DBS BANK LTD
INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31

In $ millions	Note	2005	2004 1/
Operating income			
Interest income		**3,774**	2,712
Interest expense		**1,870**	1,051
Net interest income	5	**1,904**	1,661
Net fee and commission income	6	**588**	525
Net trading income	7	**133**	474
Net gain from non-trading investments	8	**80**	705
Other income	9	**497**	142
Total operating income		**3,202**	3,507
Operating expenses			
Personnel expenses	10	**651**	619
General and administrative expenses	11	**562**	544
Depreciation of properties and other fixed assets	23	**89**	87
Provisions for credit and other losses	12	**939**	1
Total operating expenses		**2,241**	1,251
Operating profit before tax		**961**	2,256
Income tax expense	13	**246**	329
Net profit for the year		**715**	1,927

1/ Figures for 2004 have been restated to reflect the effects on adoption of new or revised Singapore Financial Reporting Standards.

(see notes on pages 5 to 36, which form part of these financial statements)

DBS BANK LTD
BALANCE SHEET AS AT DECEMBER 31

In $ millions	Note	2005
ASSETS		
Cash and balances with central banks	14	**4,791**
Singapore Government securities and treasury bills	15	**9,843**
Due from banks		**17,776**
Other financial securities at fair value through profit or loss	16	**14,173**
Positive replacement values	35	**9,206**
Loans and advances to customers	17	**54,489**
Non-trading investments	19	**15,996**
Securities pledged	20	**433**
Subsidiaries	21	**11,066**
Investments in associates	22	**631**
Properties and other fixed assets	23	**435**
Deferred tax assets	24	**27**
Other assets	25	**3,557**
TOTAL ASSETS		**142,423**
LIABILITIES		
Due to banks		**8,035**
Negative replacement values	35	**8,646**
Due to non-bank customers	26	**85,355**
Bills payable		**351**
Current tax liabilities		**499**
Other liabilities	27	**9,169**
Other debt securities in issue	28	**4,639**
Due to holding company		**59**
Due to subsidiaries	29	**2,934**
Due to related companies		**5**
Subordinated term debts	30	**4,930**
TOTAL LIABILITIES		**124,622**
NET ASSETS		**17,801**
EQUITY		
Share capital	31	**1,962**
Share premium account		**10,134**
Non-distributable reserves	32	**2,665**
Revenue reserves	32	**3,040**
SHAREHOLDERS' FUNDS		**17,801**
TOTAL EQUITY		**17,801**
OFF BALANCE SHEET ITEMS		
Contingent liabilities	33	**7,389**
Commitments	34	**61,654**
Financial derivatives	35	**1,380,765**

1/ Figures for 2004 have been restated to reflect the effects on adoption of new or revised Singapore Fi

(see notes on pages 5 to 36, which form part of these financial statements)

2004 [1/]
10,218
11,124
19,658
9,559
10,574
47,021
13,775
2,510
12,147
595
614
94
2,177
140,066
10,120
10,130
84,891
265
548
5,903
3,295
90
2,420
5
4,654
122,321
17,745
1,962
10,134
2,462
3,187
17,745
17,745
7,095
54,413
1,515,959

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DBS BANK LTD
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31

In $ millions	Note	Ordinary shares	6% Non-cumulative preference shares	Share premium	Non-distributable reserves	Revenue reserves	Total equity
2005							
Balance at January 1, 2005		**1,962**	**#**	**10,134**	**2,454**	**3,205**	**17,755**
Effects on adoption of new or revised FRS (Note 3)					**8**	**-18**	**-10**
Balance at January 1, 2005 (restated)		**1,962**	**#**	**10,134**	**2,462**	**3,187**	**17,745**
On adoption of FRS39 at January 1, 2005					**297**	**-122**	**175**
Net exchange translation adjustments					**-85**		**-85**
Cost of share-based payments					**23**		**23**
Draw-down of reserves when performance shares were vested					**-6**		**-6**
Available-for-sale investments/Cash flow hedge:							
- Net valuation taken to equity					**25**		**25**
-Transferred to income statement on sale					**-71**		**-71**
-Tax on items taken directly to or transferred from equity					**-16**		**-16**
Net profit for the year						**715**	**715**
Appropriation from income statement					**36**	**-36**	**-**
Dividends paid on preference shares						**-53**	**-53**
Dividends paid on ordinary shares to DBSH						**-651**	**-651**
Balance at December 31, 2005		**1,962**	**#**	**10,134**	**2,665**	**3,040**	**17,801**
2004 1/							
Balance at January 1, 2004		1,962	#	10,134	2,313	1,841	16,250
Effects on adoption of new or revised FRS (Note 3)					2	-8	-6
Balance at January 1, 2004 (restated)		1,962	#	10,134	2,315	1,833	16,244
Net exchange translation adjustments					44		44
Cost of share-based payments					6		6
Net profit for the year						1,927	1,927
Appropriation from income statement					97	-97	-
Dividends paid on preference shares						-53	-53
Dividends paid on ordinary shares to DBSH						-423	-423
Balance at December 31, 2004		1,962	#	10,134	2,462	3,187	17,745

Amount under $500,000

1/ Figures for 2004 have been restated to reflect the effects on adoption of new or revised Singapore Financial Reporting Standards.

(see notes on pages 5 to 36, which form part of these financial statements)

DBS BANK LTD
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31
In $ millions

	2005	2004 1/
Cash flows from operating activities		
Net profit before taxation	**961**	2,256
Adjustments for non-cash items:		
Provisions for credit and other losses	**939**	1
Depreciation of properties and other fixed assets	**89**	87
Net gain on disposal of properties and other fixed assets	**(309)**	1
Net gain on disposal of non-trading investments	**(99)**	(705)
Operating profit before changes in operating assets & liabilities	**1,581**	1,640
Increase/(Decrease) in:		
Change in restricted balances with central banks	**(901)**	7
Due to non-bank customers	**464**	7,598
Due to banks	**(2,085)**	2,921
Other liabilities including bills payable	**1,868**	3,532
Due to holding, related and subsidiary companies	**482**	253
(Increase)/Decrease in:		
Singapore Government securities and treasury bills	**1,337**	2,081
Other financial securities at fair value through profit or loss	**(3,824)**	(3,673)
Other assets	**2,275**	(3,858)
Due from banks	**1,855**	2,152
Loans and advances to customers	**(7,629)**	(6,496)
Due from subsidiaries	**254**	17
Tax paid	**(289)**	(192)
Net cash (used in)/ generated from operating activities (1)	**(4,612)**	5,982
Cash flows from investing activities		
Purchase of properties and other fixed assets	**(155)**	(74)
Net increase in non-trading investments	**(2,071)**	575
Proceeds from disposal of properties and other fixed assets	**699**	21
Acquisition of interest in associates	**(61)**	(6)
Net cash (used in)/ generated from investing activities (2)	**(1,588)**	516
Cash flows from financing activities		
Net increase in debt securities and borrowings	**1,507**	757
Proceeds from issue of subordinated term debts	**-**	1,225
Dividends paid to shareholder	**(704)**	(476)
Net cash generated from financing activities (3)	**803**	1,506
Exchange translation adjustments (4)	**(85)**	44
Net change in cash and cash equivalents (1)+(2)+(3)+(4)	**(5,482)**	8,048
Cash and cash equivalents at January 1	**14,562**	6,514
Cash and cash equivalents at December 31	**9,080**	14,562

1/ Figures for 2004 have been restated to reflect the effects on adoption of new or revised Singapore Financial Reporting Standards.

(see notes on pages 5 to 36, which form part of these financial statements)

These Notes form an integral part of the financial statements.

The financial statements of DBS Bank Ltd (referred to as the Bank) for the year ended December 31, 2005 were approved and authorised for issue by the Board of Directors on February 16, 2006.

1 Domicile and Activities

The Bank is principally engaged in the business of banking 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 44.

The Bank is a wholly owned subsidiary of DBS Group Holdings Ltd (referred to as DBSH). The registered office of the Bank is located at 6 Shenton Way, DBS Building Tower One, Singapore 068809.

Pursuant to Section 201(3BA) of the Singapore Companies Act, the Bank is not required to prepare consolidated financial statements. The results of the Bank's subsidiaries have been included in the consolidated financial statements of DBSH from the date they became subsidiaries.

2 Summary of Significant Accounting Policies

2.1 Basis of preparation

The financial statements of the Bank are prepared in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations promulgated by the Council on Corporate Disclosure and Governance ("CCDG"). 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' (dated March 11, 2005) 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.

The preparation of financial statements in conformity with FRS requires management to exercise judgment, make estimates and 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 those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a higher degree of judgment and complexity are disclosed in Note 4.

On January 1, 2005, the Bank adopted the new or revised FRS and amended Interpretations to FRS (INT FRS) that are applicable in the current financial year. The 2005 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:

FRS 1 (revised)	Presentation of Financial Statements
FRS 7 (revised)	Cash Flow Statements
FRS 8 (revised)	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 10 (revised)	Events after the Balance Sheet Date
FRS 12 (revised)	Income Taxes
FRS 14 (revised)	Segment Reporting
FRS 16 (revised)	Property, Plant and Equipment
FRS 17 (revised)	Leases
FRS 18 (revised)	Revenue
FRS 19 (revised)	Employee Benefits
FRS 21 (revised)	The Effects of Changes in Foreign Exchange Rates
FRS 24 (revised)	Related Party Disclosures
FRS 25 (revised)	Accounting for Investments
FRS 28 (revised)	Investments in Associates
FRS 31 (revised)	Interests in Joint Ventures
FRS 32 (revised)	Financial Instruments: Disclosure and Presentation
FRS 36 (revised)	Impairment of Assets
FRS 37 (revised)	Provisions, Contingent Liabilities, and Contingent Assets
FRS 38 (revised)	Intangible Assets
FRS 39	Financial Instruments: Recognition and Measurement
FRS 102	Share-based Payment

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

2.2 Subsidiaries, Joint Ventures and Associates

Subsidiaries
Subsidiaries are entities that the Bank 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 exercisable or convertible are considered when determining whether an entity is considered a subsidiary.

Investments in subsidiaries are stated in the Bank's balance sheet at cost, less impairment losses, if any.

Joint ventures
Joint ventures are entities that are jointly controlled by the Bank together with one or more parties through contractual arrangements. Investments in joint ventures are stated in the Bank's balance sheet at cost, less impairment losses, if any.

Associates
Associates are entities in which the Bank has significant influence, but not control, and generally holds a shareholding of between and including 20% and 50% of the voting rights.

The Bank's investments in associates are carried at cost, less impairment losses, if any.

2.3 Foreign currency translation

Functional and presentation currency
Items in the financial statements of the Bank are translated using 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.

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.

Foreign operations
The results and financial position of the Bank's operations whose functional currency is not Singapore dollars are translated into Singapore dollars as follows:

- 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.

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

2.4 Segment reporting

The Bank's financial businesses are organised into the Consumer Banking and Wholesale Banking Business Groups and Central Operations. Wholesale Banking Business Group is segregated into Enterprise Banking, Corporate and Investment Banking, Global Financial Markets and Central Treasury Unit. In total, the Bank reports six 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

Interest income and expenses
Interest income and expenses are recognised on a time-proportionate basis using the effective interest method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument. 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's structured investment deposits which are carried at fair value through profit or loss.

When a receivable is impaired, the Bank reduces the carrying amount to its recoverable amount, being the estimated future cashflow 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 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 an extended period of time, fee and commission income is recognised over the course of the period.

Dividend income
Dividend income is recognised when the right to receive payment is established.

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 statement of cash flows, cash and cash equivalents comprise cash on hand, non-restricted balances with central banks, trading government securities and treasury bills 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, with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

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 fair valued through profit or loss unless they are designated as cash flow hedges or hedges of net investments in foreign operations. The specific accounting policy on derivatives is detailed in Note 2.14.

(b) Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(c) Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank intends and is able to hold to maturity.

(d) Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories.

Recognition and derecognition
Purchases and sales of investments are recognised on the date that the Bank commits to purchase or sell the asset. Investments are de-recognised when the Bank has transferred substantively 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.

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 and held-to-maturity investments are carried at amortised cost using the effective interest method. Unquoted equity classified as available-for-sale for which fair value cannot be reliably determined is carried at cost, less impairment.

Realised or unrealised gains or losses of financial assets at fair value through profit or loss are taken to "Net trading income" in the income statement. Unrealised gains or losses arising from changes in fair value of investments classified as available-for-sale are recognised in the available-for-sale revaluation reserves. When investments 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 quoted financial assets are based on current bid prices. If the market for a financial asset is not active, the Bank 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 refined to reflect the issuer's specific circumstances.

2.8 Loans and advances to customers

Loans and advances to customers are carried at amortised cost using the effective interest method, less specific and general provisions.

The Bank carries out regular and systematic reviews of all credit facilities extended to customers.

Specific provision for credit losses
A specific provision for credit losses is established if there is objective evidence that the Bank will be unable to collect all amounts due to a claim according to the original contractual terms or the equivalent value. A "claim" means a loan or a commitment such as a guarantee and letter of credit.

A specific provision for credit losses is reported 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 provision for credit loss is reported as an increase in other liabilities.

Specific provision 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 a provision is made when existing facts, conditions or valuations indicate that the Bank is not likely to collect part or all of the principal and interest due contractually on the claim. A provision is reversed only when there is reasonable assurance of timely collection.

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 provision for credit losses
Apart from specific provisions, the Bank also carries general provision for credit losses. The Bank maintains a level of provisions 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 provisions, the Bank considers country and portfolio risks, as well as industry practices. The Bank maintains general provisions of at least 1% of credit exposures on and off the balance sheet net of collaterals and after deducting specific provisions that have been made.

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" or "Due to banks". 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" or "Due from banks".

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 Properties and other fixed assets

Properties and other fixed assets are stated at cost less accumulated depreciation and impairment losses. The basis of depreciation is as follows:

Properties
Leasehold land, where the balance of the leasehold period is 100 years or less, is amortised over the remaining period of the lease. No amortisation is made on leasehold land where the unexpired lease period is more than 100 years.

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 life as follows:

Computer software	3 - 5 years
Office equipment	5 - 8 years
Furniture and fittings	5 - 8 years

2.11 Impairment

The carrying values of assets 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 values of the assets are written down to their recoverable amount. The impairment loss is charged to the income statement unless it reverses a previous revaluation credited to equity in which case it is charged to equity.

When there is objective evidence that a decline in the fair value of an available-for-sale financial asset is due to an impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in the income statement – is removed from equity and recognised in the income statement. A subsequent recovery in the value of an available-for-sale equity instrument that has been impaired is reversed through equity. 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.

2.12 Financial liabilities

The Bank classifies its financial liabilities in the following categories: (a) financial liabilities at fair value through profit or loss; and (b) non-trading liabilities. Financial liabilities classified at fair value through profit or loss are carried at fair value, with gains and losses from change in fair value recognised through the income statement. Non-trading liabilities are carried at amortised cost using the effective interest method.

A financial liability is removed or derecognised from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

2.13 Provisions and other liabilities

Provisions are recognised when the Bank 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.

2.14 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 in assets when the fair value is positive and as liabilities when the fair value is negative. Changes in the fair value of derivatives other than those designated as cash flow hedges or hedges of net investments in foreign operations 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, the Bank documents at the inception the relationship between hedging instruments and hedged items, as well as its risk management objective for undertaking various hedge transactions. The Bank also documents its assessment, both at hedge inception and on an ongoing basis, of whether the financial instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedge
For an effective hedge of an exposure to changes in the fair value, the changes in the fair value of the derivatives are recorded in the income statement, together with any changes in the fair value of the hedged item attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used, is amortised to profit or loss over the period to maturity of the hedged item.

(b) Cash flow hedge
The changes in the fair value of derivatives designated and qualified as hedges of future cash flows are

recognised directly in equity, 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.

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 equity 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 equity is recognised immediately in the income statement.

(c) Hedge of net investment in a foreign operation
Financial instruments designated as foreign currency hedges of net investments in the Bank's foreign operations are accounted for similarly to cash flow hedges. The foreign exchange gains or losses from the hedging instruments are recognised directly in equity, until disposal of the foreign operation, whereby it is recognised in the income statement.

2.15 Employee benefits

Personnel expenses on base pay, cash bonuses, contributions to defined contribution plans, e.g., the Central Provident Fund and other staff-related allowances are recognised in the income statement once 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 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.

2.16 Share-based compensation

Personnel expenses also include share-based compensation, namely, the DBSH Share Ownership Scheme, the DBSH Share Option Plan, the DBSH Performance Share Plan and the DBSH Employee Share Plan. The details of the Scheme and Plans are described in Note 37.

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. Payments made to DBSH for share options granted to the Bank's employees are expensed off over the vesting period of each award. Expenses relating to shares awarded under the DBSH Performance Share Plan and DBSH Employee Share Plan are amortised over the vesting period of each award, with a corresponding adjustment to the Share plan reserves. Monthly contributions to the Scheme are expensed off when incurred.

For the DBSH Performance Share Plan and the DBSH Employee Share Plan, a trust has been set up for each share plan. The shares purchased are recorded as "Other assets" in the balance sheet at cost less impairment losses.

2.17 Deferred tax

Deferred income tax is provided in full, 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 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 at 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.

2.18 Dividend

Interim dividends are recorded during the financial year in which they are declared payable. Final dividends are recorded during the financial year in which the dividends are approved by the shareholder.

2.19 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 on a net basis, or realise the asset and settle the liability simultaneously.

2.20 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 required to be made to the lessor by way of penalty is recognised as an expense in the period when termination takes place.

2.21 Fiduciary activities

Assets and income belonging to a customer for whom the Bank acts in a fiduciary capacity as nominee, trustee or agent, are excluded from the financial statements.

2.22 Comparatives

The financial statements for 2004 have been re-stated to comply with changes in accounting policies as described in Note 3 and to make them consistent with the current year's presentation.

3 Effects on Financial Statements on Adoption of New or Revised FRS

The adoption of new and revised FRS and amended Interpretations has resulted in changes to the Bank's accounting policies in the following areas and has affected the amounts reported for the current or previous financial years. The changes in accounting policies have been made in accordance with the transitional provisions in the respective FRS.

3.1 New FRS adopted

FRS 39: Financial Instruments: Recognition and Measurement
The implementation of FRS 39 resulted in changes to accounting policies relating to the recognition and measurement of financial instruments. In accordance with the transitional provisions of FRS 39, the Standard has been applied prospectively and an opening adjustment to equity was made, representing unrealised gains or losses on certain financial instruments including derivatives to be measured at fair value on January 1, 2005. The differences between carrying amounts and fair values were adjusted to either revaluation or revenue reserves. The transitional adjustment resulted in an increase in revaluation reserves of $297 million and a decrease in revenue reserves of $122 million.

FRS 102: Share-based Payment
The Bank adopted FRS 102: Share-based Payment on January 1, 2005, which resulted in a change in accounting policy for the Bank's share-based staff compensation plans. The Standard has been applied retrospectively for all equity instruments granted after November 22, 2002 and unvested as at January 1, 2005.

(a) DBSH Share Option Plan ("Option Plan")
The adoption of FRS 102 requires the Bank to account for share options which ultimately vests under the Option Plan, at their fair value at grant date. The share-based payment expense is amortised and recognised in the income statement over the relevant vesting periods.

(b) DBSH Performance Share Plan and the DBSH Employee Share Plan ("Share Plans")
The adoption of FRS 102 requires the Bank to account for the Share Plans at their fair value at grant date, for shares eventually awarded to staff on vesting date. The share-based payment expense is amortised and recognised in the income statement over the relevant vesting periods, with a corresponding adjustment to Share plan reserves.

The adoption of FRS 102 resulted in an increase in staff costs of $30 million for the Bank for the financial year ended December 31, 2005 (2004: $14 million). Non-distributable reserves increased by $8 million as at January 1, 2005 (2004: $2 million).

3.2 FRS issued in 2005 but not effective yet

FRS 40: Investment Property, was issued during the financial year but the Standard will be effective from January 1, 2007. There is no expected material impact on the Bank's financial statements arising from the revised Standard. The Bank's current policy is to carry its properties at historical cost less accumulated depreciation and impairment losses.

4 Critical Accounting Estimates

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

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

4.1 Impairment allowances on claims

It is the Bank's policy to establish, through charges against profit, specific and general provisions in respect of estimated and inherent credit losses in its portfolio.

In determining specific provisions, management considers objective evidence of impairment. When a loan is impaired, a specific provision 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 provision 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 provisions, the Bank has applied 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 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 over time period that is consistent with the Bank's trading or investment strategy. The majority of the Bank'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.

Management exercise 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. Also, judgement may 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.

5 Net Interest Income

In $ millions	2005	2004
Cash and balances with central banks and Due from banks	477	314
Loans and advances to customers	1,940	1,334
Debt securities	1,357	1,064
Total interest income	3,774	2,712
Due to banks	394	190
Due to non-bank customers	890	494
Others	586	367
Total interest expense	1,870	1,051
Net Interest Income	1,904	1,661

In $ millions	2005	2004
Interest income for financial assets at fair value through profit or loss	687	461
Interest income for financial assets not at fair value through profit or loss	3,087	2,251
Interest expense for financial liabilities at fair value through profit or loss	(169)	(108)
Interest expense for financial liabilities not at fair value through profit or loss	(1,701)	(943)
Total	1,904	1,661

Note: The breakdown of interest income and expense for financial assets and liabilities at fair value through profit or loss is presented for 2005 under FRS 39 and is adopted prospectively.

6 Net Fee and Commission Income

In $ millions	2005	2004
Fee and commission income	656	585
Fee and commission expense	68	60
Net fee and commission income	588	525
Comprising:		
Stock broking	3	2
Loan-related	122	108
Guarantees	26	22
Wealth management	97	87
Trade and remittances	91	84
Investment banking	96	74
Deposit-related	68	70
Credit card	48	46
Others	37	32
Net fee and commission income	588	525

7 Net Trading Income

In $ millions	2005	2004
Trading businesses		
- Foreign exchange	15	178
- Interest rate, credit & equities	99	247
Other businesses	19	49
Total	133	474

8 Net Gain from Non-trading Investments

In $ millions	2005	2004
Debt securities	11	52
Equity securities *	69	653
Total	80	705

* Included in 2004 were one-time gains of $341 million from a merger transaction involving a 59% stake in DBS Thai Danu Public Company Limited and $187 million from the sale of a 10% investment holding in Wing Lung Bank. There was also a $44 million gain from the liquidation of NDC Capital Holdings Private Limited.

9 Other Income

In $ millions	2005	2004
Dividend income *	166	121
Rental income	19	21
Net gain on properties and other fixed assets **	309	(1)
Others	3	1
Total	497	142

* Dividend income received from subsidiaries and associates as follows:

Dividends from subsidiaries	33	26
Dividends from associates	38	32
Total	71	58

** Included in 2005 was a one-time gain of $303 million from the sale of office buildings in Singapore, DBS Tower One and Tower Two. See Note 23.1 for further information.

10 Personnel Expenses

In $ millions	2005	2004
Salary and bonus	561	545
Contributions to defined contribution plans	38	34
Share-based expenses	32	24
Others	20	16
Total	651	619
Headcount (period end)	7,500	6,705

11 General and Administrative Expenses

In $ millions	2005	2004
Technology-related expenses	185	191
Occupancy expenses	97	88
Revenue-related expenses	90	96
Other expenses	190	169
Total	562	544

Included in general and administrative expenses are:

In $ millions	2005	2004
Hire and maintenance of fixed assets, including building-related expenses	61	76
Audit fees payable to Ernst & Young Singapore	2	3
Audit fees payable to Ernst & Young firms outside Singapore	#	1
Non audit fees payable to Ernst & Young Singapore	#	#
Non audit fees payable to Ernst & Young firms outside Singapore	#	#

\# Amount under $500,000.

12 Provisions for Credit and Other Losses

In $ millions	2005	2004
Loans and advances to customers (Note 17)	161	(92)
Non-trading investments (Note 19)	5	44
Properties and other fixed assets (Note 23)	-	(4)
Off balance sheet credit exposures (Note 27)	(31)	114
Investment in subsidiaries (Note 21)	732	-
Others (bank loans and sundry debtors)	72	(61)
Total	939	1

13 Income Tax Expense

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

In $ millions	2005	2004
Current tax expense		
- Current year	252	308
Deferred tax expense		
- Origination and reversal of temporary differences	(6)	(12)
- Reduction in tax rate	-	9
- Prior years' provision	-	24
Total	246	329

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

In $ millions	2005	2004
Accelerated tax depreciation	1	-
Provision for loan losses	(4)	21
Other temporary differences	(3)	-
Deferred tax expense (credited)/charged to income statement	(6)	21

The tax on the Bank's operating profit differs from the theoretical amount that would arise using the Singapore basic tax rate as follows:

In $ millions	2005	2004
Operating profit	961	2,256
Prima facie tax calculated at a tax rate of 20% (2004 : 20%)	192	451
Effect of different tax rates in other countries	(2)	(10)
Effect of change in tax rate	-	9
Income not subject to tax	(36)	(115)
Income taxed at concessionary rate	(89)	(28)
Non-tax deductible provisions	155	(2)
Others	26	24
Income tax expense charged to income statement	246	329

See Note 24 for further information on deferred tax assets/liabilities.

14 Cash and Balances with Central Banks

In $ millions	2005	2004
Cash on hand	721	783
Balances with central banks		
- Restricted balances	2,382	1,481
- Non-restricted balances	1,688	7,954
Total	4,791	10,218

15 Singapore Government Securities and Treasury Bills

In $ millions	2005	2004
Fair value through profit or loss	4,255	4,199
Available-for-sale	5,588	-
Investment held at amortised cost	-	6,925
Total	9,843	11,124
Market value	9,843	11,174

16 Other Financial Securities at Fair Value through Profit or Loss

In $ millions	2005	2004
Quoted		
Other government securities and treasury bills	2,416	1,626
Corporate debt securities	11,038	7,018
Equity securities	719	915
Total	14,173	9,559
Analysed by industry		
Manufacturing	766	921
Building and construction	178	103
General commerce	223	163
Transportation, storage and communications	982	779
Financial institutions, investment and holding companies	7,295	4,898
Governments	2,416	1,626
Others	2,313	1,069
Total	14,173	9,559

17 Loans and Advances to Customers

In $ millions	2005	2004
Gross	55,563	47,986
Less: Specific provisions	467	390
General provisions	607	575
Net total	54,489	47,021
Comprising:		
Bills receivable	2,362	2,073
Loans	52,127	44,948
Net total	54,489	47,021
Analysed by industry		
Manufacturing	5,827	4,885
Building and construction	6,094	4,560
Housing loans	16,179	15,393
General commerce	3,906	3,269
Transportation, storage and communications	4,761	3,108
Financial institutions, investment and holding companies	9,337	7,272
Professionals and private individuals (except housing loans)	4,800	4,513
Others	4,659	4,986
Gross total	55,563	47,986
Analysed by products		
Long term loans	19,406	15,392
Short term facilities	15,548	13,070
Overdrafts	1,987	2,002
Housing loans	16,179	15,393
Trade financing	2,443	2,129
Gross total	55,563	47,986

Analysed by currency and fixed/ variable rates		
Fixed rate [(a)]		
Singapore dollar	7,164	10,040
Hong Kong dollar	2	10
US dollar	194	73
Others	106	193
Sub-total	7,466	10,316
Variable rate [(b)]		
Singapore dollar	26,387	23,751
Hong Kong dollar	3,115	1,707
US dollar	13,694	8,746
Others	4,901	3,466
Sub-total	48,097	37,670
Gross total	55,563	47,986

(a) Fixed rate loans refer to long-term loans where the interest rates are fixed for the initial 1 to 3 years for certain mortgage loans, and over the entire loan period for other loans.
(b) Variable rate loans refer to loans that are pegged to prime, short-term cost of funds or inter-bank rates.

Movements in specific and general provisions during the year were as follows:

In $ millions	2005	2004
Specific provisions		
Balance at January 1	390	615
Charge to income statement	129	23
Write-off during the year	(38)	(253)
Exchange and other movements	(14)	5
Balance at December 31	467	390
General provisions		
Balance at January 1	575	690
Charge/(write-back) to income statement	32	(115)
Balance at December 31	607	575

18 Non-Performing Assets

The Bank 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 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
- Pass grades indicate that the timely repayment of the outstanding credit facilities is not in doubt.
- Special mention grades indicate 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.

Classified, or non-performing
- Substandard grades indicate 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 grades indicate 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 grades indicate the amount of loan recovery is assessed to be insignificant.

The Bank may also apply a split classification to any credit facility where appropriate. For instance, when a non-performing loan is partially secured, the portion covered by the amount realisable from a collateral may be classified as substandard while the unsecured portion of the loan will be classified as doubtful or loss, as appropriate.

Non-performing assets ("NPAs") by loan grading

In $ millions	NPAs	Specific Provisions
2005		
Substandard	905	121
Doubtful	205	177
Loss	282	282
Total	1,392	580
2004		
Substandard	1,043	122
Doubtful	116	88
Loss	275	275
Total	1,434	485

Non-performing assets by industry

In $ millions	NPAs	Specific Provisions
2005		
Customer loans		
Manufacturing	338	176
Building and construction	68	29
Housing loans	168	57
General commerce	259	111
Transportation, storage and communications	25	11
Financial institutions, investments and holding companies	163	46
Professional and private individuals (except housing loans)	131	41
Others	75	36
Sub-total*	1,227	507
Debt securities	130	58
Contingent items	35	15
Total	1,392	580
2004		
Customer loans		
Manufacturing	297	131
Building and construction	168	44
Housing loans	149	48
General commerce	100	38
Transportation, storage and communications	23	9
Financial institutions, investments and holding companies	191	54
Professional and private individuals (except housing loans)	146	46
Others	209	56
Sub-total	1,283	426
Debt securities	137	52
Contingent items	14	7
Total	1,434	485

* NPAs and specific provisions for customer loans each included $40 million in interest receivables.

Non-performing assets by region

In $ millions	NPAs	Total Provisions
2005		
Singapore	997	956
Hong Kong	2	65
Rest of Greater China	63	46
South and Southeast Asia	145	132
Rest of the World	185	157
Total	1,392	1,356
2004		
Singapore	957	844
Hong Kong	57	92
Rest of Greater China	55	52
South and Southeast Asia	166	110
Rest of the World	199	162
Total	1,434	1,260

Non-performing assets by overdue period

In $ millions	2005	2004
Not overdue	607	659
< 90 days overdue	236	212
91-180 days overdue	73	99
> 180 days overdue	476	464
Total	1,392	1,434

Restructured non-performing assets

Loans are classified as restructured loans when a bank grants concessions to a borrower because of a 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 its assessment of the financial condition of the borrower and the ability of the borrower to repay based on the restructured terms. Such loans are not returned to the performing status until there are reasonable grounds for the bank to conclude that the borrower will be able to service all future principal and interest payments on the credit facility in accordance with the restructured terms.

In $ millions	NPAs	Specific Provisions
2005		
Substandard	425	84
Doubtful	23	24
Loss	30	30
Total	478	138
2004		
Substandard	344	33
Doubtful	6	6
Loss	47	46
Total	397	85

19 Non-Trading Investments

In $ millions	2005	2004
Available-for-sale		
Quoted other government securities and treasury bills	3,928	-
Quoted corporate debt securities	8,750	-
Quoted equity securities	1,239	-
Unquoted equity securities	330	-
Less: Impairment allowance *	115	-
Available-for-sale non-trading investments	14,132	-
Loans and receivables		
Unquoted corporate debt securities	1,928	-
Less: Impairment allowance	64	-
Loans and receivables non-trading investments	1,864	-
Investments at amortised cost		
Quoted other government securities and treasury bills	-	2,332
Quoted corporate debt securities	-	10,671
Quoted equity securities	-	648
Unquoted equity securities	-	333
Less: Impairment allowance	-	209
Total investment securities	-	13,775
Total	15,996	13,775
Market value of quoted securities	15,806	13,934

Analysed by industry		
Manufacturing	921	1,116
Building and construction	1,014	584
General commerce	19	14
Transport, storage and communications	1,117	772
Financial institutions, investment and holding companies	6,321	6,487
Governments	3,928	2,332
Others	2,676	2,470
Total carrying value	15,996	13,775

* Comprised impairment allowances on unquoted equities and general provisions for credit related exposures.

Movements in impairment allowances during the year were as follows:

In $ millions	2005	2004
Provisions		
Balance at January 1	209	206
On adoption of FRS 39 at January 1, 2005	(25)	-
Charge to income statement	5	44
Write-off during the year	(10)	(41)
Exchange and other movements	-	-
Balance at December 31	179	209

20 Securities Pledged

In $ millions	2005	2004
Securities pledged		
Singapore government securities and treasury bills	20	70
Other financial assets at fair value through profit or loss	413	974
Non-trading investments	-	1,466
Total	433	2,510
Related liabilities	433	2,519

21 Subsidiaries

In $ millions	2005	2004
Unquoted equity shares, at cost	11,344	11,439
Impairment allowance	(873)	(141)
	10,471	11,298
Due from subsidiaries	595	849
Total	11,066	12,147

See Note 44 for details of significant operating subsidiaries.

For the year ended December 31, 2005, an impairment charge of $732 million has been recorded in “Provision for credit and other losses” in the income statement. This is attributed to the investment in DBS Bank (Hong Kong) Ltd, where the carrying value has been written down to its recoverable amount. The recoverable amount is determined based on value-in-use calculation.

During the financial year, there were no major acquisitions or disposals of subsidiaries.

22 Investments in Joint Ventures and Associates

In $ millions	2005	2004
Quoted investments in associates and joint ventures at cost	1,236	1,194
Unquoted investments in associates and joint ventures at cost	73	51
Impairment allowance	(678)	(650)
Net book value	631	595
Market value – quoted associates	813	692

See Note 44 for details of significant joint ventures and associates.

On December 23, 2005, the Bank acquired 20% of Cholamandalam Investments and Finance Company Limited (“CIFCL”) through an open offer to public shareholders for a consideration of $42 million. On January 4, 2006, the Bank purchased 17.5% shareholdings from Tube Investments of India Ltd (“TI”) for a consideration of $37 million, bringing DBS’ total shareholdings to 37.5%, with the Bank and TI being equal shareholders sharing joint control of CIFCL.

23 Properties and Other Fixed Assets

In $ millions	Total properties	Other assets (a)	Total
2005			
Cost			
Balance at January 1	626	385	1,011
Additions	20	135	155
Disposals	(395)	(11)	(406)
Balance at December 31	251	509	760
Less: Accumulated depreciation			
Balance at January 1	185	194	379
Depreciation charge	20	69	89
Disposals	(153)	(8)	(161)
Balance at December 31	52	255	307
Less: Provision for diminution in value	18	-	18
Net book value, December 31	181	254	435
Market value, December 31	203	-	203
2004			
Cost			
Balance at January 1	671	413	1,084
Additions	6	68	74
Disposals	(51)	(96)	(147)
Balance at December 31	626	385	1,011
Less: Accumulated depreciation			
Balance at January 1	208	209	417
Depreciation charge	23	64	87
Disposals	(46)	(79)	(125)
Balance at December 31, 2004	185	194	379
Less: Provision for diminution in value	18	-	18
Net book value, December 31	423	191	614
Market value, December 31	777	-	777

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

Movements in provision for diminution in value of properties during the year were as follows:

In $ millions	2005	2004
Balance at January 1	18	22
Write-back to income statement	-	(4)
Balance at December 31	18	18

23.1 On December 9, 2005, the Bank sold its Shenton Way offices, DBS Tower One and Tower Two for a cash consideration of $690 million, and the buildings were derecognised on the balance sheet as at that date. Under the sale and purchase agreement, the Bank will lease back the areas it currently occupies for an initial period of eight years, with a further option to renew the lease for two three-year periods at market rates. The excess of the sales proceeds over the buildings' fair values based on latest appraised values by independent valuers, amounting to $144 million will be amortised over the expected period of the lease. A net gain of $303 million, being the excess of the building's fair values over the net book value and after deducting sale expenses has been recognised in the income statement.

24 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 following amounts, determined after appropriate offsetting, are shown in the balance sheet:

In $ millions	2005	2004
Deferred tax assets	(27)	(94)
Deferred tax liabilities	#	-
Total	(27)	(94)

Amounts under $500,000

The movements in deferred tax were as follows:

In $ millions	2005	2004
Balance at January 1	(94)	(115)
On adoption of FRS 39 at January 1, 2005	50	-
(Credit)/charge to income statement	(6)	21
Charge to equity	23	-
Balance at December 31	(27)	(94)

Deferred income tax assets and liabilities were attributable to the following items:

In $ millions	2005	2004
Deferred income tax liabilities		
Accelerated tax depreciation	29	28
Available-for-sale investments/Cash flow hedge	73	-
	102	28
Deferred income tax assets		
Provision for loan losses	(110)	(106)
Other temporary differences	(19)	(16)
	(129)	(122)
Total	(27)	(94)

25 Other Assets

In $ millions	2005	2004
Accrued interest receivable	708	868
Deposits and prepayments	346	201
Sundry debtors and others	2,503	1,108
Total	3,557	2,177

26 Due to Non-Bank Customers

In $ millions	2005	2004
Analysed by currency		
Singapore dollar	63,994	61,905
US dollar	14,294	15,457
Hong Kong dollar	866	1,270
Others	6,201	6,259
Total	85,355	84,891
Analysed by product		
Savings accounts	39,591	41,585
Current accounts	12,039	9,533
Fixed deposits	31,459	28,322
Other deposits	2,266	5,451
Total	85,355	84,891

27 Other Liabilities

In $ millions	2005	2004
Payable in respect of short sale of debt securities	5,008	2,805
Sundry creditors	2,305	1,001
Cash collaterals received in respect of valuation shortfalls on derivative portfolios	460	399
Interest payable	310	498
Valuation reserves	180	231
Provision for off-balance sheet credit exposures	95	126
Other payables	811	843
Total	9,169	5,903

Movements in provisions for off-balance sheet credit exposures during the year were as follows:

In $ millions	2005	2004
Balance at January 1	126	12
(Write-back)/charge to income statement	(31)	114
Balance at December 31	95	126

28 Other Debt Securities in Issue

In $ millions	2005	2004
Negotiable certificate of deposits	187	150
Other debt securities	4,452	3,145
Total	4,639	3,295
Due within 1 year	1,036	970
Due after 1 year	3,603	2,325
Total	4,639	3,295

Details of negotiable certificate of deposits issued and outstanding at December 31, 2005 are as follows:

In $ millions Face Value	Interest Rate and Repayment Terms	Issue Date	Maturity Date	2005	2004
TWD3,700m	1.03% to 1.455%, payable on maturity	Oct 3, 2005 to Dec 12, 2005	Jan 3, 2006 to Mar 28, 2006	187	150
Total				187	150

Details of other debt securities issued and outstanding at December 31, 2005 are as follows:

In $ millions Type	Issue Date	Maturity Date	2005	2004
Equity linked notes	Apr 30, 2001 to Dec 30, 2005	Jan 6, 2006 to Mar 2, 2017	806	938
Credit linked notes	Feb 12, 2001 to Nov 14, 2005	Jan 10, 2006 to Dec 18, 2013	2,041	1,748
Interest rate linked notes	Jan 23, 2002 to Dec 9, 2005	Feb 27, 2006 to Dec 3, 2019	585	453
Exchange linked notes	Apr 28, 2005 to Dec 7, 2005	Jan 27, 2006 to Nov 23, 2007	86	6
Stapled notes with non-voting redeemable preference shares and fixed rate notes	Dec 20, 2005 to Dec 21, 2005	Nov 15, 2007	934	-
Total			4,452	3,145

29 Due to Subsidiaries

In $ millions	2005	2004
Subordinated term debts	1,352	1,283
Amounts due to subsidiaries	1,582	1,137
Total	2,934	2,420

The subordinated term debts were issued by DBS Bank to DBS Capital Funding Corporation, both wholly-owned subsidiaries of DBSH, on March 21, 2001 and mature on March 15, 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 March 15 and September 15 each year at a fixed rate of 7.657% per annum (Series A) and 5.35% per annum (Series B), up to March 15, 2011. Thereafter, interest is payable quarterly in arrears on March 15, June 15, September 15 and December 15 each year at a floating rate of three-month London Interbank Offer Rate ("LIBOR") + 3.2% per annum (Series A) and three-month Singapore Swap Offer Rate + 2.52% per annum (Series B).

30 Subordinated Term Debts

Subordinated term debts issued by the Bank are classified as liabilities in accordance with FRS 32. 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's assets in the case of a default or liquidation.

In $ millions Face Value		Issue Date	Maturity Date	Note	2005	2004
US$750m	7 7/8% Subordinated Notes	Aug 10, 1999	Aug 10, 2009	30.1	1,333	1,225
US$500m	7 7/8% Subordinated Notes	Apr 15, 2000	Apr 15, 2010	30.2	898	816
US$850m	7 1/8% Subordinated Notes	May 15, 2001	May 15, 2011	30.3	1,480	1,388
US$750m	5.00% Subordinated Notes callable with step-up in 2014	Oct 1, 2004	Nov 15, 2019	30.4	1,219	1,225
Total (repayable over 1 year)					4,930	4,654

30.1 Interest is payable semi-annually on February 10 and August 10 commencing February 10, 2000. Part of the fixed rate funding has been converted to floating rate at three-month LIBOR + 1.0475% via interest rate swaps. In computing the Bank's capital adequacy ratio, these notes qualify as Tier 2 capital.

30.2 Interest is payable semi-annually on April 15 and October 15 commencing October 15, 2000. The fixed rate funding has been converted to floating rate at six-month LIBOR + 0.9569% via interest rate swaps. In computing the Bank's capital adequacy ratio, these notes qualify as Tier 2 capital.

30.3 Interest is payable semi-annually on May 15 and November 15 commencing November 15, 2001. The fixed rate funding has been converted to floating rate at three-month LIBOR + 1.252% via interest rate swaps. In computing the Bank's capital adequacy ratio, these notes qualify as Tier 2 capital.

30.4 Interest is payable semi-annually on May 15 and November 15 commencing May 15, 2005. Part of the fixed rate funding has been converted to floating rate at three-month LIBOR + 0.611% 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's capital adequacy ratio, these notes qualify as Tier 2 capital.

31 Share Capital

Share Capital **In $ millions**	2005	2004
Authorised 2,000,000,000 ordinary shares	2,000	2,000
600,000,000 non-redeemable convertible preference shares	1,200	1,200
300,000,000 non-voting convertible preference shares	300	300
800,000 non-cumulative redeemable non-convertible perpetual preference shares and each with a liquidation preference	#	#
17,500 non-cumulative redeemable non-convertible perpetual preference shares and each with a liquidation preference	#	#
1,100,000,000 non-cumulative non-convertible perpetual preference shares and each with a liquidation preference	11	11
100 non-cumulative redeemable preference shares and each with a liquidation preference	#	#
100 non-cumulative Class A redeemable preference shares and each with a liquidation preference	#	#
	1,511	1,511
Issued and fully paid-up 1,962,302,697 (2004: 1,962,302,697) ordinary shares	1,962	1,962
11,000,000 (2004: 11,000,000) non-cumulative non-convertible perpetual preference shares	#	#
Total Issued and Paid-up Share Capital	1,962	1,962

Amounts under $500,000.

There was no movement in share capital during the current financial year.

32 Reserves

32.1 Non-distributable reserves

In $ millions	2005	2004
Revaluation and cash flow hedge reserves	235	-
Other non-distributable reserves	2,430	2,462
Total	2,665	2,462

Movements in revaluation and cash flow hedge reserves during the year were as follows:

In $ millions	Available-for-sale investments revaluation reserves	Cash flow hedge reserves	Total
On adoption of FRS 39 at January 1, 2005	297	-	297
Net valuation taken to equity	(3)	28	25
Transferred to income statement on sale	(71)	-	(71)
Tax on items taken directly to or transferred from equity	(11)	(5)	(16)
Balance at December 31, 2005	212	23	235

Movements in other reserves during the year were as follows:

In $ millions	General reserves [(a)]	Capital reserves [(b)]	Share plan reserves	Total
Balance at January 1, 2005				
- as previously reported	2,233	221	-	2,454
- effect of adoption of new or revised FRS	-	-	8	8
Balance at January 1 as restated	2,233	221	8	2,462
Appropriation from income statement	36	-	-	36
Net exchange translation adjustments	-	(85)	-	(85)
Cost of share-based payments	-	-	23	23
Draw-down of reserves upon vesting of performance shares	-	-	(6)	(6)
Balance at December 31, 2005	2,269	136	25	2,430
Balance at January 1, 2004				
- as previously reported	2,136	177	-	2,313
- effect of adoption of new or revised FRS	-	-	2	2
Balance at January 1 as restated	2,136	177	2	2,315
Appropriation from income statement	97	-	-	97
Net exchange translation adjustments	-	44	-	44
Cost of share-based payments	-	-	6	6
Balance at December 31, 2004	2,233	221	8	2,462

(a) The movements in General reserves relate to the amounts transferred to the Reserve Fund to comply with the Banking Act, and the other statutory regulations.
(b) The Capital reserves include net exchange translation adjustments arising from translation differences on net investments in foreign subsidiaries, associates and branches, and the related foreign currency borrowings designated as a hedge.

32.2 Revenue reserves

In $ millions	2005	2004
Balance at January 1		
- as previously reported	3,205	1,841
- effect of adoption of new or revised FRS	(18)	(8)
Balance at January 1 as restated	3,187	1,833
On adoption of FRS 39 at January 1, 2005	(122)	-
Net profit for the year	715	1,927
Transfer to general reserves	(36)	(97)
Amount available for distribution	3,744	3,663
Less: $0.33 (2004: $0.22) tax exempt ordinary dividends	651	423
6% on preference dividends of net of 20% (2004: 20%) tax paid	53	53
Balance at December 31	3,040	3,187

32.3 Proposed dividend

The financial statements for the year ended December 31, 2005 do not reflect the proposed final dividends to DBS Group Holdings Ltd, amounting to an estimated $204 million, which will be accounted for in shareholders' funds as an appropriation of revenue reserves in the year ending December 31, 2005.

33 Contingent Liabilities

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

In $ millions	2005	2004
Guarantees on account of customers	3,888	4,189
Endorsements and other obligations on account of customers		
- Letters of credit	3,235	2,603
- Others	178	216
Other contingent items	88	87
Total	7,389	7,095
Industry Breakdown		
Manufacturing	1,504	1,634
Building and construction	773	333
General commerce	2,468	1,945
Transportation, storage and communications	628	570
Financial institutions, investment and holding companies	915	912
Professionals and private individuals (except housing loans)	288	740
Others	813	961
Total	7,389	7,095

33.1 The Bank has existing outsourcing agreements for the provision of information technology and related support to the Bank's operations in Singapore, Hong Kong and China. There are various termination clauses in the agreement that could require the Bank to pay a penalty on early termination of the contract in certain circumstances. The exact amount of any penalty cannot be reliably determined, as it is dependent on business volumes generated over the period of the contract and on the time of termination.

33.2 Included in "Other contingent items" at December 31, 2005, is an amount of $85 million (2004: $87 million), representing the termination fee payable by the Bank should a distribution agreement be terminated prematurely now, prior to the expiry date, December 2011.

34 Commitments

The commitments, which are not reflected in the consolidated balance sheet at December 31, comprise the following:

In $ millions	2005	2004
Loans and other facilities		
- Undrawn credit facilities	61,103	54,136
- Undisbursed commitments in debt securities and equities	103	108
Sub-total	61,206	54,244
Capital commitments	60	51
Operating lease commitments	388	118
Total	61,654	54,413

Undrawn commitments on loans and other facilities analysed by industry		
Manufacturing	8,559	6,775
Building and construction	2,897	3,178
Housing loans	1,835	1,761
General commerce	4,910	4,058
Transportation, storage and communications	5,441	4,440
Financial institutions, investment and holding companies	23,117	23,720
Professionals and private individuals (except housing loans)	5,588	4,747
Others	8,859	5,565
Total	61,206	54,244

The total future minimum lease payments under non-cancellable operating leases at December 31 are as follows:

In $ millions	2005	2004
Not later than 1 year	76	44
Later than 1 year but not later than 5 years	186	63
Later than 5 years	126	11
Total	388	118

The operating lease commitments include those for DBS Tower One and Tower Two. See Note 23.1 for further information.

35 Financial Derivatives

Financial derivatives are financial instruments whose characteristics are derived from 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:

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 typically 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.

Credit-related contracts

Credit derivatives are off-balance sheet instruments that allow for the isolation and transfer of credit risk from one party to another without necessarily effecting an upfront exchange of physical assets. The pay-off under a credit derivative contract is linked to the credit performance of an underlying reference credit.

35.1 Trading derivatives

Most of the Bank'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 arbitrage 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. Arbitrage activities involve identifying and profiting from price differentials between the same product in different markets or the same economic factor in different products.

35.2 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's fair value hedges consist principally of interest rate swaps used for managing interest rate gaps. Derivatives are also used by the Bank to hedge its exposures to variability in cash flows or forecasted transactions, and its net investment in foreign operations.

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 values” or “Negative replacement values” respectively.

The contractual or underlying principal amounts of derivative financial instruments of bank and non-bank counterparties amounted to $1,180 billion (2004: $1,275 billion) and $201 billion (2004: $241 billion) respectively.

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

In $ millions	2005 Underlying notional	2005 Year-end positive replacement values	2005 Year-end negative replacement values	2004 Underlying notional	2004 Year-end positive replacement values	2004 Year-end negative replacement values
Derivatives Held for Trading						
Interest Rate Derivatives						
Forward rate agreements bought	9,511	28	1	34,210	20	17
Forward rate agreements sold	10,515	1	26	32,857	18	19
Interest rate swaps	886,932	5,801	5,657	926,091	6,599	6,325
Financial futures bought	18,826	2	6	21,211	4	5
Financial futures sold	10,932	2	10	26,111	10	8
Interest rate options bought	7,504	75	-	11,773	145	-
Interest rate options sold	9,983	-	67	12,238	-	111
Interest rate futures options bought	2,930	1	-	17,143	6	-
Interest rate futures options sold	5,379	-	8	7,568	-	-
Interest rate caps/floors bought	19,659	230	1	21,206	112	6
Interest rate caps/floors sold	19,532	1	258	18,509	18	119
Sub-total	**1,001,703**	**6,141**	**6,034**	**1,128,917**	**6,932**	**6,610**
Foreign Exchange Derivatives						
FX contracts	228,420	1,224	831	237,652	2,169	1,865
Currency swaps	36,925	720	521	39,572	840	833
Currency options bought	33,158	331	-	26,042	415	-
Currency options sold	28,793	-	395	24,865	-	355
Sub-total	**327,296**	**2,275**	**1,747**	**328,131**	**3,424**	**3,053**
Equity Derivatives						
Equity options bought	4,070	190	2	3,010	124	-
Equity options sold	5,507	1	341	7,808	-	346
Sub-total	**9,577**	**191**	**343**	**10,818**	**124**	**346**
Credit Derivatives						
Credit default swaps	34,250	302	372	16,616	94	121
Sub-total	**34,250**	**302**	**372**	**16,616**	**94**	**121**
Total Derivatives Held for Trading	**1,372,826**	**8,909**	**8,496**	**1,484,482**	**10,574**	**10,130**
Derivatives Held for Hedging						
Interest rate swaps held for fair value hedge	7,665	269	150	-	-	-
Equity options held for cash flow hedge	274[(a)]	28	-	-	-	-
Derivatives held for hedging – pre FRS 39	**-**	**-**	**-**	31,477	738[(b)]	549[(b)]
Total Derivatives Held for Hedging	**7,939**	**297**	**150**	**31,477**	**738**	**549**
Total Derivatives	**1,380,765**	**9,206**	**8,646**	**1,515,959**	**11,312**	**10,679**
Positive/ negative replacement values		9,206	8,646		10,574	10,130

(a) The forecasted transaction will occur in 2006.
(b) The replacement values were not recognised on the balance sheet prior to the adoption of FRS 39.

36 Cash and Cash Equivalents

In $ millions	2005	2004
Cash on hand	721	783
Non-restricted balances with central banks (Note 14)	1,688	7,954
Trading Singapore Government securities and treasury bills (Note 15)	4,255	4,199
Trading other government securities and treasury bills (Note 16)	2,416	1,626
Total	9,080	14,562

37 Share-based Compensation Plans

37.1 DBSH Share Ownership Scheme

The DBSH Share Ownership Scheme is a fund set up to hold units of the DBSH's ordinary shares. All employees with at least one year of service and who are not participating in the DBSH Share Option Plan or DBSH Performance Share Plan are eligible. Under the Scheme, participants and the Bank contribute up to 10% and 5% of monthly base salary respectively to buy units of DBSH's ordinary shares. Amounts contributed by the Bank under the Scheme are recognised as personnel expenses when paid.

	Ordinary shares			
	Number		Market value ($ millions)	
	2005	2004	2005	2004
Balance, January 1	3,477,829	3,580,829	56	53
Balance, December 31	3,507,829	3,477,829	58	56

37.2 DBSH Share Option Plan

Under the DBSH Share Option Plan (the "Option Plan"), options to subscribe for DBSH's ordinary shares may be granted to Bank executives who hold the rank of Vice President (or equivalent) and above and selected employees below the rank of Vice President (or equivalent).

The exercise price of the granted options is equal to the average of the last dealt prices for the DBSH's shares, as determined by reference to the daily official list published by the Singapore Exchange Securities Trading Ltd, for the three consecutive trading days immediately preceding the date of the grant.

The share options vest over a period of three years in accordance with a vesting schedule determined by the

Compensation Committee, and are exercisable after the first anniversary of the date of the grant up to the date of expiration of the options. The share options have a validity period of ten years from the date of grant, unless they have been forfeited or have lapsed prior to that date. The Bank has no legal or constructive obligation to repurchase or settle the options in cash.

On March 1, 2005, options ("2005 Options") on 2,815,600 shares with an exercise price of $15.07 per ordinary share were granted pursuant to the Option Plan. The 2005 Options are exercisable from March 1, 2006 and expire on February 28, 2015.

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.

	2005		2004	
	Unissued number of ordinary shares under outstanding options	Weighted average exercise price ($)	Unissued number of ordinary shares under outstanding options	Weighted average exercise price ($)
Balance at January 1	46,749,383	14.71	46,174,036	14.53
Movements during the year:				
- Granted	2,815,600	15.07	7,494,000	14.73
- Exercised	(5,126,909)	12.52	(3,289,672)	12.34
- Forfeited	(4,963,793)	15.90	(3,628,981)	14.54
Balance at December 31	39,474,281	14.87	46,749,383	14.71
Additional information:				
Outstanding options exercisable at December 31	27,624,463	15.67	26,040,488	16.22
Weighted average remaining contractual life of options outstanding at December 31	6.4 years		6.2 years	
Range of exercise price of options outstanding at December 31	$9.18 to $22.33		$9.18 to $22.33	

In 2005, 5,126,909 options (2004: 3,289,672) were exercised at their contractual exercise prices. During this period, the average market price of DBSH's shares was $15.68 (2004: $15.50). The fair value of options granted during the year determined using the Binomial option valuation model was $3.74 (2004: $4.11). The fair value determined using the model was based on a share price of $14.70 (2004: $14.40) at the date of grant, and an expected life of 7.53 years. The risk-free interest rates are based on the yield curve of Singapore Government Securities as at grant date. The expected volatility is 34.2% (2004: 40.3%) based on a statistical analysis of weekly share prices over the past five years.

37.3 DBSH Performance Share Plan

Under the DBSH Performance Share Plan (the "PSP"), DBSH's ordinary shares ("PSP shares") could be granted to Bank executives who hold the rank of Vice President (or equivalent) and above and selected employees below the rank of Vice President (or equivalent).

Participants are awarded ordinary shares of DBSH, their equivalent cash value or a combination of both, when prescribed performance targets of DBSH and its subsidiaries (referred to as the Group) are met over a three-year period. Since the inception of the PSP, there have been no cash-settled awards under the Plan.

The PSP shares will vest two years from the date of grant. The fair value of PSP shares awarded is 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 two-year vesting period. At each balance sheet date, the Bank revises its estimates of the number of PSP shares expected to vest based on non-market vesting conditions and corresponding adjustments are made to the income statement and Share plan reserves.

The following table sets out the movement of the PSP shares granted pursuant to the Plan for the financial year ended December 31, 2005 and their fair values at grant date.

(Number of shares)	March 2005 grant	March 2004 grant
Balance, January 1	Not applicable	685,080
Granted during the year	2,913,630	Not applicable
Forfeited during the year	(284,780)	(58,300)
Balance, December 31	2,628,850	626,780
Fair value per share at grant date	$14.70	$14.40

37.4 DBSH Employee Share Plan

The DBSH Employee Share Plan (the "ESP") caters to all employees of the Bank who are not eligible to participate in the DBSH Share Option Plan, the DBSH Performance Share Plan or other equivalent plans.

Under the ESP, eligible employees are awarded DBSH ordinary shares, their equivalent cash value or combinations of both when prescribed Group performance targets are met. The ESP awards are granted at the absolute discretion of the Compensation Committee.

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

38 Related Party Transactions

38.1 During the financial year, the Bank had banking transactions with related parties, consisting of joint ventures, associates, directors and key management personnel of the Bank. 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 share options and performance shares were also granted.

38.2 Total compensation and fees paid to directors and key management personnel [(a)] were as follows:

In $ millions	2005	2004
Short-term benefits	25	23
Share-based payments	4	2
Total	29	25
Comprise amounts paid to:		
-Directors	14	13
-Key management personnel	15	12
Total	29	25
Fees of directors	#	#
Total compensation and fees	29	25

\# Amount under $500,000

(a) Refers to members of the Management Committee, excluding members who are also directors.

38.3 Share options granted to directors and key management personnel

The aggregate number of share options granted to directors and key management personnel during the financial year were 107,000 and 191,400 (2004: 76,000 and 190,000) respectively. The share options were granted on the same terms and conditions as those offered to other employees of the Bank. The outstanding number of share options granted to directors and key management personnel at the end of the financial year were 888,225 and 1,645,550 (2004: 781,225 and 1,454,150) respectively.

38.4 Performance shares granted to directors and key management personnel

During the financial year, 204,080 and 209,620 (2004: 33,940 and 66,190) awards in respect of DBSH ordinary shares were granted to directors and key management personnel respectively. The awards represented a 100% payout. The payout at the end of the performance period could have ranged from a minimum of 50% of the shares awarded to 200%, depending on the Group's performance as measured by return on equity.

38.5 Income received and expenses paid to related parties

In $ millions	2005	2004
Income received from:		
-Subsidiaries [(a)]	89	56
-Associates	5	2
Total	94	58
Expenses paid to:		
-Subsidiaries [(a)]	158	142
-Subsidiaries of DBSH	#	#
-Associates	8	9
Total	166	151

\# Amounts under $500,000.
(a) Includes special purpose entities.

38.6 Amounts due to and from related parties

In $ millions	2005	2004
Amounts due from:		
-Subsidiaries [(a)]	595	849
-Associates	#	#
Total	595	849
Amounts due to:		
-DBSH	59	90
-Subsidiaries [(a)]	2,934	2,420
-Subsidiaries of DBSH	5	5
-Associates	#	#
Total	2,998	2,515

\# Amounts under $500,000.
(a) Includes special purpose entities.

38.7 Loans and guarantees to related parties

Loans granted to subsidiaries amounted to $257 million (2004: $196 million) and will be settled in cash. Loans granted from subsidiaries to the Bank amounted to $51 million (2004: $0 million) and will be settled in cash. No expense has been recognised in the period for bad or doubtful debts in respect of amounts owed by subsidiaries.

Guarantees granted to and from subsidiaries amounted to $1 million (2004: $2 million) and $41 million (2004: $0 million) respectively.

39 Fair Value of Financial Assets and Liabilities

The following table presents the financial instruments, which are carried at fair values through profit or loss, at December 31, 2005**:**

In $ millions	Note	Total		Note	Total
December 31, 2005					
Financial assets at fair value through profit or loss			**Financial liabilities at fair value through profit or loss**		
Trading			**Trading**		
Singapore Government securities and treasury bills	15	4,223	Other debt securities in issue	28	3,411
Other government securities	16	2,416	Derivatives (negative replacement values)	35	8,646
Corporate debt securities	16	9,743	Due to non-bank customers - fixed deposits [a]	26	6,097
Equity securities	16	719	Payable in respect of short sale of debt securities	27	5,008
Securities pledged	20	433	Other financial liabilities		441
Derivatives (positive replacement values)	35	9,206			
Other financial assets		3,406			
Fair value designated			**Fair value designated** [b]		
Singapore Government securities and treasury bills	15	32	Other debt securities in issue	28	107
Corporate debt securities	16	1,295			
Other financial assets		68			

(a) These are structured deposits at fair value through profit or loss.
(b) Changes in the fair value of the financial liabilities designated as at fair value through profit or loss are attributable mainly to equity, interest and currency risk changes. The remaining change that is not attributable to changes in the benchmark interest rate is considered not significant. Unrealised gain for the fair value designated liabilities amount to $6 million at December 31, 2005.

For financial assets and liabilities not carried at fair values on the financial statements, the Bank has ascertained that their fair values are not materially different from the carrying amounts at year-end. The basis of arriving at their fair values are 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) Non-trading investments
For equities where market price information is not available, fair value has been estimated by reference to the net tangible asset backing of the investee. Unquoted equities of $97 million as at December 31, 2005 were stated at cost because the fair values cannot be obtained directly from quoted market prices or indirectly using valuation techniques supported by observable market data.

(c) Loans and advances to customers
The estimated fair value takes into account 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 approximates their carrying amounts.

(f) Subordinated term debts
The estimated fair value of subordinated term debts is based on a discounted cash flow model using a current yield curve appropriate for the remaining term to maturity.

40 Financial Instruments – Usage and Risk Management

40.1 Use of financial instruments

The Bank may act as principal, broker or advisor in the use of financial instruments.

The Bank takes positions in exchange-traded and over-the-counter financial instruments including derivatives to take advantage of short-term market movements in, inter alia, equity, bond, currency, interest rate and gold rates and prices. These positions can be for trading, market making or to meet customers' needs.

The Bank's investment portfolio comprises mainly government and corporate bonds, and includes other investments such as third-party managed funds. Derivatives may be used to gain or to hedge market exposure in such investments.

40.2 Financial risk management objectives and policies

As part of overall corporate governance, the Board of Directors has approved a comprehensive Risk Governance Framework covering risk governance for all risk types.

This framework defines authority levels, oversight responsibilities, policy structures and risk appetite limits to manage the risks that arise in connection with the use of financial instruments.

On a day-to-day basis, business units have primary responsibility for managing specific risk exposures while Group Risk exercises independent risk oversight on the Bank as a whole.

(a) Market risk

Market risk arises from changes in market rates such as interest rates, foreign exchange rates and equity prices, as well as in their correlation and volatility levels.

The Bank's trading and investment market risk appetite is determined by the Board of Directors, with detailed limit frameworks recommended by the appropriate risk committee and approved by senior management.

The principal market risk appetite measures are Value at Risk (VaR) and stress loss. VaR estimates the potential loss on the current portfolio assuming a specified time horizon and level of confidence. Stress loss is assessed against a set of scenarios using stress moves in the market variables.

At the business unit level, trading exposures are measured and controlled by more granular risk and loss limits such as risk sensitivity-based limits, stress limits and management action triggers.

All trading activities are subject to mark-to-market valuation to reflect the current market value of the trading portfolio and their profit and loss. Investments are subject to limits by market risk type as well as concentration limits.

(b) Interest rate 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 and floating interest rate exposure include debt securities, loans and derivatives.

The Bank manages its interest rate risk by changing the duration of on-balance sheet items and by way of entering into off-balance sheet interest rate hedging instruments to hedge the interest rate exposure based on market and economic conditions.

The following tables summarise the Bank's assets and liabilities at carrying amounts at December 31, 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, since the position is being actively managed and can vary significantly on a daily basis. As such, it may not be representative of the level of risk at other times.

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
2005								
Cash and balances with central banks	552	312	755	112	-	-	3,060	4,791
Due from banks	2,326	6,562	4,531	2,611	953	573	220	17,776
Securities [(a)]	549	2,102	3,343	4,734	8,359	19,184	2,174	40,445
Loans and advances to customers	19,744	9,307	9,924	10,835	2,479	2,001	199	54,489
Other assets [(b)]	-	-	-	-	-	-	24,922	24,922
Total assets	23,171	18,283	18,553	18,292	11,791	21,758	30,575	142,423
Due to banks	2,998	1,568	2,144	1,286	11	11	17	8,035
Due to non-bank customers	57,917	11,774	5,727	4,338	1,359	4,240	-	85,355
Other liabilities [(c)]	520	503	1,178	241	286	2,431	21,143	26,302
Subordinated term debts	-	-	-	-	-	4,930	-	4,930
Total liabilities	61,435	13,845	9,049	5,865	1,656	11,612	21,160	124,622
Shareholders' funds	-	-	-	-	-	-	17,801	17,801
Total equity	-	-	-	-	-	-	17,801	17,801
On-balance sheet interest rate gap	(38,264)	4,438	9,504	12,427	10,135	10,146	(8,386)	-
Off-balance sheet interest rate gap								
- Financial derivatives	6,295	8,081	6,489	3,632	(18,676)	(5,821)	-	-
2004								
Cash and balances with central banks	598	1,002	2,555	3,767	-	-	2,296	10,218
Due from banks	1,301	6,187	8,578	3,255	67	136	134	19,658
Securities [(a)]	574	1,413	4,393	3,205	7,751	17,805	1,827	36,968
Loans and advances to customers	6,710	17,797	8,454	10,735	1,718	1,560	47	47,021
Other assets [(b)]	-	-	-	-	-	-	26,201	26,201
Total assets	9,183	26,399	23,980	20,962	9,536	19,501	30,505	140,066
Due to banks	3,936	2,341	2,275	1,454	85	7	22	10,120
Due to non-bank customers	58,819	12,560	3,619	3,708	1,540	4,645	-	84,891
Other liabilities [(c)]	369	374	812	775	614	954	18,758	22,656
Subordinated term debts	-	-	-	-	-	4,654	-	4,654
Total liabilities	63,124	15,275	6,706	5,937	2,239	10,260	18,780	122,321
Shareholders' funds	-	-	-	-	-	-	17,745	17,745
Total equity	-	-	-	-	-	-	17,745	17,745
On-balance sheet interest rate gap	(53,941)	11,124	17,274	15,025	7,297	9,241	(6,020)	-
Off-balance sheet interest rate gap								
- Financial derivatives	5,848	6,893	12,868	(10,826)	(13,202)	(1,581)	-	-

(a) Securities include Singapore Government securities and treasury bills, securities at fair value through profit or loss, non-trading securities and securities pledged.
(b) Other assets include positive replacement values, investments in joint ventures and associates, properties and other fixed assets, deferred tax assets and other assets.
(c) Other liabilities include negative replacement values, bills payable, current tax liabilities and other liabilities.

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

	Singapore Dollar, %	US Dollar, %	Singapore Dollar, %	US Dollar, %
	2005		2004	
Assets				
Cash and balances with central banks	-	-	-	-
Due from banks	2.66-3.41	3.85-4.14	1.26-1.34	2.06-2.22
Securities [(a)]	2.47-4.11	3.24-4.97	1.24-3.94	2.62-4.04
Loans and advances to customers	3.33-4.41	3.72-6.29	2.77-4.07	2.70-4.39
Liabilities				
Due to banks	2.49-2.60	3.86-4.11	1.02-1.06	2.15-2.18
Due to non-bank customers	0-1.20	2.97-3.14	0-0.33	1.31-1.60
Subordinated term debts	-	5.00-7.88	-	5.00-7.88

(a) Securities include Singapore Government securities and treasury bills, debt securities at fair value through profit or loss, pledged debt securities and non-trading debt securities and excludes equities.

(c) 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's assets and liabilities at carrying amounts at December 31, categorised by currency:

In $ millions	Singapore Dollar	US Dollar	Hong Kong Dollar	Others	Total
2005					
Cash and balances with central banks	4,703	7	5	76	4,791
Due from banks	5,143	6,749	242	5,642	17,776
Securities [(a)]	13,161	15,937	801	10,546	40,445
Loans and advances to customers	32,818	13,673	3,091	4,907	54,489
Other assets [(b)]	5,261	5,441	11,482	2,738	24,922
Total assets	61,086	41,807	15,621	23,909	142,423
Due to banks	660	4,278	812	2,285	8,035
Due to non-bank customers	63,995	14,294	865	6,201	85,355
Other liabilities [(c)]	5,386	12,999	2,930	4,987	26,302
Subordinated term debts	-	4,930	-	-	4,930
Total liabilities	70,041	36,501	4,607	13,473	124,622
Shareholders' funds	17,801	-	-	-	17,801
Total equity	17,801	-	-	-	17,801
Net on-balance sheet position	(26,756)	5,306	11,014	10,436	-
Net off-balance sheet position	21,426	(14,415)	(4,097)	(2,914)	-
2004					
Cash and balances with central banks	9,985	127	54	52	10,218
Due from banks	3,553	12,315	84	3,706	19,658
Securities [(a)]	12,992	13,889	865	9,222	36,968
Loans and advances to customers	31,666	10,085	1,656	3,614	47,021
Other assets [(b)]	5,858	5,961	11,811	2,571	26,201
Total assets	64,054	42,377	14,470	19,165	140,066
Due to banks	727	7,670	167	1,556	10,120
Due to non-bank customers	61,905	15,457	1,270	6,259	84,891
Other liabilities [(c)]	5,349	8,422	3,629	5,256	22,656
Subordinated term debts	-	4,654	-	-	4,654
Total liabilities	67,981	36,203	5,066	13,071	122,321
Shareholders' funds	17,745	-	-	-	17,745
Total equity	17,745	-	-	-	17,745
Net on-balance sheet position	(21,672)	6,174	9,404	6,094	-
Net off-balance sheet position	14,807	(9,254)	(2,236)	(3,317)	-

(a) Securities include Singapore Government securities and treasury bills, securities at fair value through profit or loss, non-trading securities and securities pledged.
(b) Other assets include positive replacement values, investments in joint ventures and associates, properties and other fixed assets, deferred tax assets and other assets.
(c) Other liabilities include negative replacement values, bills payable, current tax liabilities and other liabilities.

The table below analyses the Bank's net structural currency exposure by functional currency at December 31:

In $ millions	Net investments in overseas operations [a]	Financial instruments which hedge the net investments [b]	Remaining structural currency exposures
2005			
US dollar	343	342	1
Hong Kong dollar	4,407	4,356	51
Others	1,198	610	588
Total	5,948	5,308	640
2004			
US dollar	290	285	5
Hong Kong dollar	4,069	4,017	52
Others	908	525	383
Total	5,267	4,827	440

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

(d) Credit risk

Credit risk represents the loss, which the Bank would suffer if a client or counterparty failed to meet its 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 Bank is guided by a set of Bank-wide credit principles and policies, which have been developed, with the objective of promoting best practices and consistent credit risk management standards throughout the organisation.

Exposure to credit risk is managed through a sound, well-defined credit granting process which includes the assessment of repayment likelihood, the establishment of appropriate credit limits, and the employment of various credit risk mitigation techniques such as appropriate credit structuring, and posting of collateral and / or third party support. The Bank also uses credit derivative instruments to manage its credit risk exposures through risk transfer to third parties.

The maximum exposure to credit risk is limited to 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.

- **Derivatives**

At any one time, the credit exposure of derivative transactions is limited to the positive mark-to-market value to the Bank, 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 enters into collateralised margin transactions with counterparties.

- **Master netting arrangements**

The Bank further manages its credit exposure by entering into master netting arrangements with counterparties where 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.

- **Credit-related commitments**

Financial guarantees and standby letters of credit, which represent undertakings that the Bank 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 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 borrowing.

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.

41 Concentration Risk

The Bank's risk management processes also ensure that an acceptable level of risk diversification is maintained across the Bank 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 is taken if limits are breached.

41.1 Cross-border exposures

At December 31, 2005, the Bank has exposures to various countries where net exposure exceeded 1% of the Bank'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's exposures exceeding 1% of the Bank total assets as at December 31 are as follows:

In $ millions	Loans and debt securities				Total Exposure	
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)**
2005						
Top 10 countries (Net exposure >1% of Total assets)						
United States	742	2,937	4,605	370	8,654	6.0
South Korea	2,616	792	1,962	-	5,370	3.8
Hong Kong	581	236	4,223	253	5,293	3.7
United Kingdom	1,413	28	2,214	100	3,755	2.6
India	2,367	365	766	-	3,498	2.5
China	900	59	2,073	43	3,075	2.2
Malaysia	1,060	170	1,551	3	2,784	2.0
Taiwan	355	1,677	662	3	2,697	1.9
Germany	1,533	507	569	7	2,616	1.8
Netherlands	955	19	928	5	1,907	1.3
Total	12,522	6,790	19,553	784	39,649	27.8
2004						
Top 10 countries (Net exposure >1% of Total assets)						
United States	1,560	2,540	4,224	314	8,638	6.2
South Korea	2,419	1,230	1,151	19	4,819	3.4
United Kingdom	2,059	15	1,594	113	3,781	2.7
Hong Kong	407	246	2,740	329	3,722	2.7
Taiwan	1,714	910	901	13	3,538	2.5
Malaysia	704	434	1,775	1	2,914	2.1
Netherlands	1,612	21	987	7	2,627	1.9
India	1,625	202	605	-	2,432	1.7
China	1,059	74	1,169	66	2,368	1.7
Germany	1,262	732	194	-	2,188	1.5
Total	14,421	6,404	15,340	862	37,027	26.4

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

42 Liquidity Risk

Liquidity risk is the potential earnings volatility arising from being 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. DBS 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. As part of its liquidity risk management, the Bank focuses on a number of components, including tapping available sources of liquidity, preserving necessary funding capacity and contingency planning.

The table below analyses assets and liabilities of the Bank at December 31 based on the remaining period at balance sheet date to the contractual maturity date. However, contractual terms may not be representative of the behavior of assets and liabilities.

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
2005								
Cash and balances with central banks	2,391	267	755	107	67	-	1,204	4,791
Due from banks	2,637	6,498	4,150	2,328	1,354	809	-	17,776
Securities [(a)]	14,617	806	1,402	2,383	8,674	10,389	2,174	40,445
Loans and advances to customers	4,742	5,488	5,391	8,304	7,926	22,635	3	54,489
Other assets [(b)]	7	4	10	3	8	2	24,888	24,922
Total assets	24,394	13,063	11,708	13,125	18,029	33,835	28,269	142,423
Due to banks	2,983	1,385	1,738	1,048	351	523	7	8,035
Due to non-bank customers	57,917	11,774	5,727	4,338	1,359	4,240	-	85,355
Other liabilities [(c)]	447	300	643	523	3,062	6,611	14,716	26,302
Subordinated term debts	-	-	-	-	-	4,930	-	4,930
Total liabilities	61,347	13,459	8,108	5,909	4,772	16,304	14,723	124,622
Shareholders' funds	-	-	-	-	-	-	17,801	17,801
Total equity	-	-	-	-	-	-	17,801	17,801
Net liquidity gap	(36,953)	(396)	3,600	7,216	13,257	17,531	(4,255)	-
2004								
Cash and balances with central banks	2,382	1,000	2,552	3,650	122	-	512	10,218
Due from banks	1,415	6,181	8,308	3,120	313	284	37	19,658
Securities [(a)]	13,822	433	1,216	2,398	7,757	9,515	1,827	36,968
Loans and advances to customers	5,662	4,451	5,180	5,136	7,869	18,723	-	47,021
Other assets [(b)]	44	11	-	7	-	9	26,130	26,201
Total assets	23,325	12,076	17,256	14,311	16,061	28,531	28,506	140,066
Due to banks	3,983	1,926	2,012	1,404	486	309	-	10,120
Due to non-bank customers	58,819	12,560	3,619	3,708	1,540	4,645	-	84,891
Other liabilities [(c)]	754	240	694	618	1,672	5,034	13,644	22,656
Subordinated term debts	-	-	-	-	-	4,654	-	4,654
Total liabilities	63,556	14,726	6,325	5,730	3,698	14,642	13,644	122,321
Shareholders' funds	-	-	-	-	-	-	17,745	17,745
Total equity	-	-	-	-	-	-	17,745	17,745
Net liquidity gap	(40,231)	(2,650)	10,931	8,581	12,363	13,889	(2,883)	-

(a) Securities include Singapore Government securities and treasury bills, securities at fair value through profit or loss, non-trading securities and securities pledged.
(b) Other assets include positive replacement values, investments in joint ventures and associates, properties and other fixed assets, deferred tax assets and other assets.
(c) Other liabilities include negative replacement values, bills payable, current tax liabilities and other liabilities.

43 Segmental Reporting

43.1 Business segment reporting

The business segment results are prepared based on information and data generated from the Bank's internal financial reporting systems and adjusted to reflect the organisation's management reporting structure. The activities of the Bank 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. Definitions of business segments have been refined and comparative figures were adjusted to provide consistent comparison with current year's definitions. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

The business segment results represent the customer segments of the respective businesses and are determined by:

- Income and direct expenses attributable to each customer and other segment; and
- Management accounting policies relating to the allocation of indirect expenses and funds transfer pricing between the central treasury unit and customer/other segments.

The various customer 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 offered to customers include current and savings accounts, loans and home finance, cards, payments and investment products.

- **Enterprise Banking**
  Enterprise Banking provides financial services and products to small and medium-sized businesses. The products and services offered to customers include credit facilities (overdraft, factoring/accounts receivable purchase, trade services and financing, commercial/industrial property financing, hire purchase and government financing and assistance schemes), deposit, payment and collection services and treasury products.

- **Corporate and Investment Banking**
  Corporate and Investment Banking provides tailored and unique financial solutions to large corporate and institutional clients. The products and services offered to customers include direct lending, 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, and private equity.

- **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 financial products and services relating to other customer segments, e.g. Consumer Banking, Enterprise Banking and Corporate and Investment Banking, is reflected in the respective customer 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's asset and liability interest rate positions and investment of the Bank'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's subsidiaries, joint ventures and associates and and gains/losses on properties. Private banking activities are included in this segment.

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

In $ millions	Consumer Banking	Enterprise Banking	Corporate and Investment Banking	Global Financial Markets	Central Treasury Unit	Central Operations	Total
2005							
Operating income	1,276	293	760	312	109	452	3,202
Operating profit before tax and goodwill charges	669	102	441	117	98	(466)	961
Income tax expense							(246)
Net profit							715
Other Information							
Total assets	19,521	5,459	31,644	59,202	17,756	8,841	142,423
Total liabilities	50,105	7,552	17,061	28,916	(118)	21,106	124,622
Capital expenditure	20	-	3	4	-	128	155
Depreciation	18	1	3	4	-	63	89
2004							
Operating income	999	255	649	620	244	740	3,507
Operating profit before tax and goodwill charges	378	102	481	433	224	638	2,256
Income tax expense							(329)
Net profit							1,927
Other Information							
Total assets	18,542	4,736	26,489	61,039	17,162	12,098	140,066
Total liabilities	48,717	6,508	14,913	33,474	133	18,576	122,321
Capital expenditure	8	1	3	4	-	58	74
Depreciation	19	1	2	4	-	61	87

43.2 Geographical segment reporting

Operating income and 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, operating income and net profit are stated after elimination of inter-bank assets and revenues.

In $ millions	Total assets	Operating income	Net profit
2005			
Singapore [(a)]	125,785	2,932	663
Hong Kong	2,967	61	10
Rest of Greater China [(b)]	4,641	60	10
South and Southeast Asia [(c)]	2,006	53	36
Rest of the world [(d)]	7,024	96	(4)
Total	142,423	3,202	715

In $ millions	Total assets	Operating income	Net profit
2004			
Singapore [(a)]	126,352	3,280	1,829
Hong Kong	2,879	72	47
Rest of Greater China [(b)]	2,990	53	19
South and Southeast Asia [(c)]	1,755	34	30
Rest of the world [(d)]	6,090	68	2
Total	140,066	3,507	1,927

(a) Includes one-time gains of $303 million and $497 million in 2005 and 2004 respectively.
(b) Rest of Greater China, includes branch operations in China and Taiwan.
(c) South and Southeast Asia, includes branch and subsidiary operations in India, Indonesia, Malaysia, Thailand and the Philippines.
(d) Rest of the world, includes branch operations in South Korea, Japan, United States of America and United Kingdom.

44 List of Subsidiaries, Joint Ventures and Associates

The significant operating subsidiaries owned directly and indirectly by the Bank are:

	Name of subsidiary	Principal activities	Country of incorporation	Share capital Curr-ency	Share capital In millions	Effective shareholding % 2005	Effective shareholding % 2004
	Held by the Bank						
1.	DBS Vickers Securities Holdings Pte Ltd	Investment holding	Singapore	SGD	207	100	100
2.	DBS Asset Management Ltd	Investment management services	Singapore	SGD	4	100	100
3.	DBS Nominees Pte Ltd	Nominee services	Singapore	SGD	#	100	100
4.	DBS Trustee Ltd	Trustee services	Singapore	SGD	3	100	100
5.	DBS China Square Ltd	Property investment holding	Singapore	SGD	125	70	70
6.	DBS Asia Capital Limited *	Corporate finance and advisory services	Hong Kong	HKD	92	100	100
7.	PT Bank DBS Indonesia *	Commercial banking and financial services	Indonesia	IDR	1,300,000	99	99
8.	DBSAM Funds	Collective investment scheme	Luxembourg	USD	15	68	77
9.	DBS Diamond Holdings Ltd	Investment holding	Bermuda	USD	2,245	100	100
10.	DBS Capital Funding Corporation **	Capital funding	Cayman Islands	USD	#	100	100
	Held by subsidiaries of the Bank						
11.	DBS Vickers Securities (Singapore) Pte Ltd	Securities and futures broker	Singapore	SGD	50	100	100
12.	DBS Vickers Securities Online (Singapore) Pte Ltd	Securities broker	Singapore	SGD	10	100	100
13.	DBS Vickers Securities Online Holdings Pte Ltd	Investment holding	Singapore	SGD	42	73	73
14.	DBS Asset Management (United States) Pte Ltd	Investment management services	Singapore	SGD	#	100	100
15.	DBS Vickers Research Singapore Pte Ltd	Investment advisory services	Singapore	SGD	1	100	100
16.	DBS Vickers Securities Nominees (Singapore) Pte Ltd	Nominee services	Singapore	SGD	#	100	100
17.	DBS Bank (Hong Kong) Limited *	Retail, corporate and investment banking services	Hong Kong	HKD	5,200	100	100
18.	DBS Asset Management (Hong Kong) Ltd *	Investment management services	Hong Kong	HKD	13	100	100
19.	DBS Corporate Services (Hong Kong) Limited *	Investment holding and corporate services	Hong Kong	HKD	1	100	100
20.	DHB Limited *	Investment holding	Hong Kong	HKD	500	100	100
21.	DBS Vickers Securities Online (HK) Limited *	Securities broker	Hong Kong	HKD	137	100	100
22.	DBS Vickers (Hong Kong) Limited *	Securities and futures broker	Hong Kong	HKD	150	100	100
23.	Kenson Asia Ltd *	Corporate services	Hong Kong	HKD	#	100	100
24.	Kingly Management Ltd *	Corporate services	Hong Kong	HKD	#	100	100
25.	Worldson Services Ltd *	Corporate services	Hong Kong	HKD	#	100	100
26.	Ting Hong Nominees Limited *	Nominee services	Hong Kong	HKD	#	100	100
27.	DBS Vickers Securities Nominees (Hong Kong) Limited *	Nominee services	Hong Kong	HKD	#	100	100
28.	PT DBS Vickers Securities (Indonesia)*	Securities broker	Indonesia	IDR	55,000	99	75
29.	DBS Vickers Securities (Thailand) Co. Ltd *	Securities broker	Thailand	THB	396	100	100
30.	DHJ Management Limited *	Corporate services	British Virgin Islands	USD	#	100	100
31.	JT Administration Limited *	Corporate services	British Virgin Islands	USD	#	100	100
32.	Market Success Limited *	Corporate services	British Virgin Islands	USD	#	100	100
33.	Kendrick Services Limited **	Corporate directorship services	British Virgin Islands	USD	#	100	100
34.	Lushington Investment Limited **	Corporate shareholding services	British Virgin Islands	USD	#	100	100
35.	Quickway Limited **	Corporate directorship services	British Virgin Islands	USD	#	100	-
36.	DBS Group (Hong Kong) Limited *	Investment holding	Bermuda	USD	356	100	100
37.	DBS Vickers Securities (UK) Ltd *	Securities broker	United Kingdom	GBP	#	100	100
38.	DBS Vickers Securities (USA), Inc *	Securities broker	United States	USD	#	100	100
	DBS Trustee H.K. (Jersey) Limited *	Trustee services	Jersey	GBP	#	100	100

* Audited by Ernst & Young firms outside Singapore.
** No statutory audit was performed for these companies as it is not mandatory under local laws and regulations.

The significant joint ventures held directly and indirectly by the Bank are:

	Name of joint venture	Principal activities	Country of incorporation	Share capital Curre-ncy	Share capital In millions	Effective shareholding % 2005	Effective shareholding % 2004
	Held by the Bank						
1.	Ayala DBS Holdings Inc.	Investment holding	The Philippines	PHP	3,340	40	40
	Held by subsidiaries of the Bank						
2.	Hutchinson DBS Card Limited	Provision of credit card services	British Virgin Islands	HKD	1	50	50

The significant associates held directly and indirectly by the Bank are:

	Name of associate	Principal activities	Country of incorporation	Share capital Curre-ncy	Share capital In millions	Effective shareholding % 2005	Effective shareholding % 2004
	Quoted - Held by the Bank						
1.	Bank of the Philippine Islands	Commercial banking and financial services	The Philippines	PHP	22,386	20.4	20.4
2.	Cholamandalam Investments and Finance Company Limited	Consumer finance	India	INR	379	20.0	-
	Unquoted - Held by the Bank						
3.	Capital OK Company Limited	Consumer finance	Thailand	THB	2,200	40.0	40.0
4.	Century Horse Group Limited	Investment holding	British Virgin Islands	USD	-	20.0	20.0
5.	Clearing and Payment Services Pte Ltd	Provides service infrastructure for clearing payment and settlement of financial transactions	Singapore	SGD	-	33.3	33.3
6.	Investment and Capital Corporation of the Philippines	Financial services	The Philippines	PHP	300	20.0	20.0
7.	Network for Electronic Transfers (Singapore) Pte Ltd	Electronic funds transfer	Singapore	SGD	1	33.3	33.3
8.	Nextmall Holdings Corporation	Supermarket	Cayman Islands	USD	-	33.7	33.7
9.	Orix Leasing Singapore Ltd	Lease and hire-purchase financing of equipment	Singapore	SGD	3	30.0	30.0

DBS Bank Ltd

Directors' Report

The Directors are pleased to submit their report to the Members together with the audited financial statements of DBS Bank Ltd ("DBS Bank") for the financial year ended December 31, 2005, 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 (Appointed Director on June 15, 2005 and Chairman on January 1, 2006)
Jackson Tai	-	Chief Executive Officer & Vice Chairman
Frank Wong Kwong Shing	-	Chief Operating Officer
Ang Kong Hua	-	(Appointed March 21, 2005)
Goh Geok Ling		
Kwa Chong Seng		
Leung Chun Ying		
N R Narayana Murthy		
Peter Ong Boon Kwee		
John Alan Ross		
Wong Ngit Liong		

Messrs Frank Wong Kwong Shing, Goh Geok Ling, Kwa Chong Seng and Narayana Murthy will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

In accordance with Article 101 of the Company's Articles of Association, Messrs Koh Boon Hwee and Andrew Buxton will retire and, being eligible, will offer themselves for re-election pursuant to Article 101.

Arrangements to enable Directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year, was the Company a party to any arrangement, the object of which, is to enable the Directors to acquire benefits through the acquisition of shares in or debentures of the Company or any other body corporate save as disclosed in this report under the headings **"Directors' interest in shares and debentures",** "**DBSH Share Option Plan**" and "**DBSH Performance Share Plan**".

Directors' interest in shares and debentures

The following Directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Companies Act, an interest in shares of the Company and related corporations as stated below:

	Holdings in which Directors have a direct interest		Holdings in which Directors are deemed to have an interest	
	As at Dec 31 2005	As at Dec 31 2004 (or date of appointment if later)	As at Dec 31 2005	As at Dec 31 2004 (or date of appointment if later)
DBSH ordinary shares				
Koh Boon Hwee	-	-	-	-
Jackson Tai	148,822	90,800	-	-
Frank Wong Kwong Shing	204,872	187,850	-	-
Ang Kong Hua	-	-	-	-
Goh Geok Ling	2,100	2,100	-	-
Kwa Chong Seng	42,129	42,129	50,000	-
Leung Chun Ying	-	-	-	-
John Alan Ross	10,000	5,000	-	-
N R Narayana Murthy	2,000	-	-	-
Peter Ong Boon Kwee	-	-	-	-
Wong Ngit Liong	-	-	-	-
Unissued ordinary shares under the DBSH Share Option Plan				
Jackson Tai	440,175	386,675	-	-
Frank Wong Kwong Shing	448,050	394,550	-	-
DBS Bank 6% non-cumulative non-convertible perpetual preference shares				
Jackson Tai	250	250	-	-
Wong Ngit Liong	6,000	6,000	-	-

There was no change in any of the above-mentioned interests between the end of the financial year and January 21, 2006.

Directors' contractual benefits

Since the end of the previous financial year, no Director has received or has become entitled to receive a benefit under a contract which is required to be disclosed by Section 201(8) of the Singapore Companies Act save as disclosed in this report or in the financial statements of the Company and of the Group.

DBSH Share Option Plan

The DBS Bank Share Option Plan (the "DBS Bank Option Plan") was adopted by the shareholders of DBS Bank at an Extraordinary General Meeting of DBS Bank held on June 19, 1999 to replace the DBS Bank Option Scheme. At an Extraordinary General Meeting held on September 18, 1999, the shareholders of the Company adopted the DBSH Share Option Plan (the "Option Plan") to replace the DBS Bank Option Plan, following the restructuring of DBS Bank as a wholly owned subsidiary company of the Company. Particulars of the share options granted under the Option Plan in 1999, 2000, 2001, 2002, 2003 and 2004 (herewith called "1999 DBSH Options", "March/July 2000 DBSH Options", "March/June/August 2001 DBSH Options" and "January/March/August/October/December 2002 DBSH Options", "February/March 2003 DBSH Options" and "March 2004 DBSH Options") have been set out in the Directors' Reports for the years ended December 31, 1999, 2000, 2001, 2002, 2003 and 2004 respectively.

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 January 1, 2005	During the year Granted	Exercised	Forfeited	Number of unissued ordinary shares December 31, 2005	Exercise price per share	Expiry date
July 1999	3,356,783	-	436,995	203,765	2,716,023	$15.30	July 27, 2009
March 2000	1,497,000	-	-	168,000	1,329,000	$20.87	March 5, 2010
July 2000	1,062,000	-	-	94,000	968,000	$22.33	July 26, 2010
March 2001	10,673,000	-	-	2,060,000	8,613,000	$17.70	March 14, 2011
June 2001	21,000	-	-	-	21,000	$14.76	May 31, 2011
August 2001	936,000	-	512,000	4,000	420,000	$12.93	July 31, 2011
January 2002	50,500	-	-	-	50,500	$13.70	January 1, 2012
March 2002	10,252,210	-	1,324,510	974,420	7,953,280	$14.73	March 27, 2012
August 2002	896,700	-	356,000	64,900	475,800	$12.27	August 15, 2012
October 2002	9,260	-	9,260	-	-	$11.73	October 9, 2012
December 2002	20,000	-	-	-	20,000	$11.47	December 17, 2012
February 2003	10,997,430	-	2,240,690	479,520	8,277,220	$10.40	February 23, 2013
March 2003	15,000	-	9,000	6,000	-	$9.18	March 9, 2013
March 2004	6,962,500	-	235,154	648,188	6,079,158	$14.73	March 1, 2014
March 2005	-	2,815,600	3,300	261,000	2,551,300	$15.07	February 28, 2015
	46,749,383	2,815,600	5,126,909	4,963,793	39,474,281		

Total options of 107,000 were granted to executive directors Mr Jackson Tai and Mr Frank Wong Kwong Shing during the financial year.

Information on the Option Plan, "March 2005 DBSH Options" granted under the Option Plan is as follows:

(i) Options to subscribe for the Company's ordinary shares could be granted to the Group executives who hold the rank of Vice President (or equivalent rank) and above and selected employees of the Group of a rank below the rank of Vice President (or equivalent rank). This would also include executives of associated companies of the Group who hold the rank of Vice President (or equivalent rank); and non-executive directors of the Company.

The persons to whom the "March 2005 DBSH Options" have been granted may be eligible to participate in the DBSH Performance Share Plan or other equivalent plans, but shall not be eligible to participate in the DBSH Employee Share Plan or other equivalent plans.

(ii) The date of expiration of the "March 2005 DBSH Options" is February 28, 2015 unless they have been cancelled or have lapsed prior to that date.

(iii) The subscription price for each share in respect of which a DBSH Option (other than "March 2005 DBSH Options") is exercisable is the average of the last dealt prices ("Market Price") for the Company's shares, as determined by reference to the daily official list published by the Singapore Exchange Securities Trading Ltd ("SGX-ST"), for the three consecutive trading days immediately preceding the date of the grant.

(iv) DBSH Options with subscription prices that are equal to the Market Price may be exercised, in whole or in part, one year after the date of the grant up to the date of expiration of the options, and in accordance with a vesting schedule to be determined by the Compensation Committee.

(v) Adjustments may be made to the number of the Company's shares which may be acquired by a participant, or the subscription price or both, in the event of any variation in the issued ordinary share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation, or distribution), upon the written confirmation of the auditors of the Company that such adjustment (other than in the case of a capitalisation issue) is fair and reasonable.

Other than the DBSH Options granted under the Option Plan as disclosed herein, there were no outstanding options granted by the Company as at the end of 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 Performance Share Plan

The DBS Bank Performance Share Plan was adopted by the shareholders of DBS Bank at an Extraordinary General Meeting of DBS Bank held on June 19, 1999. At an Extraordinary General Meeting held on September 18, 1999, the shareholders of the Company adopted the DBSH Performance Share Plan (the "Performance Share Plan"), to replace the DBS Bank Performance Share Plan, following the restructuring of DBS Bank as a wholly-owned subsidiary of the Company.

During the financial year, awards in respect of an aggregate of 2,913,630 ordinary shares were granted pursuant to the DBSH Performance Share Plan, to selected employees of the Group. This included 204,080 awards granted to executive directors Mr Jackson Tai and Mr Frank Wong Kwong Shing. The awards represented a 100% payout. The payout at the end of the performance period have ranged from a minimum of 50% of the shares awarded to 200%, depending on the Group's performance as measured by return on equity.

Information on the Performance Share Plan is as follows:

(i) The Company's ordinary shares could be granted to the Group executives who hold the rank of Vice President (or equivalent rank) and above and selected employees of the Group of a rank below the rank of Vice President (or equivalent rank). This would also include executives of associated companies of the Group who hold the rank of Vice President (or equivalent rank); and non-executive directors of the Company.

    The participants of the Performance 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) Participants are awarded ordinary shares of the Company, their equivalent cash value or a combination of both ("DBSH Awards"), when the prescribed performance targets are met. The DBSH Awards are granted at the absolute discretion of the Compensation Committee.

(iii) The Performance Share Plan shall continue to be in force at the discretion of the Compensation Committee, subject to a maximum period of ten years commencing from September 18, 1999, provided always that the Performance Share Plan may continue beyond the above stipulated period with the approval of the shareholders of the Company by ordinary resolution in general meeting and of any relevant authorities which may then be required.

(iv) DBSH Awards 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 the participant, being a non-executive director, ceases to be a director, or a take-over, winding up or reconstruction of the Company.

(v) The aggregate nominal amount of new ordinary shares of the Company which may be delivered (pursuant to DBSH Awards granted) under the Performance Share Plan, when added to the nominal amount of new ordinary shares issued and issuable in respect of all DBSH Awards granted under the Performance Share Plan, and all options granted under the Option Plan, shall not exceed 15% of the issued share capital of the Company on the day preceding the relevant date of the DBSH Award. The number of existing ordinary shares purchased from the market which may be delivered pursuant to the DBSH Award will not be subject to any limit.

(vi) Subject to the prevailing legislation and SGX-ST guidelines, the Company will have the flexibility to deliver ordinary shares of the Company to participants upon vesting of their DBSH Awards by way of an issue of new ordinary shares and/or the purchase of existing ordinary shares.

(vii) The nominal amount, class and/or number of ordinary shares of the Company comprised in a DBSH 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 issued ordinary share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation, or distribution), upon the written confirmation of the auditors of the Company that such adjustment (other than in the case of a capitalisation issue) is fair and reasonable.

Auditors

Ernst & Young have expressed their willingness to accept re-appointment as external auditors.

On behalf of the Directors

Koh Boon Hwee

Jackson Tai

February 16, 2006
Singapore

Statement by the Directors

We, Koh Boon Hwee and Jackson Tai, being two of the Directors of DBS Bank Ltd ("DBS Bank"), state that, in the opinion of the Directors, the income statement, balance sheet, the statement of changes in shareholders' equity and the cash flow statement and, together with the notes thereon as set out on pages 1 to 36, are drawn up so as to give a true and fair view of the state of affairs of DBS Bank at December 31, 2005, the results, changes in equity and cash flows of DBS Bank for the financial year ended on that date and there are reasonable grounds to believe that DBS Bank will be able to pay their debts as and when they fall due.

On behalf of the Directors

Koh Boon Hwee

Jackson Tai

February 16, 2006
Singapore

Report of the Auditors
To the Members of DBS Bank Ltd (incorporated in Singapore)

We have audited the accompanying financial statements of DBS Bank Ltd ("the Company") set out on pages 1 to 36 for the year ended December 31, 2005. These financial statements are the responsibility of the Company's Directors. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

(a) the financial statements of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 ("the Act") and Singapore Financial Reporting Standards, including the modification of the requirements of FRS 39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning by Notice to Banks No. 612 "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore, so as to give a true and fair view of the state of affairs of the Company at December 31, 2005, the results, changes in equity and cash flows of the Company for the financial year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Ernst & Young
Certified Public Accountants

February 16, 2006
Singapore