	127,725	107,685	93,815	77,063

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

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

In $ millions	Bank Group		
2008	Pass	Special mention	Total
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 communication	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

In $ millions	Bank Group		
2007	Pass	Special mention	Total
Manufacturing	12,186	904	13,090
Building and construction	12,544	502	13,046
Housing loans	27,953	327	28,280
General commerce	8,794	472	9,266
Transportation, storage and communication	10,609	177	10,786
Financial institutions, investments and holding companies	10,591	1,378	11,969
Professionals and private individuals (except housing loans)	7,954	62	8,016
Others	9,627	829	10,456
Total	100,258	4,651	104,909

In $ millions	Bank		
2008	Pass	Special mention	Total
Manufacturing	9,696	181	9,877
Building and construction	12,254	149	12,403
Housing loans	22,314	256	22,570
General commerce	4,307	318	4,625
Transportation, storage and communication	9,843	384	10,227
Financial institutions, investments and holding companies	12,661	250	12,911
Professionals and private individuals (except housing loans)	6,434	27	6,461
Others	13,475	88	13,563
Total	90,984	1,653	92,637

In $ millions	Bank		
2007	Pass	Special mention	Total
Manufacturing	8,202	209	8,411
Building and construction	8,663	367	9,030
Housing loans	20,689	311	21,000
General commerce	3,653	95	3,748
Transportation, storage and communication	8,560	133	8,693
Financial institutions, investments and holding companies	10,077	1,289	11,366
Professionals and private individuals (except housing loans)	5,162	32	5,194
Others	8,640	57	8,697
Total	73,646	2,493	76,139

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

	Bank Group			
In $ millions **2008**	**Up to 30 days past due**	**30 - 59 days past due**	**60 - 90 days past due**	**Total**
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 communication	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

	Bank Group			
In $ millions **2007**	**Up to 30 days past due**	**30 - 59 days past due**	**60 - 90 days past due**	**Total**
Manufacturing	202	20	9	231
Building and construction	177	2	22	201
Housing loans	265	23	5	293
General commerce	247	14	12	273
Transportation, storage and communication	158	44	30	232
Financial institutions, investment and holding companies	111	-	-	111
Professionals and private individuals (except housing loans)	155	19	5	179
Others	77	10	1	88
Total	1,392	132	84	1,608

	Bank			
In $ millions **2008**	**Up to 30 days past due**	**30 - 59 days past due**	**60 - 90 days past due**	**Total**
Manufacturing	11	5	-	16
Building and construction	10	-	-	10
Housing loans	1	1	1	3
General commerce	16	3	-	19
Transportation, storage and communication	7	1	-	8
Financial institutions, investment and holding companies	-	-	-	-
Professionals and private individuals (except housing loans)	8	1	-	9
Others	3	1	-	4
Total	56	12	1	69

	Bank			
In $ millions **2007**	**Up to 30 days past due**	**30 - 59 days past due**	**60 - 90 days past due**	**Total**
Manufacturing	11	2	-	13
Building and construction	20	-	-	20
Housing loans	-	-	1	1
General commerce	11	-	-	11
Transportation, storage and communication	11	1	1	13
Financial institutions, investment and holding companies	110	-	-	110
Professionals and private individuals (except housing loans)	63	8	-	71
Others	9	2	-	11
Total	235	13	2	250

(iii) Non-performing assets

Non-performing assets by loan grading and industry

In $ millions 2008	Bank Group NPAs Sub-standard	Doubtful	Loss	Total	Specific allowances[a] Sub-standard	Doubtful	Loss	Total
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
Sub-total	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

In $ millions 2007	Bank Group NPAs Sub-standard	Doubtful	Loss	Total	Specific allowances[a] Sub-standard	Doubtful	Loss	Total
Customer loans								
Manufacturing	184	97	55	336	23	82	55	160
Building and construction	51	9	9	69	1	9	9	19
Housing loans	120	1	31	152	3	1	31	35
General commerce	150	34	102	286	7	34	102	143
Transportation, storage and communications	16	3	2	21	-	3	2	5
Financial institutions, investment and holding companies	54	-	-	54	8	-	-	8
Professional and private individuals (except housing loans)	84	9	33	126	13	9	33	55
Others	70	31	23	124	13	30	23	66
Sub-total	729	184	255	1,168	68	168	255	491
Debt securities	6	151	3	160	-	149	3	152
Contingent items	110	3	1	114	5	3	1	9
Total	845	338	259	1,442	73	320	259	652

(a) The Bank Group's NPAs and specific allowances for customer loans each includes $52 million (2007: $55 million) in interest receivable

In $ millions 2008	Bank NPAs Sub-standard	Doubtful	Loss	Total	Specific allowances[a] Sub-standard	Doubtful	Loss	Total
Customer loans								
Manufacturing	205	98	52	355	54	84	52	190
Building and construction	41	2	2	45	11	2	2	15
Housing loans	129	3	26	158	14	2	26	42
General commerce	152	8	76	236	32	7	76	115
Transportation, storage and communications	1	1	1	3	-	1	1	2
Financial institutions, investment and holding companies	73	70	-	143	-	65	-	65
Professional and private individuals (except housing loans)	64	22	14	100	5	23	14	42
Others	51	6	12	69	24	6	12	42
Sub-total	716	210	183	1,109	140	190	183	513
Debt securities	18	250	3	271	-	229	3	232
Contingent items and others	91	65	-	156	2	50	-	52
Total	825	525	186	1,536	142	469	186	797

	Bank							
	NPAs				Specific allowances[a]			
In $ millions 2007	Sub-standard	Doubtful	Loss	Total	Sub-standard	Doubtful	Loss	Total
Customer loans								
Manufacturing	77	42	40	159	13	35	40	88
Building and construction	19	1	3	23	1	1	3	5
Housing loans	77	-	31	108	2	-	31	33
General commerce	89	2	89	180	5	2	89	96
Transportation, storage and communications	12	2	-	14	-	2	-	2
Financial institutions, investment and holding companies	54	-	-	54	8	-	-	8
Professional and private individuals (except housing loans)	47	3	14	64	1	3	14	18
Others	55	6	11	72	13	6	11	30
Sub-total	430	56	188	674	43	49	188	280
Special purpose entities[b]	1,099	-	276	1,375	-	-	276	276
Debt securities	7	150	3	160	-	149	3	152
Contingent items	114	4	-	118	5	4	-	9
Total	1,650	210	467	2,327	48	202	467	717

(a) The Bank's NPAs and specific allowances for customer loans each includes $30 million (2007: $34 million) in interest receivables
(b) Refers to a loan granted to Red Orchid Secured Assets Limited.

Non-performing assets by region

In $ millions	Bank Group NPAs	Bank Group Specific allowances	Bank NPAs	Bank Specific allowances
2008				
Singapore	**717**	**274**	**715**	**272**
Hong Kong	**588**	**313**	**32**	**29**
Rest of Greater China	**459**	**242**	**293**	**162**
South and Southeast Asia	**207**	**62**	**101**	**24**
Rest of the World	**421**	**317**	**395**	**310**
Total	**2,392**	**1,208**	**1,536**	**797**
2007				
Singapore	579	245	1,952	520
Hong Kong	419	174	64	19
Rest of Greater China	80	28	4	6
South and Southeast Asia	148	45	106	16
Rest of the World	216	160	201	156
Total	1,442	652	2,327	717

Non-performing assets by past due period

In $ millions	Bank Group 2008	Bank Group 2007	Bank 2008	Bank 2007
Not overdue	**857**	542	**700**	453
< 90 days past due	**463**	255	**336**	1,545
91-180 days past due	**326**	94	**149**	32
> 180 days past due	**746**	551	**351**	297
Total past due assets	**1,535**	900	**836**	1,874
Total	**2,392**	1,442	**1,536**	2,327

Collateral value for non-performing assets

In $ millions	Bank Group 2008	Bank Group 2007	Bank 2008	Bank 2007
Properties	**556**	376	**312**	210
Shares and debentures	**43**	24	**29**	1,116
Fixed deposits	**16**	13	**11**	11
Others	**223**	235	**166**	166
Total	**838**	648	**518**	1,503

The Bank 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.

Restructured non-performing assets

Credit facilities are classified as restructured assets when the Bank 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.

	Bank Group		Bank	
In $ millions	NPAs	Specific allowances	NPAs	Specific allowances
2008				
Substandard	213	46	148	36
Doubtful	57	49	38	32
Loss	49	46	37	37
Total	319	141	223	105
2007				
Substandard	168	27	108	11
Doubtful	25	23	8	8
Loss	38	38	25	25
Total	231	88	141	44

Restructured assets returned to the performing status but are still under concessions as at 31 December 2008 and 31 December 2007 are not material.

47.4 Credit quality of Singapore Government securities and treasury bills, financial assets at fair value through profit or loss, financial investments and securities pledged (Note (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 by rating agency designation at 31 December:

Bank Group										
In $ millions		Financial assets at fair value through profit or loss					Financial investments			
External rating	Singapore Government Securities and treasury bills	Other government securities and treasury bills	Corporate debt securities	Loans and advances to customers	Other financial assets (due from banks) (Note (b))	Total	Other government securities and treasury bills	Corporate debt securities	Total	Securities pledged
2008	(1)	(2)	(3)	(4)	(5)	(6)=(2+3+4+5)	(7)	(8)	(9)=(7+8)	(10)
AAA	14,797	101	478	-	-	579	1,588	1,538	3,126	257
AA- to AA+	-	270	535	-	-	805	870	3,276	4,146	549
A- to A+	-	274	2,131	-	-	2,405	1,302	5,449	6,751	-
Lower than A-	-	700	1,158	-	-	1,858	89	2,667	2,756	5
Unrated	-	781	345	641	1,692	3,459	700	4,159	4,859	186
Total	14,797	2,126	4,647	641	1,692	9,106	4,549	17,089	21,638	997
2007										
AAA	15,433	357	1,236	-	-	1,593	309	1,692	2,001	1,527
AA- to AA+	-	100	1,995	-	-	2,095	114	3,510	3,624	2,022
A- to A+	-	372	3,909	-	-	4,281	1,296	4,705	6,001	-
Lower than A-	-	1,006	3,619	-	-	4,625	148	2,080	2,228	-
Unrated	-	917	1,155	2,088	1,260	5,420	381	2,624	3,005	566
Total	15,433	2,752	11,914	2,088	1,260	18,014	2,248	14,611	16,859	4,115

Bank										
In $ millions		Financial assets at fair value through profit or loss					Financial investments			
External rating	Singapore Government Securities and treasury bills	Other government securities and treasury bills	Corporate debt securities	Loans and advances to customers	Other financial assets (due from banks) (Note (b))	Total	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)
2008										
AAA	14,797	61	451	-	-	512	1,453	1,007	2,460	257
AA- to AA+	-	254	507	-	-	761	382	1,154	1,536	-
A- to A+	-	273	2,053	-	-	2,326	1,302	3,230	4,532	-
Lower than A-	-	264	1,120	-	-	1,384	23	2,146	2,169	5
Unrated	-	782	360	602	1,692	3,436	571	4,160	4,731	186
Total	14,797	1,634	4,491	602	1,692	8,419	3,731	11,697	15,428	448
2007										
AAA	15,433	161	768	-	-	929	307	1,033	1,340	1,527
AA- to AA+	-	67	1,223	-	-	1,290	110	1,229	1,339	-
A- to A+	-	372	3,773	-	-	4,145	1,296	2,843	4,139	-
Lower than A-	-	872	3,603	-	-	4,475	51	1,464	1,515	-
Unrated	-	857	1,142	1,762	1,260	5,021	269	2,526	2,795	566
Total	15,433	2,329	10,509	1,762	1,260	15,860	2,033	9,095	11,128	2,093

(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".

47.5 Repossessed collateral

As and when required, the Bank 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 2008 and 2007 are not material.

47.6 Concentration risk

The Bank Group's risk management processes aim to ensure that an acceptable level of risk diversification is maintained across the Bank 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 2008, the Bank Group had exposures to various countries where net exposure exceeded 1% of the Bank 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 Bank Group's exposures exceeding 1% of the Bank Group total assets as at 31 December are as follows:

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

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

The Bank's exposures exceeding 1% of the Bank total assets as at 31 December are as follows:

	Loans and debt securities				Total exposure	
In $ millions Assets in	Banks	Central banks and Government securities	Non-banks[(a)]	Investments	Amount	As a % of Total assets
	(1)	(2)	(3)	(4)	(5)=(1+2+3+4)	(6)
2008						
Top 10 countries						
(Net exposure >1% of Total assets)						
India	3,703	1,113	3,796	389	9,001	4.2
Hong Kong	873	176	7,656	150	8,855	4.1
United Kingdom	3,878	5	2,715	23	6,621	3.0
Taiwan	82	2,485	3,652	11	6,230	2.9
South Korea	2,204	1,487	2,178	-	5,869	2.7
France	3,380	-	191	1	3,572	1.6
China	1,126	269	2,022	116	3,533	1.6
Japan	916	3	2,572	11	3,502	1.6
Malaysia	876	474	1,937	10	3,297	1.5
United States	267	168	2,634	145	3,214	1.5
Total	17,305	6,180	29,353	856	53,694	24.7
2007						
Top 10 countries						
(Net exposure >1% of Total assets)						
South Korea	6,812	1,415	1,245	-	9,472	5.0
Hong Kong	1,020	174	6,234	209	7,637	4.0
India	3,240	966	2,287	801	7,294	3.8
United Kingdom	3,672	20	2,954	92	6,738	3.5
China	1,727	31	1,944	732	4,434	2.3
United States	426	351	3,247	395	4,419	2.3
Taiwan	174	1,900	1,783	-	3,857	2.0
Germany	1,521	1,045	944	1	3,511	1.9
Australia	1,693	-	1,346	39	3,078	1.6
Malaysia	661	604	1,451	11	2,727	1.4
Total	20,946	6,506	23,435	2,280	53,167	27.9

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

48 Market Risk

48.1 Trading market risk

Trading market risk arises from the impact on trading positions of changes in foreign exchange rates, commodity prices, equity prices, interest rate yields and credit spreads. It also includes the impact from changes in the correlations and volatilities of the above risk factors. The Bank Group manages trading market risk in the course of market-making, structuring and packaging products for investors and other clients, as well as to benefit from market opportunities. The Bank Group's market risk framework identifies the types of market risk to be covered, the risk metrics and methodologies to be used to capture such risks and the standards governing the management of market risk function within the Bank Group including limit setting and independent model validation, monitoring and valuation.

The Board establishes the Group's risk appetite for trading market risk. The CEO delegates responsibility to the Group Market Risk Committee to allocate risk appetite limits to risk-taking units. The Committee also oversees the Group's market risk management infrastructure, set 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, risk architecture and policy reports to the Chief Risk Officer and is responsible for day-to-day risk monitoring and analysis.

The principal market risk appetite measures for trading 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 stop-loss limits.

The Bank Group's general market risk VaR methodology uses a historical simulation approach (at a 99% confidence level over a one-day holding period, using a 2-year historical observation period) to forecast the Bank Group's trading market risk. VaR risk factor scenarios are generally aligned to parameters and market data used for valuation. These are maintained in the risk system and are used to compute VaR daily for each trading business unit and location, and at Bank Group-level. VaR is back-tested against the profit and loss of the trading book in line with policy in order to monitor its predictive power. Although VaR provides valuable insights, no single measure can capture all aspects of trading market risk. Therefore, regular stress testing is carried out to monitor the Bank Group's vulnerability to shocks.

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

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

	Bank Group 1 Jan 2007 to 31 Dec 2007			
In $ millions	As at 31 Dec 2007	Average	High	Low
Total	22	16	28	6

	Bank 1 Jan 2008 to 31 Dec 2008			
In $ millions	As at 31 Dec 2008	Average	High	Low
Total	33	33	60	19

	Bank 1 Jan 2007 to 31 Dec 2007			
In $ millions	As at 31 Dec 2007	Average	High	Low
Total	19	16	28	6

48.2 Non-trading market risk

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

To optimise its income and balance sheet management, the Bank Group deploys funds in debt securities, equities and funds or in the interbank market. Derivatives may be used to hedge non-trading market risk. Senior Management establishes a framework governing the Group's investment of its surplus funds. The market risk arising in the course of managing these funds comprises interest rate and equity price risks. Risk appetite limits are allocated and risk oversight for these risks is performed in a manner similar to that for traded market risk.

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

Interest rate risk

The Bank Group distinguishes two major sources of non-trading interest rate risk (a) arising from the deployment of funds in investments (and associated hedges) and interbank market activities and (b) from mismatches in the interest rate profile of assets, liabilities and capital instruments (and associated hedges) in major funding currencies. Major funding currencies are SGD in Singapore and HKD and USD in Hong Kong. The principal market risk appetite measure for the former source of non-trading interest rate risk is value-at-risk, complemented by more granular risk and loss limits, in a similar manner as for trading market risk, as described above and subject to similar methodological limitations. The following table shows the period-end, average, high and low VaR for non-trading interest rate risk arising from this source for the financial year ended 31 December 2008.

	Bank Group 1 Jan 2008 to 31 Dec 2008			
In $ millions	As at 31 Dec 2008	Average	High	Low
Total	29	27	49	15

	Bank 1 Jan 2008 to 31 Dec 2008			
In $ millions	As at 31 Dec 2008	Average	High	Low
Total	38	36	53	26

Interest rate risk arising from mismatches in the interest rate profile of assets, liabilities and capital instruments (and associated hedges) has several aspects: basis risk arising from different interest rate benchmarks, interest rate re-pricing risk, yield curve risks and embedded optionality. This risk is subject to limits established by the Board. To monitor this risk, the Bank Group uses various tools, including re-pricing gap reports, sensitivity analysis and income scenario simulations.

The Bank Group manages and monitors its interest rate sensitivity to these mismatches by various currencies. The following table sets out what would have been the profit and loss impact and equity impact of interest rate changes on positions as at 31 December 2008. Outcomes may differ from the sensitivity impact as the Bank Group manages factors such as changes in volumes, margins (for interest rate risk) and future business strategies, the impact of which is not captured in the sensitivity assessment.

	Bank Group		
In $ millions	-25 bps	+25 bps	+50 bps
Profit and loss impact (or impact on net interest income)	-149	159	320
Equity impact (or impact on available-for-sale revaluation reserves)	71	-71	-142

	Bank		
In $ millions	-25 bps	+25 bps	+50 bps
Profit and loss impact (or impact on net interest income)	-126	125	250
Equity impact (or impact on available-for-sale revaluation reserves)	68	-68	-136

Unlike the financial year ended 31 December 2007, the Bank Group has prepared a value-at-risk disclosure in respect of certain non-trading interest rate risk. Consequently the sensitivity analysis in the notes to the financial statements of the previous period is not directly comparable with the analyses set out above.

For the financial year ended 31 December 2007, at Bank Group level, the estimated change from non-trading positions for major currencies (SGD, HKD and USD) as at 31 December 2007 assuming a 25 basis point increase in interest rates and assuming a flat balance sheet was an increase in net interest income of $93 million and a 25 basis point decrease in interest rates and assuming a flat balance sheet was a decrease in net interest income of $91 million. The estimated economic value sensitivity for other major non-trading positions in EUR, JPY and USD as at 31 December 2007 assuming a 25 basis point parallel shift in general interest rates for these currencies was $23 million.

The Bank's estimated change from non-trading positions for its major currency, SGD, as at 31 December 2007 assuming a 25 basis point increase in interest rates and assuming a flat balance sheet was an increase in net interest income of $71 million and a 25 basis point decrease in interest rates and assuming a flat balance sheet was a decrease in net interest income of $72 million. The estimated economic value sensitivity for other major non-trading positions in EUR, JPY and USD as at 31 December 2007 assuming a 25 basis point parallel shift in general interest rates for these currencies was $23 million.

Currency risk

Foreign currency loans and investments in fundable currencies are generally funded in the same foreign currencies. However, positions arising from investments in currencies which have high hedging costs or which are illiquid or controlled, will be reviewed by senior management and may be managed with alternative strategies (e.g. with non-deliverable forwards) or left unhedged. This foreign exchange risk is subject to the Bank Group's Structural Foreign Exchange Policy and is monitored using foreign exchange net open position reports.

The consolidated position across all currencies is set out in Note 48.4 below. Considering that other risk variables remain constant, the foreign currency revaluation sensitivity for the Bank Group and Bank on the non-trading unhedged positions as at 31 December 2008 is summarised below:

		Bank Group	Bank
In $ millions	Change in currency rate in %	Revaluation sensitivity	Revaluation sensitivity
2008			
HKD	+10%	-4	-3
	-10%	+4	+3
USD	+10%	+1	+1
	-10%	-1	-1
Others	+10%	+72	+69
	-10%	-72	-69
2007			
HKD	+10%	+6	+6
	-10%	-6	-6
USD	+10%	#	#
	-10%	#	#
Others	+10%	+67	+62
	-10%	-67	-62

Amount under $500,000

Equity risk

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

Considering that other risk variables remain constant, the table below summarises the impact on the carrying amount of equity instruments as at 31 December 2008 should there be a change in equity market prices:

		Bank Group	Bank
In $ millions	Change in equity market prices	Sensitivity of equity	Sensitivity of equity
2008	+15%	+125	+243
	-15%	-125	-243
2007	+10%	+224	+356
	-10%	-224	-356

48.3 Interest rate repricing gap risk

Interest rate risk is the risk that the value of a financial instrument or the interest income of a portfolio will fluctuate due to changes in market interest rates. Examples of financial assets and liabilities which have fixed or floating interest rate exposure include debt securities, loans and derivatives.

The following tables summarise the Bank Group and Bank's assets and liabilities across the banking and trading books at carrying amounts as at 31 December, categorised by the earlier of contractual repricing or maturity dates. Actual dates may differ from contractual dates owing to prepayments and the exercise of options. It should also be noted that any representation of interest rate risk at a specific date offers only a snapshot of the risks taken by the Bank Group and Bank, since the position is being actively managed and can vary significantly on a daily basis.

	Bank Group							
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	33,708	39,985
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	34,042	232,732
Minority interests	-	-	-	-	-	-	3,071	3,071
Shareholders' funds	-	-	-	-	-	-	20,915	20,915
Total equity	-	-	-	-	-	-	23,986	23,986
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)	-	-
2007								
Cash and balances with central banks	1,136	2,445	7,647	4,131	-	-	3,205	18,564
Due from banks	5,070	2,165	4,413	6,914	688	3,297	363	22,910
Financial assets at fair value through profit or loss	1,214	2,840	3,724	1,556	3,231	5,449	1,529	19,543
Other securities[(a)]	902	3,047	6,308	7,148	4,787	14,215	2,323	38,730
Loans and advances to customers	31,586	32,902	17,695	13,656	4,812	4,708	985	106,344
Other assets[(b)]	-	-	-	-	-	-	26,946	26,946
Total assets	39,908	43,399	39,787	33,405	13,518	27,669	35,351	233,037
Due to banks	3,632	6,533	3,990	1,167	-	78	64	15,464
Due to non-bank customers	86,353	31,972	14,765	10,308	196	1,146	-	144,740
Financial liabilities at fair value through profit or loss	2,090	1,656	2,525	1,667	2,725	7,292	287	18,242
Other liabilities[(c)]	1,608	650	731	1,784	1,193	2,239	14,214	22,419
Subordinated term debts	-	-	-	3,461	1,887	3,606	-	8,954
Total liabilities	93,683	40,811	22,011	18,387	6,001	14,361	14,565	209,819
Minority interests	-	-	-	-	-	-	1,571	1,571
Shareholders' funds	-	-	-	-	-	-	21,647	21,647
Total equity	-	-	-	-	-	-	23,218	23,218
On-balance sheet interest rate gap	(53,775)	2,588	17,776	15,018	7,517	13,308	(2,432)	-
Off-balance sheet interest rate gap								
- Financial derivatives[(d)]	6,590	7,839	(3,607)	(3,803)	(4,861)	(2,158)	-	-

(a) Other securities include Singapore Government securities and treasury bills, financial investments and securities pledged
(b) Other assets include positive replacement 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 replacement values for financial derivatives, bills payable, current and deferred tax liabilities, other debt securities in issue, other liabilities and due to holding company
(d) Off-balance sheet items are represented at notional values

	Bank							
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	1,088	6,661	2,469	1,005	-	-	3,461	14,684
Due from banks	7,142	4,116	1,539	1,618	725	2,237	135	17,512
Financial assets at fair value through profit or loss	798	530	1,916	1,546	2,137	1,492	295	8,714
Other securities[(a)]	712	2,244	5,326	5,348	4,835	12,208	1,110	31,783
Loans and advances to customers	17,346	19,712	18,581	21,295	7,089	8,513	-	92,536
Other assets[(b)]	-	-	-	-	-	-	52,196	52,196
Total assets	27,086	33,263	29,831	30,812	14,786	24,450	57,197	217,425
Due to banks	2,930	3,303	1,312	370	-	49	49	8,013
Due to non-bank customers	84,957	21,063	9,434	8,033	214	184	-	123,885
Financial liabilities at fair value through profit or loss	865	359	1,118	1,237	3,337	2,534	119	9,569
Other liabilities[(c)]	166	298	286	661	1,117	2,468	42,077	47,073
Subordinated term debts	-	-	-	4,547	2,106	2,432	-	9,085
Total liabilities	88,918	25,023	12,150	14,848	6,774	7,667	42,245	197,625
Minority interests	-	-	-	-	-	-	-	-
Shareholders' funds	-	-	-	-	-	-	19,800	19,800
Total equity	-	-	-	-	-	-	19,800	19,800
On-balance sheet interest rate gap	(61,832)	8,240	17,681	15,964	8,012	16,783	(4,848)	-
Off-balance sheet interest rate gap								
- Financial derivatives[(d)]	5,265	(408)	(4,308)	(963)	871	(457)	-	-
2007								
Cash and balances with central banks	390	2,445	7,647	4,131	-	-	3,067	17,680
Due from banks	3,282	836	3,263	5,447	640	3,200	165	16,833
Financial assets at fair value through profit or loss	1,211	2,705	2,426	1,223	2,878	5,417	1,529	17,389
Other securities[(a)]	570	1,992	4,528	5,207	3,125	13,232	2,293	30,947
Loans and advances to customers	22,482	19,495	15,107	11,820	3,660	3,590	11	76,165
Other assets[(b)]	-	-	-	-	-	-	31,085	31,085
Total assets	27,935	27,473	32,971	27,828	10,303	25,439	38,150	190,099
Due to banks	3,533	6,401	3,401	619	-	78	2	14,034
Due to non-bank customers	67,903	21,223	7,780	8,619	116	860	-	106,501
Financial liabilities at fair value through profit or loss	1,924	963	1,175	980	2,205	6,610	287	14,144
Other liabilities[(c)]	621	597	629	1,514	1,111	2,182	19,418	26,072
Subordinated term debts	-	-	-	3,461	1,887	3,606	-	8,954
Total liabilities	73,981	29,184	12,985	15,193	5,319	13,336	19,707	169,705
Minority interests	-	-	-	-	-	-	-	-
Shareholders' funds	-	-	-	-	-	-	20,394	20,394
Total equity	-	-	-	-	-	-	20,394	20,394
On-balance sheet interest rate gap	(46,046)	(1,711)	19,986	12,635	4,984	12,103	(1,951)	-
Off-balance sheet interest rate gap								
- Financial derivatives[(d)]	6,456	7,939	(4,345)	(3,187)	(4,453)	(2,410)	-	-

(a) Other securities include Singapore Government securities and treasury bills, financial investments and securities pledged
(b) Other assets include positive replacement values for financial derivatives, subsidiaries, due from special purpose entities, investments in associates and joint ventures, properties and other fixed assets, deferred tax assets and other assets
(c) Other liabilities include negative replacement values for financial derivatives, bills payable, current and deferred tax liabilities, other debt securities in issue, other liabilities, due to holding company, subsidiaries and special purpose entities
(d) Off-balance sheet items are represented at notional values

The table below summarises the effective average interest rate[a] at 31 December by major currencies for monetary financial instruments:

	Bank Group					
In %	Singapore dollar	US dollar	Hong Kong dollar	Singapore dollar	US dollar	Hong Kong dollar
	2008			2007		
Assets						
Cash and balances with central banks	-	-	-	-	-	-
Due from banks	0.88-1.95	1.25-3.68	1.04-1.14	1.20 – 2.40	4.46 – 5.75	3.94 – 4.38
Financial assets at fair value through profit or loss	0.97-4.06	3.92-6.13	3.52-3.87	3.03 – 4.37	4.85 – 5.33	5.99
Other securities[b]	0.97-5.83	1.56-6.35	1.01-4.22	2.13 – 2.89	3.39 – 5.51	2.14 – 5.49
Loans and advances to customers	2.79-8.09	1.54-7.88	1.50-6.13	2.25 – 5.26	3.45 – 7.15	4.46 – 12.63
Liabilities						
Due to banks	0.18-1.18	1.45-3.88	-	0.84 – 1.07	4.88 – 5.82	0.47
Due to non-bank customers	0–0.55	0.05-1.71	0.29-1.71	0 – 1.51	1.23 – 4.61	1.40 – 3.78
Financial liabilities at fair value through profit or loss	2.51-3.69	0.89-8.26	3.48-4.96	2.25	5.04	-
Subordinated term debts	4.47	5.00-7.88	-	4.47	5.00 – 7.88	-

	Bank			
In %	Singapore dollar	US dollar	Singapore dollar	US dollar
	2008		2007	
Assets				
Cash and balances with central banks	-	-	-	-
Due from banks	0.88-1.95	1.25-3.68	1.20 – 2.40	4.46 – 5.75
Financial assets at fair value through profit or loss	0.97-4.06	3.92-6.13	3.03 – 4.37	4.85 – 5.33
Other securities[b]	0.97-5.83	1.56-6.35	2.13 – 2.89	3.75 – 4.99
Loans and advances to customers	2.79-8.09	1.54-7.88	2.25 – 5.26	3.45 – 6.63
Liabilities				
Due to banks	0.18-1.18	1.45-3.88	0.84 – 1.07	4.88 – 5.82
Due to non-bank customers	0–0.55	0.05-1.71	0 – 1.51	4.32 – 4.61
Financial liabilities at fair value through profit or loss	2.51-3.69	0.89-8.26	2.25	5.04
Subordinated term debts	4.47	5.00-7.88	4.47	5.00 – 7.88

(a) Average interest rates exclude impact of hedging via financial derivatives
(b) Other securities include Singapore Government securities and treasury bills, financial investments (excludes equities) and securities pledged

48.4 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The table below summarises the Bank Group's and Bank's assets and liabilities at carrying amounts at 31 December, categorised by currency:

	Bank Group				
In $ millions	Singapore dollar	US dollar	Hong Kong dollar	Others	Total
2008					
Cash and balances with central banks	12,446	60	125	3,159	15,790
Due from banks	1,208	14,060	264	4,935	20,467
Financial assets at fair value through profit or loss	596	3,445	314	5,046	9,401
Other securities[a]	18,509	8,057	2,354	9,656	38,576
Loans and advances to customers	52,731	28,914	27,164	17,032	125,841
Other assets[b]	18,371	19,239	4,450	4,583	46,643
Total assets	103,861	73,775	34,671	44,411	256,718
Due to banks	832	4,104	52	4,033	9,021
Due to non-bank customers	89,331	26,858	23,052	24,118	163,359
Financial liabilities at fair value through profit or loss	6,178	3,418	1,246	440	11,282
Other liabilities[c]	7,908	24,512	4,491	3,074	39,985
Subordinated term debts	500	8,585	-	-	9,085
Total liabilities	104,749	67,477	28,841	31,665	232,732
Minority interests	3,071	-	-	-	3,071
Shareholders' funds	20,915	-	-	-	20,915
Total equity	23,986	-	-	-	23,986
Net on-balance sheet position	(24,874)	6,298	5,830	12,746	-
Net off-balance sheet position[d]	29,402	(21,621)	2,534	(10,315)	-
2007					
Cash and balances with central banks	15,694	84	107	2,679	18,564
Due from banks	1,235	14,382	1,071	6,222	22,910
Financial assets at fair value through profit or loss	2,249	6,371	1,095	9,828	19,543
Other securities[a]	18,442	7,741	3,898	8,649	38,730
Loans and advances to customers	42,116	24,217	25,688	14,323	106,344
Other assets[b]	10,114	7,442	3,827	5,563	26,946
Total assets	89,850	60,237	35,686	47,264	233,037
Due to banks	2,589	10,129	145	2,601	15,464
Due to non-bank customers	79,023	25,028	24,511	16,178	144,740
Financial liabilities at fair value through profit or loss	7,063	7,322	2,086	1,771	18,242
Other liabilities[c]	5,989	7,914	4,369	4,147	22,419
Subordinated term debts	500	8,454	-	-	8,954
Total liabilities	95,164	58,847	31,111	24,697	209,819
Minority interests	1,571	-	-	-	1,571
Shareholders' funds	21,647	-	-	-	21,647
Total equity	23,218	-	-	-	23,218
Net on-balance sheet position	(28,532)	1,390	4,575	22,567	-
Net off-balance sheet position[d]	23,546	(23,772)	12,615	(12,389)	-

(a) Other securities include Singapore Government securities and treasury bills, financial investments and securities pledged
(b) Other assets include positive replacement 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 replacement values for financial derivatives, bills payable, current and deferred tax liabilities, other debt securities in issue, other liabilities and due to holding company
(d) Off-balance sheet items (e.g. FX options) are represented at notional values (not delta equivalent)

In $ millions	Singapore dollar	US dollar	Bank Hong Kong dollar	Others	Total
2008					
Cash and balances with central banks	12,423	2	2	2,257	14,684
Due from banks	1,208	12,230	93	3,981	17,512
Financial assets at fair value through profit or loss	590	2,782	297	5,045	8,714
Other securities[(a)]	18,499	5,482	204	7,598	31,783
Loans and advances to customers	52,777	6,248	22,243	11,268	92,536
Other assets[(b)]	14,976	21,464	4,433	11,323	52,196
Total assets	100,473	48,208	27,272	41,472	217,425
Due to banks	832	3,836	3	3,342	8,013
Due to non-bank customers	89,180	17,072	1,990	15,643	123,885
Financial liabilities at fair value through profit or loss	6,178	2,788	163	440	9,569
Other liabilities[(c)]	7,908	24,512	4,155	10,498	47,073
Subordinated term debts	500	8,585	-	-	9,085
Total liabilities	104,598	56,793	6,311	29,923	197,625
Minority interests	-	-	-	-	-
Shareholders' funds	19,800	-	-	-	19,800
Total equity	19,800	-	-	-	19,800
Net on-balance sheet position	(23,925)	(8,585)	20,961	11,549	-
Net off-balance sheet position[(d)]	29,074	(19,890)	3,405	(12,589)	-
2007					
Cash and balances with central banks	15,674	2	-	2,004	17,680
Due from banks	996	10,794	149	4,894	16,833
Financial assets at fair value through profit or loss	1,371	5,918	1,062	9,038	17,389
Other securities[(a)]	18,402	5,364	260	6,921	30,947
Loans and advances to customers	42,136	19,621	5,074	9,334	76,165
Other assets[(b)]	5,490	10,399	8,248	6,948	31,085
Total assets	84,069	52,098	14,793	39,139	190,099
Due to banks	1,380	10,034	19	2,601	14,034
Due to non-bank customers	78,900	16,347	1,905	9,349	106,501
Financial liabilities at fair value through profit or loss	7,025	4,727	621	1,771	14,144
Other liabilities[(c)]	7,254	13,246	1,824	3,748	26,072
Subordinated term debts	500	8,454	-	-	8,954
Total liabilities	95,059	52,808	4,369	17,469	169,705
Minority interests	-	-	-	-	-
Shareholders' funds	20,394	-	-	-	20,394
Total equity	20,394	-	-	-	20,394
Net on-balance sheet position	(31,384)	(710)	10,424	21,670	-
Net off-balance sheet position[(d)]	22,954	(23,133)	12,419	(12,240)	-

(a) Other securities include Singapore Government securities and treasury bills, financial investments and securities pledged
(b) Other assets include positive replacement values for financial derivatives, subsidiaries, due from special purpose entities, investments in associates and joint ventures, properties and other fixed assets, deferred tax assets and other assets
(c) Other liabilities include negative replacement values for financial derivatives, bills payable, current and deferred tax liabilities, other debt securities in issue, other liabilities, due to holding company, subsidiaries and special purpose entities
(d) Off-balance sheet items (e.g. FX options) are represented at notional values (not delta equivalent)

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

	Bank Group		
In $ millions	Net investments in overseas operations[a]	Financial instruments which hedge the net investments[b]	Remaining unhedged currency exposures
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
2007			
Hong Kong dollar	3,795	3,731	64
US dollar	649	647	2
Others	2,549	1,880	669
Total	6,993	6,258	735

	Bank		
In $ millions	Net investments in overseas operations[a]	Financial instruments which hedge the net investments[b]	Remaining unhedged currency exposures
2008			
Hong Kong dollar	3,500	3,534	(34)
US dollar	660	653	7
Others	2,816	2,122	694
Total	6,976	6,309	667
2007			
Hong Kong dollar	3,666	3,605	61
US dollar	640	638	2
Others	2,326	1,710	616
Total	6,632	5,953	679

(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

49 Liquidity Risk

Liquidity risk is the risk that the Bank Group is unable to fund portfolio assets at reasonable rates over required maturities. Liquidity obligations arise from withdrawals of deposits, repayments of purchased funds at maturity, extensions of credit and working capital needs. The Bank Group seeks to manage its liquidity to meet its obligations under normal as well as adverse circumstances, and take advantage of arising lending and investment opportunities.

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

The Bank Group ALCO and country ALCOs are the primary parties responsible for liquidity management based on guidelines approved by the Board Risk committee. Limits are set on maturity mismatches over books under normal and stress scenarios, liquidity ratios and deposit concentration risks. As part of the liquidity management, the Bank Group will set limits to ensure that the funding requirements will not exceed the available funding and liquid assets available for both normal and stress scenarios.

As part of its liquidity risk management, the Bank Group focuses on a number of components, including maintaining sufficient liquid assets, maintaining diversified sources of liquidity, preserving necessary funding capacity and contingency planning.

The table below analyses assets and liabilities at 31 December based on the expected recovery/ settlement period:

	Bank Group					
	2008			2007		
In $ millions	Up to 1 year	More than 1 year	Total	Up to 1 year	More than 1 year	Total
Cash and balances with central banks	15,790	-	15,790	18,564	-	18,564
Singapore Government securities and treasury bills	3,284	11,513	14,797	5,082	10,351	15,433
Due from banks	17,338	3,129	20,467	18,786	4,124	22,910
Financial assets at fair value through profit or loss	3,655	5,746	9,401	6,783	12,760	19,543
Positive replacement value for financial derivatives	32,328	-	32,328	13,119	-	13,119
Loans and advances to customers	50,036	75,805	125,841	42,851	63,493	106,344
Financial investments	5,499	17,283	22,782	8,595	10,587	19,182
Securities pledged	362	635	997	972	3,143	4,115
Investments in associates	-	604	604	-	715	715
Goodwill on consolidation	-	5,847	5,847	-	5,842	5,842
Properties and other fixed assets	-	1,311	1,311	-	1,235	1,235
Investment properties	-	293	293	-	299	299
Deferred tax assets	-	171	171	-	25	25
Other assets	6,039	50	6,089	5,676	35	5,711
Total assets	134,331	122,387	256,718	120,428	112,609	233,037
Due to banks	8,972	49	9,021	15,386	78	15,464
Due to non-bank customers	162,195	1,164	163,359	143,398	1,342	144,740
Financial liabilities at fair value through profit or loss	3,994	7,288	11,282	5,573	12,669	18,242
Negative replacement value for financial derivatives	31,918	-	31,918	12,791	-	12,791
Bills payable	714	-	714	380	-	380
Current tax liabilities	779	-	779	881	-	881
Deferred tax liabilities	-	45	45	-	172	172
Other liabilities	5,317	557	5,874	6,323	652	6,975
Other debt securities in issue	263	375	638	960	239	1,199
Due to holding company	17	-	17	21	-	21
Subordinated term debts	1,099	7,986	9,085	-	8,954	8,954
Total liabilities	215,268	17,464	232,732	185,713	24,106	209,819
Minority interests	-	3,071	3,071	-	1,571	1,571
Shareholders' funds	-	20,915	20,915	-	21,647	21,647
Total equity	-	23,986	23,986	-	23,218	23,218

	Bank					
	2008			2007		
In $ millions	Up to 1 year	More than 1 year	Total	Up to 1 year	More than 1 year	Total
Cash and balances with central banks	14,684	-	14,684	17,680	-	17,680
Singapore Government securities and treasury bills	3,284	11,513	14,797	5,082	10,351	15,433
Due from banks	14,479	3,033	17,512	12,993	3,840	16,833
Financial assets at fair value through profit or loss	3,226	5,488	8,714	6,259	11,130	17,389
Positive replacement value for financial derivatives	33,049	-	33,049	13,714	-	13,714
Loans and advances to customers	36,286	56,250	92,536	29,429	46,736	76,165
Financial investments	2,564	13,974	16,538	3,481	9,940	13,421
Securities pledged	76	372	448	-	2,093	2,093
Subsidiaries	2,965	9,720	12,685	1,823	10,236	12,059
Due from special purpose entities	-	-	-	1,116	-	1,116
Investments in joint ventures	-	91	91	-	107	107
Investments in associates	-	877	877	-	557	557
Properties and other fixed assets	-	534	534	-	462	462
Deferred tax assets	-	128	128	-	-	-
Other assets	4,831	1	4,832	3,068	2	3,070
Total assets	115,444	101,981	217,425	94,645	95,454	190,099
Due to banks	7,965	48	8,013	13,956	78	14,034
Due to non-bank customers	123,487	398	123,885	105,526	975	106,501
Financial liabilities at fair value through profit or loss	3,141	6,428	9,569	3,906	10,238	14,144
Negative replacement value for financial derivatives	32,746	-	32,746	13,689	-	13,689
Bills payable	681	-	681	340	-	340
Current tax liabilities	712	-	712	740	-	740
Deferred tax liabilities	-	-	-	-	117	117
Other liabilities	3,403	282	3,685	2,757	598	3,355
Other debt securities in issue	28	-	28	738	-	738
Due to holding company	17	-	17	21	-	21
Due to subsidiaries	9,009	-	9,009	6,078	-	6,078
Due to special purpose entities	195	-	195	994	-	994
Subordinated term debts	1,099	7,986	9,085	-	8,954	8,954
Total liabilities	182,483	15,142	197,625	148,745	20,960	169,705
Minority interests	-	-	-	-	-	-
Shareholders' funds	-	19,800	19,800	-	20,394	20,394
Total equity	-	19,800	19,800	-	20,394	20,394

The table below analyses assets and liabilities at 31 December based on contractual undiscounted repayment obligations.

	Bank Group							
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	12,110	14,684	15,382	18,821	28,748	67,966	-	157,711
Positive replacement 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	33,639	27,932	23,587	28,474	47,322	94,501	15,776	271,231
Due to banks	3,472	3,009	1,314	425	62	141	-	8,423
Due to non-bank customers	116,008	39,995	26,231	12,548	501	672	-	195,955
Financial liabilities at fair value through profit or loss	511	406	1,254	2,361	4,454	3,930	11	12,927
Negative replacement values for financial derivatives and other financial liabilities[(c)]	8,155	19	64	202	135	597	147	9,319
Other liabilities[(d)]	1,882	81	186	(9)	96	295	4,383	6,914
Subordinated term debts	-	29	98	1,580	2,958	8,088	-	12,753
Total liabilities	130,028	43,539	29,147	17,107	8,206	13,723	4,541	246,291
Minority interests	-	-	-	-	-	-	3,071	3,071
Shareholders' funds	-	-	-	-	-	-	20,915	20,915
Total equity	-	-	-	-	-	-	23,986	23,986
Net liquidity gap	(96,389)	(15,607)	(5,560)	11,367	39,116	80,778	(12,751)	954
2007								
Cash and balances with central banks	1,297	2,457	7,665	4,196	-	1	3,042	18,658
Due from banks	5,153	2,187	4,510	7,252	877	3,562	-	23,541
Financial assets at fair value through profit or loss	945	2,256	1,141	1,971	5,721	9,774	1,529	23,337
Other securities[(a)]	426	1,526	2,641	9,268	8,998	19,718	2,323	44,900
Loans and advances to customers	9,099	12,954	11,351	10,633	18,421	54,182	-	116,640
Positive replacement values for financial derivatives	6,213	135	-	127	-	-	-	6,475
Other assets[(b)]	1,149	209	14	13	2	-	11,686	13,073
Total assets	24,282	21,724	27,322	33,460	34,019	87,237	18,580	246,624
Due to banks	3,695	6,552	4,015	1,231	51	185	-	15,729
Due to non-bank customers	86,381	32,083	14,889	10,504	209	1,152	-	145,218
Financial liabilities at fair value through profit or loss	1,120	1,018	986	2,873	4,549	9,229	20	19,795
Negative replacement values for financial derivatives and other financial liabilities[(c)]	7,196	24	123	871	93	25	37	8,369
Other liabilities[(d)]	2,233	219	165	58	232	428	4,415	7,750
Subordinated term debts	-	31	114	446	2,899	9,496	-	12,986
Total liabilities	100,625	39,927	20,292	15,983	8,033	20,515	4,472	209,847
Minority interests	-	-	-	-	-	-	1,571	1,571
Shareholders' funds	-	-	-	-	-	-	21,647	21,647
Total equity	-	-	-	-	-	-	23,218	23,218
Net liquidity gap	(76,343)	(18,203)	7,030	17,477	25,986	66,722	(9,110)	13,559

(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, other liabilities and due to holding company

	Bank							
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	3,978	6,666	2,471	1,005	-	-	573	14,693
Due from banks	7,281	4,103	1,561	1,646	782	2,433	3	17,809
Financial assets at fair value through profit or loss	613	383	662	1,747	3,809	2,755	296	10,265
Other securities[(a)]	317	1,100	1,992	3,632	10,622	19,306	1,112	38,081
Loans and advances to customers	6,025	9,393	8,802	12,541	20,588	38,609	-	95,958
Positive replacement values for financial derivatives	33,065	62	4	26	4	-	-	33,161
Other assets[(b)]	11	16	18	17	2	-	18,410	18,474
Total assets	51,290	21,723	15,510	20,614	35,807	63,103	20,394	228,441
Due to banks	3,292	3,009	1,314	425	62	141	-	8,243
Due to non-bank customers	84,967	21,119	9,479	8,125	223	184	-	124,097
Financial liabilities at fair value through profit or loss	480	232	987	1,570	3,847	2,997	11	10,124
Negative replacement values for financial derivatives and other financial liabilities[(c)]	8,234	16	58	3	77	512	115	9,015
Other liabilities[(d)]	1,155	18	24	10	138	144	13,374	14,863
Subordinated term debts	-	29	98	1,580	2,958	8,088	-	12,753
Total liabilities	98,128	24,423	11,960	11,713	7,305	12,066	13,500	179,095
Minority interests	-	-	-	-	-	-	-	-
Shareholders' funds	-	-	-	-	-	-	19,800	19,800
Total equity	-	-	-	-	-	-	19,800	19,800
Net liquidity gap	(46,838)	(2,700)	3,550	8,901	28,502	51,037	(12,906)	29,546
2007								
Cash and balances with central banks	434	2,457	7,664	4,196	-	-	3,024	17,775
Due from banks	3,308	849	3,337	5,736	687	3,465	-	17,382
Financial assets at fair value through profit or loss	939	2,119	1,051	1,656	4,952	8,892	1,529	21,138
Other securities[(a)]	153	882	2,109	6,643	6,300	18,084	2,293	36,464
Loans and advances to customers	5,755	9,902	7,481	6,783	13,758	36,116	-	79,795
Positive replacement values for financial derivatives	6,719	137	-	157	-	-	-	7,013
Other assets[(b)]	180	10	10	12	2	-	16,606	16,820
Total assets	17,488	16,356	21,652	25,183	25,699	66,557	23,452	196,387
Due to banks	3,535	6,419	3,426	683	51	185	-	14,299
Due to non-bank customers	67,912	21,274	7,837	8,781	125	862	-	106,791
Financial liabilities at fair value through profit or loss	952	716	517	1,933	3,295	7,949	20	15,382
Negative replacement values for financial derivatives and other financial liabilities[(c)]	7,719	-	-	-	-	-	-	7,719
Other liabilities[(d)]	869	66	141	647	226	373	9,834	12,156
Subordinated term debts	-	31	114	446	2,899	9,496	-	12,986
Total liabilities	80,987	28,506	12,035	12,490	6,596	18,865	9,854	169,333
Minority interests	-	-	-	-	-	-	-	-
Shareholders' funds	-	-	-	-	-	-	20,394	20,394
Total equity	-	-	-	-	-	-	20,394	20,394
Net liquidity gap	(63,499)	(12,150)	9,617	12,693	19,103	47,692	(6,796)	6,660

(a) Other securities include Singapore Government securities and treasury bills, financial investments and securities pledged
(b) Other assets include subsidiaries, due from special purpose entities, investments in associates and joint ventures, properties and other fixed assets, 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, other liabilities and due to holding company, subsidiaries and special purpose entities

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

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

49.1 Derivatives settled on a gross basis

The table below analysis the Bank Group and Bank'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.

				Bank Group			
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
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**
2007							
Foreign exchange derivatives							
- outflow	39,165	68,406	96,400	136,078	25,023	27,204	392,276
- inflow	39,186	68,555	96,476	136,372	25,111	26,802	392,502

				Bank			
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
2008							
Foreign exchange derivatives							
- outflow	**33,351**	**75,371**	**89,184**	**135,359**	**40,728**	**21,906**	**395,899**
- inflow	**33,435**	**75,473**	**89,404**	**135,752**	**40,698**	**21,583**	**396,345**
2007							
Foreign exchange derivatives							
- outflow	39,799	72,794	101,249	141,949	25,709	28,836	410,336
- inflow	39,808	72,946	101,330	142,201	25,765	28,334	410,384

49.2 Contingent liabilities and commitments

The tables below show the contractual expiry by maturity of the Bank Group and Bank's derivatives, contingent liabilities and commitments:

			Bank Group		
In $ millions	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
2008					
Guarantees, endorsements and other contingent items	**15,420**	**-**	**-**	**-**	**15,420**
Undrawn loan commitments and other facilities [(a)]	**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**
2007					
Guarantees, endorsements and other contingent items	14,656	-	-	-	14,656
Undrawn loan commitments and other facilities [(a)]	86,036	2,917	2,155	206	91,314
Operating lease commitments	129	175	138	465	907
Capital commitments	52	22	9	1	84
Total	100,873	3,114	2,302	672	106,961

			Bank		
In $ millions	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
2008					
Guarantees, endorsements and other contingent items	**14,302**	**-**	**-**	**-**	**14,302**
Undrawn loan commitments and other facilities [(a)]	**49,483**	**5,230**	**1,074**	**269**	**56,056**
Operating lease commitments	**77**	**158**	**138**	**484**	**857**
Capital commitments	**33**	**12**	**-**	**-**	**45**
Total	**63,895**	**5,400**	**1,212**	**753**	**71,260**
2007					
Guarantees, endorsements and other contingent items	14,013	-	-	-	14,013
Undrawn loan commitments and other facilities [(a)]	68,648	2,916	2,155	206	73,925
Operating lease commitments	75	118	107	409	709
Capital commitments	39	22	9	1	71
Total	82,775	3,056	2,271	616	88,718

(a) Undrawn loan commitments include commitments which are unconditionally cancellable by the Bank Group. The decrease in undrawn loan commitments from 2007 to 2008 is largely attributable to a change in basis of recognising commitments from loan approval approach to loan activated approach

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

50 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. An Operational Risk Management Framework, approved by the Group Board Risk Management Committee ("BRMC"), has been developed with the objective to ensure that operational risks within the Bank 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 Bank Group's reputation, are required to be reported based on certain thresholds established. Key risk indicators with pre-defined escalation triggers are employed to facilitate risk monitoring in a forward looking manner. A process risk mapping framework was developed to identify the key risks and controls of key products/services in an end-to-end transaction cycle.

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

The Group Operational Risk Committee oversees the Bank 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 Bank Group, and endorses and recommends corporate operational risk policies to be approved by the senior management.

51 Capital Management

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

The capital management process, which is centrally supervised by senior management, includes periodic reviews of both the demand for and supply of capital across the Bank Group. Overseas subsidiaries and non-banking subsidiaries of the Bank 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 Bank 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. The Bank's capital position is managed as part of the overall Bank Group capital management process. The Bank has complied with its applicable regulatory capital requirements.

In $ millions	2008	2007 [a]
Tier 1		
Share capital	**10,997**	10,997
Disclosed reserves and others	**13,383**	11,245
Less: Tier 1 Deductions	**6,021**	5,897
Eligible Tier 1	**18,359**	16,345
Tier 2		
Loan allowances admitted as Tier 2	**656**	1,210
Subordinated debts	**6,571**	7,087
Revaluation surplus from equity securities	**27**	177
Less: Tier 2 Deductions	**106**	102
Total eligible capital	**25,507**	24,717
Risk-weighted assets	**182,685**	184,601

	2008	2007
Capital adequacy ratio (%)		
Tier 1 ratio	**10.1**	8.9
Tier 2 ratio	**3.9**	4.5
Total (Tier 1 and 2) ratio	**14.0**	13.4

(a) Figures have been reclassified to make them consistent with the current period's presentation

The Bank 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.

52 Segmental Reporting

52.1 Business segment reporting

The business segment results are prepared based on the Bank Group's internal management reporting reflective of the organisation's management reporting structure. The activities of the Bank Group are highly integrated and accordingly, internal allocation has to be made in preparing the segment information. As a result, amounts for each business segment are shown after the allocation of certain centralised costs, funding income and the application of transfer pricing, where appropriate. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

The various business segments are described below:

Consumer Banking
Consumer Banking provides individual customers with a diverse range of banking and related financial services. The products and services available to customers include current and savings accounts, fixed deposits, loans and home finance, cards, payments and investment products.

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 offerred to the customer of other business segments, e.g. Consumer Banking, Enterprise Banking and Corporate and Investment Banking, is reflected in the respective segments. Global Financial Markets also provides equity services through DBS Vickers Securities ("DBSV"). DBSV offers a wide range of services to retail and corporate customers including research, sales and trading, share placement, nominees and securities custodian services and distribution of primary and secondary issues.

Central Treasury Unit
Central Treasury Unit is responsible for the management of the Bank Group's asset and liability interest rate positions and investment of the Bank 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 Bank Group's associates, joint ventures and subsidiaries and gains/losses on properties. Private banking activities and asset management activities are included in this segment.

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

In $ millions	Consumer Banking	Institutional Banking	Global Financial Markets	Central Treasury Unit	Central Operations [a]	Total
2008						
Net interest income	**1,130**	**1,707**	**1,190**	**648**	**(374)**	**4,301**
Non-interest income	**611**	**974**	**(159)**	**44**	**282**	**1,752**
Expenses	**1,142**	**758**	**483**	**30**	**242**	**2,655**
Allowances for credit and other losses	**42**	**427**	**64**	**223**	**132**	**888**
Profit before tax	**557**	**1,496**	**486**	**439**	**(393)**	**2,585**
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**	**26,379**	**232,732**
Capital expenditure	**67**	**19**	**18**	**-**	**195**	**299**
Depreciation	**32**	**9**	**11**	**-**	**97**	**149**
2007						
Net interest income	1,718	1,528	946	349	(434)	4,107
Non-interest income	688	947	78	16	326	2,055
Expenses	1,091	796	516	31	182	2,616
Allowances for credit and other losses	23	312	5	262	15	617
Profit before tax	1,292	1,367	516	72	(208)	3,039
Total assets before goodwill	32,148	79,307	83,816	27,930	3,994	227,195
Goodwill on consolidation						5,842
Total assets						233,037
Total liabilities	83,171	52,044	47,039	1,458	26,107	209,819
Capital expenditure	62	13	17	-	104	196
Depreciation	25	9	11	-	81	126

(a) 2008 includes one-time gains from sale of office buildings in Hong Kong, impairment charges for a Thai investment and restructuring costs of $127 million. 2007 includes one-time allowance write-back for a Singapore property and impairment charges for a Thai investment of $209 million

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

In $ millions	Consumer Banking	Institutional Banking	Global Financial Markets	Central Treasury Unit	Central Operations	Total
2008						
Net interest income	**817**	**920**	**1,087**	**547**	**(372)**	**2,999**
Non-interest income	**429**	**850**	**(435)**	**79**	**334**	**1,257**
Expenses	**704**	**541**	**290**	**21**	**68**	**1,624**
Allowances for credit and other losses	**27**	**273**	**42**	**215**	**(219)**	**338**
Profit before tax	**515**	**956**	**320**	**390**	**113**	**2,294**
Total assets	**26,846**	**73,563**	**80,953**	**20,107**	**15,956**	**217,425**
Total liabilities	**76,302**	**43,959**	**46,172**	**1,795**	**29,397**	**197,625**
Capital expenditure	**26**	**2**	**8**	**-**	**168**	**204**
Depreciation	**21**	**3**	**3**	**-**	**55**	**82**
2007						
Net interest income	1,325	908	864	147	(463)	2,781
Non-interest income	445	656	(212)	105	774	1,768
Expenses	671	478	329	21	183	1,682
Allowances for credit and other losses	-	206	(1)	261	350	816
Profit before tax	1,099	880	324	(30)	(222)	2,051
Total assets	23,377	58,944	73,682	21,599	12,497	190,099
Total liabilities	63,863	37,405	42,775	1,224	24,438	169,705
Capital expenditure	35	6	3	-	61	105
Depreciation	15	3	4	-	50	72

52.2 Geographical segment reporting

Income and net profit attributable to shareholders ("Net profit") are based on the country in which the transactions are booked. Total assets are shown by geographical area in which the assets are booked. It would not be materially different if total assets shown are based on the country in which the counterparty or assets are located. The total assets, income and net profit are stated after elimination of inter-group assets and revenues.

			Bank Group			
In $ millions	Singapore	Hong Kong	Rest of Greater China[c]	South and Southeast Asia[d]	Rest of the World[e]	Total
2008						
Total income	**3,672**	**1,433[a]**	**379**	**359**	**210**	**6,053**
Net profit	**1,418[a]**	**400[a]**	**104**	**151**	**66**	**2,139**
Total assets before goodwill	**170,132**	**44,119**	**16,563**	**9,889**	**10,168**	**250,871**
Goodwill on consolidation						**5,847**
Total assets						**256,718**
2007						
Total income	3,941	1,618	206	269	128	6,162
Net profit	1,598[b]	686	64	106	(4)	2,450
Total assets before goodwill	149,373	47,199	10,905	8,199	11,519	227,195
Goodwill on consolidation						5,842
Total assets						233,037

(a) Includes one-time gain from sale of buildings in Hong Kong, impairment charges for a Thai investment and restructuring costs of $127 million in 2008
(b) Includes one-time allowance write-back for a Singapore property and impairment charges for a Thai investment of $209 million in 2007
(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, Thailand and the Philippines
(e) Rest of the World includes branch operations in South Korea, Japan, United States of America and United Kingdom

			Bank			
In $ millions	Singapore	Hong Kong	Rest of Greater China[c]	South and Southeast Asia[d]	Rest of the World[e]	Total
2008						
Total income	**3,600**	**140**	**115**	**198**	**203**	**4,256**
Net profit	**1,728[a]**	**58**	**(4)**	**87**	**69**	**1,938**
Total assets	**183,298**	**9,711**	**8,286**	**6,023**	**10,132**	**217,450**
2007						
Total income	4,113	154	56	112	114	4,549
Net profit	1,571[b]	65	(14)	5	(4)	1,623
Total assets	161,392	8,631	4,380	4,215	11,481	190,099

(a) Includes impairment charges for a Thai investment and restructuring costs of $136 million in 2008
(b) Includes impairment charges for a Thai investment of $264 million in 2007
(c) Rest of Greater China includes branch operations in Mainland China and Taiwan
(d) South and Southeast Asia includes branch operations in India, Malaysia, Thailand and the Philippines
(e) Rest of the World includes branch operations in South Korea, Japan, United States of America and United Kingdom

53 List of Subsidiaries, Joint Ventures, Associates and Special Purpose Entities

The significant operating subsidiaries in the Bank Group are listed below:

	Name of subsidiary	Principal activities	Country of incorporation	Share capital Currency	Share capital In millions	Effective shareholding % 2008	Effective shareholding % 2007
	Held by the Bank						
1.	DBS Asset Management Ltd	Investment management services	Singapore	SGD	64	**100**	100
2.	DBS China Square Ltd	Property investment holding	Singapore	SGD	229	**70**	70
3.	DBS Trustee Ltd	Trustee services	Singapore	SGD	3	**100**	100
4.	DBS Vickers Securities Holdings Pte Ltd	Investment holding	Singapore	SGD	403	**100**	100
5.	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	In millions	Effective shareholding % 2008	2007
6.	Salte Pte Ltd	Purchase and sale of assets, provision of asset financing and raising funds	Singapore	SGD	4	**100**	100
7.	DBS Diamond Holdings Ltd	Investment holding	Bermuda	USD	3,461	**100**	100
8.	DBS Capital Funding Corporation**	Capital funding	Cayman Islands	USD	#	**100**	100
9.	DBS Capital Funding II Corporation**	Capital funding	Cayman Islands	USD	#	**100**	-
10.	DBS Bank (China) Limited*	Retail, small and medium-sized enterprise and corporate banking services	China	CNY	4,000	**100**	100
11.	DBS Asia Capital Limited*	Corporate finance and advisory services	Hong Kong	HKD	92	**100**	100
12.	PT Bank DBS Indonesia*	Commercial banking and financial services	Indonesia	IDR	2,225,000	**99**	99
13.	DBSAM Funds*	Collective investment scheme	Luxembourg	USD	10	**99.7**	99.7
14.	DBS Insurance Agency (Taiwan) Limited*	Provision of insurance agency services	Republic of Taiwan	NTD	3	**100**	-
	Held by subsidiaries						
15.	AXS Infocomm Pte Ltd[(a)]	Development and operation of multimedia transactional pay phone kiosks	Singapore	SGD	19	**86.2**	64.8
16.	DBS Vickers Securities (Singapore) Pte Ltd	Securities and futures broker	Singapore	SGD	50	**100**	100
17.	DBS Vickers Securities Online Holdings Pte Ltd	Investment Holding	Singapore	SGD	35	**100**	100
18.	DBS Vickers Research (Singapore) Pte Ltd	Market research consultants	Singapore	SGD	1	**100**	100
19.	Vickers Ballas Asset Management Pte Ltd	Marketing, distributing and managing investment funds	Singapore	SGD	1	**100**	100
20.	DBS Vickers Securities Nominees (Singapore) Pte Ltd	Nominee services	Singapore	SGD	#	**100**	100
21.	DBS Asset Management (United States) Pte Ltd	Investment management services	Singapore	SGD	#	**100**	100
22.	DBS Asset Management (Hong Kong) Ltd*	Investment management services	Hong Kong	HKD	13	**100**	100
23.	DBS Bank (Hong Kong) Limited*	Retail, corporate and investment banking services	Hong Kong	HKD	5,200	**100**	100
24.	DBS Corporate Services (Hong Kong) Limited*	Investment holding and corporate services	Hong Kong	HKD	1	**100**	100
25.	DHB Limited*	Investment holding	Hong Kong	HKD	500	**100**	100
26.	DBS Vickers (Hong Kong) Limited*	Securities and futures broker	Hong Kong	HKD	150	**100**	100
27.	DBS Vickers Securities Nominees (Hong Kong) Limited*	Nominee services	Hong Kong	HKD	#	**100**	100
28.	DBS Vickers Securities (Hong Kong) Limited*	Investment holding	Hong Kong	HKD	8	**100**	100
29.	Vickers Ballas Investment Management Ltd*	Investment holding	Hong Kong	HKD	10	**100**	100
30.	Kenson Asia Ltd*	Corporate services	Hong Kong	HKD	#	**100**	100
31.	Kingly Management Ltd*	Corporate services	Hong Kong	HKD	#	**100**	100
32.	Ting Hong Nominees Limited*	Nominee services	Hong Kong	HKD	#	**100**	100
33.	Hang Lung Bank (Nominees) Limited*	Nominee services	Hong Kong	HKD	#	**100**	100
34.	DBS Kwong On (Nominees) Limited*	Nominee services	Hong Kong	HKD	#	**100**	100
35.	Overseas Trust Bank Nominees Limited*	Nominee services	Hong Kong	HKD	#	**100**	100
36.	Worldson Services Ltd*	Corporate services	Hong Kong	HKD	#	**100**	100
37.	PT DBS Vickers Securities (Indonesia)*	Securities broker	Indonesia	IDR	55,000	**99**	99
38.	DBS Vickers Securities (Thailand) Co. Ltd*	Securities broker	Thailand	THB	690	**100**	100
39.	DHJ Management Limited**	Corporate services	British Virgin Islands	USD	#	**100**	100
40.	JT Administration Limited**	Corporate services	British Virgin Islands	USD	#	**100**	100
41.	Market Success Limited**	Corporate services	British Virgin Islands	USD	#	**100**	100
42.	Kendrick Services Limited**	Corporate directorship services	British Virgin Islands	USD	#	**100**	100
43.	Lushington Investment Limited**	Corporate shareholding services	British Virgin Islands	USD	#	**100**	100
44.	Quickway Limited**	Corporate directorship services	British Virgin Islands	USD	#	**100**	100
45.	DBS Group (Hong Kong) Limited*	Investment holding	Bermuda	USD	356	**100**	100
46.	DBS Vickers Securities (UK) Ltd*	Securities broker	United Kingdom	GBP	#	**100**	100

	Name of subsidiary	Principal activities	Country of incorporation	Share capital Currency	In millions	Effective shareholding % 2008	2007
47.	DBS Vickers Securities (USA), Inc***	Securities broker	United States	USD	3	**100**	100
48.	DBS Trustee H.K. (Jersey) Limited*	Trustee services	Jersey	GBP	#	**100**	100
49.	DBS Trustee H.K. (New Zealand) Limited**	Trustee services	New Zealand	NZD	#	**100**	-
50.	DNZ Limited**	Nominee services	Samoa	USD	#	**100**	-
51.	Asian Islamic Investment Management Sdn Bhd* (b)	Investment management services	Malaysia	RM	10	**51**	-

\# Amount under $500,000
* Audited by PricewaterhouseCoopers firms outside Singapore
** No statutory audit was performed for these companies as it is not mandatory under local laws and regulations
*** Audited by other auditors
(a) Shareholding includes 26.4% (2007: 10.8%) held through the Bank. In addition, there is an indirect shareholding of 10.6% (2007: 9.5%) held through Network for Electronic Transfers (Singapore) Pte Ltd
(b) In addition to the effective shareholding of 51%, there is an indirect shareholding of 13.6% held through Hwang-DBS (Malaysia) Bhd.

The significant operating joint ventures in the Bank Group are listed below:

	Name of joint venture	Principal activities	Country of incorporation	Share capital Currency	In millions	Effective shareholding % 2008	2007
	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	665	**37.5**	37.5
	Held by subsidiaries						
3.	Hutchinson DBS Card Limited*	Provision of credit card services	British Virgin Islands	HKD	1	**50.0**	50.0

* Audited by PricewaterhouseCoopers firms outside Singapore
*** Audited by other auditors

The significant operating associates in the Bank Group are listed below:

	Name of associate	Principal activities	Country of incorporation	Share capital Currency	In millions	Effective shareholding % 2008	2007
	Quoted - Held by the Bank						
1.	Bank of the Philippine Islands***	Commercial banking and financial services	The Philippines	PHP	32,456	**20.3**	20.3
	Quoted – Held by other subsidiaries						
2.	Hwang – DBS (Malaysia) Bhd(a) *	Investment holding	Malaysia	RM	255	**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	3	**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	3	**29.0**	-
8.	Nextmall Holdings Corporation**	Hypermarket chain	Cayman Islands	USD	#	**33.7**	33.7
9.	Investment and Capital Corporation of the Philippines***	Financial services	The Philippines	PHP	300	**20.0**	20.0
	Unquoted - Held by other subsidiaries						
10.	Hwang-DBS Investment Management Berhad*	Investment management services	Malaysia	RM	10	**30.0**	30.0
11.	Hwang-DBS Vickers Research (Malaysia) Sdn Bhd(b) *	Investment management	Malaysia	RM	3	**49.0**	49.0
12.	Singapore Consortium Investment Management Ltd	Investment management services	Singapore	SGD	1	**33.3**	33.3

	Name of associate	Principal activities	Country of incorporation	Share capital Currency	In millions	Effective shareholding % 2008	2007
13.	Changsheng Fund Management Company***	Establishment and management of investment	China	RMB	100	33.0	33.0

\# Amount under $500,000
* Audited by PricewaterhouseCoopers firms outside Singapore
** No statutory audit was performed for this company as it is not mandatory under local laws and regulations
*** Audited by other auditors
(a) Shareholding includes 4.15% held through the Bank
(b) In addition to the effective shareholding of 49%, there is an indirect shareholding of 14.1% (2007: 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 by the Bank 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

54 Subsequent Events

54.1 The Bank Group's deferred tax liabilities have been computed on the corporate tax rate and tax laws prevailing at balance sheet date. On 22 January 2009, the Singapore Minister of Finance announced a reduction in corporate tax rate from 18% to 17% with effect from the year of assessment 2010. The Bank Group's deferred tax expense for the current financial year have not taken into consideration the effect of the reduction in the corporate tax rate, which will be accounted for in the Bank Group's deferred tax expense in the financial year ending 31 December 2009. If the new corporate tax rate of 17% is applied, the impact on the Bank Group's deferred tax liabilities as of 31 December 2008 will not be material.

DBS Bank Ltd and its subsidiaries

Directors' Report

The Directors are pleased to submit their report to the Member together with the audited consolidated financial statements of DBS Bank Ltd ("the Bank") and its subsidiaries ("the Bank Group") and the balance sheet, income statement and statement of changes in equity of the Bank for the financial year ended 31 December 2008, 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
Richard Daniel Stanley	-	Chief Executive Officer (Appointed 1 May 2008)
Ang Kong Hua		
Andrew Robert Fowell Buxton		
Bart Joseph Broadman	-	(Appointed 17 December 2008)
Christopher Cheng Wai Chee		
Euleen Goh Yiu Kiang	-	(Appointed 1 December 2008)
Kwa Chong Seng		
John Alan Ross		
Wong Ngit Liong		

Messrs Koh Boon Hwee and Christopher Cheng Wai Chee will retire at the forthcoming annual general meeting. Messrs Koh Boon Hwee and Christopher Cheng Wai Chee will offer themselves for re-election.

Messrs Richard Daniel Stanley, Euleen Goh Yiu Kiang and Bart Joseph Broadman will retire in accordance with article 101 of the Company's Articles of Association, and will offer themselves for re-election.

Mr Andrew Robert Fowell Buxton will be turning 70 years of age on April 5, 2009, he is required to retire pursuant to Section 153(2) of the Companies Act, Chapter 50 but is eligible to stand for re-election, and will offer himself for re-election.

Arrangements to enable Directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year, was the Bank 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 Bank 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 Bank and related corporations as stated below:

	Holdings in which Directors have a direct interest		Holdings in which Directors are deemed to have an interest	
DBS Group Holdings Ltd ("DBSH") ordinary shares	**As at 31 Dec 2008**	**As at 31 Dec 2007** (or date of appointment if later)	**As at 31 Dec 2008**	**As at 31 Dec 2007** (or date of appointment if later)
Koh Boon Hwee	27,870	-	-	-
Richard Daniel Stanley *(appointed on 1 May 2008)*	240,789	240,789	-	-
Ang Kong Hua	-	-	-	-
Andrew Robert Fowell Buxton	6,000	6,000	-	-
Bart Joseph Broadman *(appointed on 17 December 2008)*	-	-	-	-
Christopher Cheng Wai Chee	-	-	-	-
Euleen Goh Yiu Kiang *(appointed on 1 December 2008)*	2,790	2,790	-	-
Kwa Chong Seng	42,129	42,129	100,000	100,000
John Alan Ross	20,000	20,000	-	-
Wong Ngit Liong	-	-		-
DBS Bank 6% non-cumulative non-convertible perpetual preference shares				
Wong Ngit Liong	6,000	6,000	-	-
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	-		

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2009.

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 Bank and the Bank Group.

DBSH Share Option Plan

Particulars of the share options granted under the DBSH Share Option Plan ("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 2008	During the year Exercised	During the year Forfeited	Number of unissued ordinary shares 31 December 2008	Exercise price per share	Expiry date
July 1999	765,469	97,800	3,425	664,244	$15.30	27 July 2009
March 2000	945,000	0	46,000	899,000	$20.87	5 March 2010
July 2000	796,000	0	34,000	762,000	$22.33	26 July 2010
March 2001	3,665,150	540,900	75,300	3,048,950	$17.70	14 March 2011
August 2001	262,400	112,000	0	150,400	$12.93	31 July 2011
March 2002	3,155,680	529,000	0	2,626,680	$14.73	27 March 2012
August 2002	245,000	107,100	0	137,900	$12.27	15 August 2012
December 2002	10,000	0	0	10,000	$11.47	17 December 2012
February 2003	2,943,450	635,350	3,000	2,305,100	$10.40	23 February 2013
March 2004	3,247,792	700,705	13,080	2,534,007	$14.73	2 March 2014
March 2005	1,740,732	450,741	55,080	1,234,911	$15.07	1 March 2015
	17,776,673	3,173,596	229,885	14,373,192		

Other than the DBSH Options granted under the Option Plan as disclosed herein, there were no further options 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 2,464,268 ordinary shares were granted pursuant to the DBSH Share Plan, to selected employees of the DBSH Group. This included 267,380 ordinary shares comprised in awards granted to directors Mr Koh Boon Hwee and Mr Richard D. 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 Bank 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 the Bank Group who hold such rank as may be determined by the Compensation and Management Development Committee of DBSH from time to time, and non-executive directors of Bank Group.

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

(ii) Where performance-based awards are granted, participants are awarded ordinary shares of DBSH, their equivalent cash value or a combination of both, when the prescribed performance targets are met over the prescribed performance periods. Where time-based awards are granted, participants are awarded ordinary shares of 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 of DBSH.

(iii) The DBSH Share Plan shall continue to be in force at the discretion of the Compensation and Management Development Committee of DBSH, subject to a maximum period of ten years from 18 September 1999 to 17 September 2009, provided always that the DBSH Share Plan may continue beyond the above stipulated period with the approval of the shareholders of 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 Bank Group.

(v) The 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, shall not exceed 15% 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 DBSH 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.

Independent Auditor

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

On behalf of the Directors

Koh Boon Hwee

Ang Kong Hua

12 February 2009
Singapore

Statement by the Directors

We, Koh Boon Hwee and Ang Kong Hua, being two of the Directors of DBS Bank Ltd ("the Bank"), state that, in the opinion of the Directors, the consolidated financial statements of the Bank Group, consisting of the Bank and its subsidiaries, and the income statement, balance sheet and statement of changes in equity of the Bank, together with the notes thereon as set out on pages 1 to 84, are drawn up so as to give a true and fair view of the state of affairs of the Bank and Bank Group as at 31 December 2008 and the results, changes in equity and cash flows of the Bank and Bank Group for the financial year ended on that date and there are reasonable grounds to believe that the Bank and the Bank Group will be able to pay their debts as and when they fall due.

On behalf of the Directors

Koh Boon Hwee

Ang Kong Hua

12 February 2009
Singapore

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DBS BANK LTD (INCORPORATED IN SINGAPORE)

We have audited the accompanying financial statements of DBS Bank Ltd (the "Bank") and its subsidiaries (the "Bank Group") set out on pages 1 to 84, which comprise the balance sheets of the Bank Group and of the Bank as at 31 December 2008, the consolidated income statements of the Bank Group and the Bank, the consolidated statement of changes in equity of the Bank Group and the Bank, and the consolidated cash flow statement of the Bank 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 Bank Group and the income statement, balance sheet, and statement of changes in equity of the Bank 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 Bank Group and of the Bank as at 31 December 2008 and the results of the Bank Group and the Bank, changes in equity of the Bank Group and Bank and cash flows of the Bank 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 Bank 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.

Other Matters

The consolidated financial statements for the year ended 31 December 2007 were reported on by auditors other than PricewaterhouseCoopers LLP. The auditor's report dated 14 February 2008 issued by the predecessor auditors on the consolidated financial statements for the financial year ended 31 December 2007 was unqualified.

PricewaterhouseCoopers LLP
Public Accountants and Certified Public Accountants

12 February 2009