

**DBS BANK LTD AND ITS SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

In \$ millions	Note	Bank Group		Bank	
		2006	2005	2006	2005
Income					
Interest income		7,809	5,542	5,324	3,774
Interest expense		4,220	2,599	3,011	1,870
Net interest income	5	3,589	2,943	2,313	1,904
Net fee and commission income	6	1,155	986	681	588
Net trading income	7	522	320	527	199
Net income from financial instruments designated at fair value	8	(192)	(113)	4	(17)
Net income from financial investments	9	171	102	162	80
Other income	10	191	403	194	448
Total income		5,436	4,641	3,881	3,202
Expenses					
Employee benefits	11	1,244	1,052	808	651
Depreciation of properties and other fixed assets	27	130	148	75	89
Other expenses	12	994	826	710	562
Goodwill charges	26	-	1,128	-	-
Allowances for credit and other losses	13	135	203	46	939
Total expenses		2,503	3,357	1,639	2,241
Share of profits of associates		70	54	-	-
Profit before tax		3,003	1,338	2,242	961
Income tax expense	14	575	353	417	246
Net profit for the year		2,428	985	1,825	715
Attributable to:					
Shareholders		2,321	878	1,825	715
Minority interest		107	107	-	-
		2,428	985	1,825	715

(see notes on pages 6 to 66, which form part of these financial statements)

DBS BANK LTD AND ITS SUBSIDIARIES
BALANCE SHEETS AT 31 DECEMBER 2006

In \$ millions	Note	Bank Group		Bank	
		2006	2005	2006	2005
ASSETS					
Cash and balances with central banks	16	11,846	4,986	11,619	4,791
Singapore Government securities and treasury bills	17	12,843	9,846	12,843	9,843
Due from banks		25,273	22,129	19,590	16,089
Financial assets at fair value through profit or loss	18	16,496	18,502	14,818	17,647
Positive replacement values	41	8,215	8,792	8,529	9,206
Loans and advances to customers	19	85,149	77,636	60,470	52,702
Financial investments	21	22,261	23,102	14,429	15,996
Securities pledged	22	2,866	2,380	678	433
Subsidiaries	23	-	-	9,790	11,066
Investments in joint ventures	24	-	-	75	-
Investments in associates	25	603	585	567	631
Goodwill on consolidation	26	5,840	5,803	-	-
Properties and other fixed assets	27	1,481	1,662	453	435
Deferred tax assets	28	20	51	-	27
Other assets	29	4,590	4,847	2,527	3,557
TOTAL ASSETS		197,483	180,321	156,388	142,423
LIABILITIES					
Due to banks		7,863	8,950	6,758	8,026
Due to non-bank customers	30	122,092	106,431	89,947	78,826
Financial liabilities at fair value through profit or loss	31	19,708	22,823	14,355	15,064
Negative replacement values	41	7,873	8,537	8,065	8,646
Bills payable		511	378	472	351
Current tax liabilities		766	557	643	499
Deferred tax liabilities	28	137	58	80	-
Other liabilities	32	6,669	5,469	3,711	4,161
Other debt securities in issue	33	3,950	2,440	2,065	1,121
Due to holding company		201	59	201	59
Due to subsidiaries	34	-	-	4,537	2,934
Due to related companies		-	5	-	5
Subordinated term debts	35	6,749	5,365	6,348	4,930
TOTAL LIABILITIES		176,519	161,072	137,182	124,622
NET ASSETS		20,964	19,249	19,206	17,801
EQUITY					
Share capital	36	12,096	1,962	12,096	1,962
Share premium	36	-	10,134	-	10,134
Other reserves	37	2,858	2,493	3,143	2,665
Revenue reserves	37	4,745	3,300	3,967	3,040
SHAREHOLDERS' FUNDS		19,699	17,889	19,206	17,801
Minority interests	38	1,265	1,360		
TOTAL EQUITY		20,964	19,249	19,206	17,801
OFF BALANCE SHEET ITEMS					
Contingent liabilities	39	12,187	8,769	10,897	7,389
Commitments	40	86,065	75,804	69,497	61,654
Financial derivatives	41	1,378,916	1,359,935	1,408,971	1,380,765

(see notes on pages 6 to 66, which form part of these financial statements)

DBS BANK LTD AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006

In \$ millions	Ordinary shares	6% Non- cumulative non preference shares	Share premium	Other reserves	Revenue reserves	Minority interests	Total equity
2006							
Balance at 1 January 2006	1,962	#	10,134	2,493	3,300	1,360	19,249
Effects of Companies (Amendment) Act 2005	10,134		(10,134)				
Net exchange translation adjustments				(6)		(102)	(108)
Share of associates' reserves				21	18		39
Cost of share-based payments				15			15
Draw-down of reserves upon vesting of performance shares				(6)			(6)
Available-for-sale investments/Cash flow hedge:							
- Net valuation taken to equity				425			425
- Transferred to income statement on sale				(101)			(101)
- Tax on items taken directly to or transferred from equity				(44)			(44)
Net profit for the year					2,321	107	2,428
Appropriation from income statement				61	(61)		-
Dividends paid on preference shares					(53)		(53)
Final dividends paid for previous year					(153)		(153)
Interim dividends paid for current year					(627)		(627)
Dividends paid to minority interests						(95)	(95)
Change in minority interests						(5)	(5)
Balance at 31 December 2006	<u>12,096</u>	<u>#</u>	<u>-</u>	<u>2,858</u>	<u>4,745</u>	<u>1,265</u>	<u>20,964</u>
2005							
Balance at 1 January 2005	1,962	#	10,134	2,286	3,158	21	17,561
Effects on adoption of new or revised FRS				8	25	1,303	1,336
Balance at 1 January 2005 (restated)	<u>1,962</u>	<u>#</u>	<u>10,134</u>	<u>2,294</u>	<u>3,183</u>	<u>1,324</u>	<u>18,897</u>
On adoption of FRS 39 at 1 January 2005				292	(25)		267
Net exchange translation adjustments				7		23	30
Share of associates' reserves				8			8
Cost of share-based payments				23			23
Draw-down of reserves upon vesting of performance shares				(8)			(8)
Available-for-sale investments/Cash flow hedge:							
- Net valuation taken to equity				(59)			(59)
- Transferred to income statement on sale				(88)			(88)
- Tax on items taken directly to or transferred from equity				(11)			(11)
Net profit for the year					878	107	985
Appropriation from income statement				35	(35)		-
Dividends paid on preference shares					(52)		(52)
Final dividends paid for previous year					(188)		(188)
Interim dividends paid for current year					(461)		(461)
Dividends paid to minority interests						(98)	(98)
Change in minority interests						4	4
Balance at 31 December 2005	<u>1,962</u>	<u>#</u>	<u>10,134</u>	<u>2,493</u>	<u>3,300</u>	<u>1,360</u>	<u>19,249</u>

(see notes on pages 6 to 66, which form part of these financial statements)

DBS BANK LTD AND ITS SUBSIDIARIES
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006

In \$ millions	Ordinary shares	6% Non- cumulative non- convertible preference shares	Share premium	Other reserves	Revenue reserves	Total equity
2006						
Balance at 1 January 2006	1,962	#	10,134	2,665	3,040	17,801
Effects of Companies (Amendment) Act 2005	10,134		(10,134)			
Net exchange translation adjustments				160		160
Cost of share-based payments				15		15
Draw-down of reserves upon vesting of performance shares				(5)		(5)
Available-for-sale investments/Cash flow hedge:						
- Net valuation taken to equity				378		378
- Transferred to income statement on sale				(87)		(87)
- Tax on items taken directly to or transferred from equity				(44)		(44)
Net profit for the year					1,825	1,825
Appropriation from income statement				61	(61)	-
Dividends paid on preference shares					(53)	(53)
Final dividends paid for previous year					(154)	(154)
Interim dividends paid for current year					(630)	(630)
Balance at 31 December 2006	<u>12,096</u>	<u>#</u>	<u>-</u>	<u>3,143</u>	<u>3,967</u>	<u>19,206</u>
2005						
Balance at 1 January 2005	1,962	#	10,134	2,454	3,205	17,755
Effects on adoption of new or revised FRS				8	(18)	(10)
Balance at 1 January 2005 (restated)	1,962	#	10,134	2,462	3,187	17,745
On adoption of FRS 39 at 1 January 2005				297	(122)	175
Net exchange translation adjustments				(85)		(85)
Cost of share-based payments				23		23
Draw-down of reserves upon vesting of performance shares				(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)
Final dividends paid for previous year					(189)	(189)
Interim dividends paid for current year					(462)	(462)
Balance at 31 December 2005	<u>1,962</u>	<u>#</u>	<u>10,134</u>	<u>2,665</u>	<u>3,040</u>	<u>17,801</u>

(see notes on pages 6 to 66, which form part of these financial statements)

DBS BANK LTD AND ITS SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006

In \$ millions	2006	2005
Cash flows from operating activities		
Profit before tax	3,003	1,338
Adjustments for non-cash items:		
Allowances for credit and other losses	135	203
Depreciation of properties and other fixed assets	130	148
Goodwill charges	-	1,128
Share of profits of associates	(70)	(54)
Net gain on disposal of properties and other fixed assets	(104)	(314)
Net gain on disposal of financial investments	(171)	(121)
Profit before changes in operating assets & liabilities	<u>2,923</u>	<u>2,328</u>
(Decrease)/Increase in:		
Due to banks	(1,087)	(1,989)
Due to non-bank customers	15,661	(6,775)
Financial liabilities at fair value through profit or loss	(3,115)	22,823
Other liabilities including bills payable	148	(5,430)
Debt securities and borrowings	1,471	(4,503)
Due to holding and related companies	137	(45)
(Increase)/Decrease in:		
Change in restricted balances with central banks	(95)	(938)
Singapore Government securities and treasury bills	(3,936)	1,337
Due from banks	(3,134)	3,028
Financial assets at fair value through profit or loss	1,890	(15,877)
Other financial securities at fair value through profit or loss	-	7,942
Loans and advances to customers	(7,741)	(8,215)
Financial investments	1,392	(1,346)
Other assets	298	2,886
Tax paid	(300)	(440)
Net cash generated from / (used in) operating activities (1)	<u><u>4,512</u></u>	<u><u>(5,214)</u></u>
Cash flows from investing activities		
Dividends from associates	37	40
Purchase of properties and other fixed assets	(239)	(225)
Proceeds from disposal of associates	4	-
Proceeds from disposal of properties and other fixed assets	387	733
Acquisition of interest in associates	(6)	(42)
Net cash generated from investing activities (2)	<u><u>183</u></u>	<u><u>506</u></u>
Cash flows from financing activities		
Increase in share capital and share premium	-	-
Proceeds from issuance of subordinated term debts	1,928	-
Dividends paid to shareholders of the Company	(833)	(701)
Dividends paid to minority interests	(95)	(98)
Net cash generated from / (used in) financing activities (3)	<u><u>1,000</u></u>	<u><u>(799)</u></u>
Exchange translation adjustments (4)	<u><u>15</u></u>	<u><u>15</u></u>
Net change in cash and cash equivalents (1)+(2)+(3)+(4)	<u><u>5,710</u></u>	<u><u>(5,492)</u></u>
Cash and cash equivalents at 1 January	<u><u>9,408</u></u>	<u><u>14,900</u></u>
Cash and cash equivalents at 31 December (Note 42)	<u><u><u>15,118</u></u></u>	<u><u><u>9,408</u></u></u>

(see notes on pages 6 to 66, which form part of these financial statements)

DBS Bank Ltd and its subsidiaries
Notes to the consolidated financial statements
Year Ended 31 December 2006

These Notes are integral to the financial statements.

The consolidated financial statements for the year ended 31 December 2006 were authorised for issue by the directors on 15 February 2007.

1 Domicile and Activities

DBS Bank Ltd (referred to as the Bank) is principally engaged in the provision of retail, small and medium-sized enterprise, corporate and investment banking services, including the operations of an Asian Currency Unit under terms and conditions specified by the Monetary Authority of Singapore. The principal activities of the subsidiaries of the Bank are disclosed in Note 50.

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

The financial statements relate to the Bank and its subsidiaries (referred to as the Bank Group) and the Bank Group's interests in associates and joint ventures.

2 Summary of Significant Accounting Policies

2.1 Basis of preparation

The financial statements 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" issued by the Monetary Authority of Singapore.

The financial statements are presented in Singapore dollars and rounded to the nearest million, unless otherwise stated. They are prepared on the historical cost convention, except for derivative financial instruments, available-for-sale financial assets, and financial assets and liabilities held at fair value through profit or loss, which have been measured at fair value. In addition, the carrying amounts of assets and liabilities that are designated as hedged items in a fair value hedge are adjusted for fair value changes attributable to the hedged risks.

The preparation of financial statements in conformity with FRS requires management to exercise judgement, use estimates and make assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from these estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a higher degree of judgement and complexity, are disclosed in Note 4.

On 1 January 2006, the Bank Group adopted the new or revised FRS and Interpretations to FRS ("INT FRS") that are applicable in the current financial year. The 2006 financial statements have been prepared in accordance with the relevant transitional provisions in the respective FRS and INT FRS. The following are the FRS and INT FRS that are relevant to the Bank Group:

FRS 1 (revised)	Presentation of Financial Statements
FRS 19 (revised)	Employee Benefits
FRS 21 (revised)	The Effects of Changes in Foreign Exchange Rates
FRS 24 (revised)	Related Party Disclosures
FRS 32 (revised)	Financial Instruments: Disclosure and Presentation
FRS 37 (revised)	Provisions, Contingent Liabilities, and Contingent Assets
FRS 38 (revised)	Intangible Assets
FRS 39 (revised)	Financial Instruments: Recognition and Measurement
INT FRS 104	Determining whether an Arrangement contains a Lease

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

2.2 Group accounting

Subsidiaries

Subsidiaries are entities that the Bank Group has power to govern the financial and operating policies of in order to obtain benefits from their activities. It is generally accompanied by a shareholding of more than 50% of voting rights. Potential voting rights that are exercisable or convertible are considered when determining whether an entity is considered a subsidiary.

The purchase method is used to account for the acquisition of subsidiaries. Subsidiaries are consolidated from the date control is transferred to the Bank Group to the date control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus cost directly attributable to the acquisition. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value on the date of acquisition, irrespective of the extent of any minority interest. Refer to Note 2.10 for the Bank Group's accounting policy on "Goodwill".

Special purpose entities

Entities in which the Bank Group holds little or no equity are consolidated as subsidiaries if the Bank Group is assessed to have control over them. Such control can be demonstrated through predetermination of the entities' activities, exposure to and retention of majority of their residual or ownership risks, and decision-making powers to obtain a majority of benefits of the entities.

DBS Bank Ltd and its subsidiaries
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Joint ventures

Joint ventures are entities that are jointly controlled by the Bank Group together with one or more parties through contractual arrangements. The Bank Group recognises its interest in joint ventures using the proportionate consolidation method.

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

Associates

Associates are entities in which the Bank Group has significant influence, but not control, and generally holds a shareholding of between and including 20% and 50% of the voting rights. The Bank Group recognises its investment in associates using the equity method of accounting. Investment in associates in the consolidated balance sheet includes goodwill (net of accumulated impairment loss) identified on acquisition.

Under the equity method of accounting, the Bank Group's investment in associates is initially carried at cost. The initial cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities assumed at the date of exchange, plus costs directly attributable to the acquisition. The carrying amount is increased or decreased to recognise the Bank Group's share of net assets of the associate, less any impairment in value after the date of acquisition. Where the Bank Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the Bank Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The results of the associates are taken from the latest audited accounts or unaudited management accounts of the associates, prepared at dates not more than three months prior to the end of the financial year of the Bank Group.

Investment cost at Bank level

Investments in subsidiaries, associates and joint ventures are stated at cost less accumulated impairment losses in the Bank's balance sheet. On disposal of investments in subsidiaries, associates and joint ventures, the difference between the net proceeds and the carrying amounts of the investments is taken to the income statement.

Intra-group transactions

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Profits resulting from transactions between the Bank Group and its associates and joint ventures are eliminated to the extent of the Bank Group's interests in these companies. Losses are also eliminated unless the transaction provides evidence of an impairment of an asset transferred.

Alignment of accounting policies

Where necessary, adjustments are made to the financial statements of subsidiaries, associates and

joint ventures to bring the accounting policies used in line with those used by the Bank Group.

2.3 Foreign currency translation

Functional and presentation currency

Items in the financial statements of the Bank and each of the Bank Group's subsidiaries are translated 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 and the Bank Group.

Foreign currency transactions

Transactions in foreign currencies are measured at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Singapore dollars at the exchange rate ruling at the balance sheet date. Foreign exchange differences arising from this translation are recognised in the income statement. Non-monetary assets and liabilities measured at cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities measured at fair value in foreign currencies are translated into Singapore dollars at the exchange rate ruling at the date the fair value was determined.

Foreign operations

The results and financial position of the Bank Group's operations whose functional currency is not Singapore dollars are translated into Singapore dollars in the following manner:

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

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

Consolidation adjustments

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

2.4 Segment reporting

The Bank Group's financial businesses are organised into the Consumer Banking and Wholesale Banking Business Groups and Central Operations. Wholesale Banking Business Group is segregated into Enterprise Banking, Corporate and Investment Banking, Global

DBS Bank Ltd and its subsidiaries
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Financial Markets and Central Treasury Unit. In total, the Bank Group 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

Net interest income

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

When a receivable is impaired, the Bank Group reduces the carrying amount to its recoverable amount, being the estimated future 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 Group earns fee and commission income from a diverse range of products and services provided to its customers. Fee and commission income is recognised on the completion of a transaction. For a service that is provided over a period of time, fee and commission income is recognised over the period which the related service is provided or credit risk is undertaken.

Dividend income

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

Rental income

Rental income from operating leases on properties is recognised on a straight-line basis over the lease term.

2.6 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, non-restricted balances with central banks and 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 of the reclassification in and out of

the financial assets at fair value through profit or loss category.

The classification of financial assets is as follows:

(a) Financial assets at fair value through profit or loss are either acquired for the purpose of short-term selling (held for trading) or designated by management on initial recognition (designated under the fair value option).

Derivatives are classified as held for trading unless they are designated as hedging instruments. The specific Bank Group accounting policy on derivatives is detailed in Note 2.15.

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

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

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

(c) 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 Group commits to purchase or sell the asset. Investments are de-recognised when the Bank Group 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. The fair value of a financial asset on initial recognition is usually the transaction price.

Subsequent measurement

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

Realised or unrealised gains or losses of financial assets held for trading and financial assets designated under the fair value option are taken to "Net trading income" and "Net income from financial instruments designated at fair value" respectively in the income statement in the period they arise. Unrealised gains or losses arising from changes in fair value of investments classified as available-for-sale are recognised in the

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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 financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets held by the Bank Group are the current bid prices. If the market for a financial asset is not active, the Bank Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models refined to reflect the issuer's specific circumstances.

2.8 Impairment of financial assets

The Bank Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial assets carried at amortised cost

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

Specific allowances for credit losses

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

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

Specific allowances for credit losses are evaluated either as being counterparty-specific or collective according to the following principles:

Counterparty-specific: Individual credit exposures are evaluated using the discounted cash flow method and an allowance is made when existing facts, conditions or valuations indicate that the Bank Group is not likely to collect part or all of the principal and interest due contractually on the claim. An allowance is reversed only when there has been an identifiable event that led to an improvement in the collectibility of the claim.

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

General allowances for credit losses

Apart from specific allowances, the Bank Group also carries general allowances for credit losses. The Bank Group maintains a level of allowances that is deemed

sufficient to absorb all credit losses inherent in its loan portfolio (including off-balance sheet credit exposures). In determining the level of general allowances, the Bank Group considers country and portfolio risks, as well as industry practices. The Bank Group maintains general allowances of at least 1% of credit exposures on and off the balance sheet net of collaterals and after deducting specific allowances that have been made.

Available-for-sale financial assets

When there is objective evidence of an impairment of an available-for-sale financial asset, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from the revaluation reserve within equity and recognised in the income statement. Impairment losses recognised in the income statement on equity investments are not reversed through the income statement, until the equity investments are disposed of. A subsequent recovery in the value of an available-for-sale debt instrument whose value is impaired is reversed through the income statement if there has been an identifiable event that led to the recovery.

2.9 Repurchase agreements

Repurchase agreements ("Repos") are treated as collateralised borrowing. The amount borrowed is reflected as a liability either as "Due to non-bank customers", "Due to banks" or "Financial liabilities at fair value through profit or loss". The securities sold under repos are treated as pledged assets and remain on the balance sheet at amortised cost or fair value depending on their classification.

Reverse repurchase agreements ("Reverse repos") are treated as collateralised lending. The amount lent is reflected as an asset either as "Loans and advances to customers", "Due from banks" or "Financial assets at fair value through profit or loss".

Amounts paid and received on the repos and reverse repos are amortised as interest expense and interest income respectively on an effective interest basis.

2.10 Goodwill on consolidation

Goodwill in a business combination represents the excess of acquisition cost over the fair values of the identifiable assets acquired, liabilities and contingent liabilities assumed at the date of exchange. Goodwill is stated at cost less impairment losses and it is tested at least annually for impairment.

Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. a discount on acquisition) is recognised directly in the income statement in the period of acquisition.

At the acquisition date, any goodwill acquired is allocated to each of the cash-generating units ("CGU") expected to benefit from the combination's synergies for the purpose of impairment testing.

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2.11 Properties and other fixed assets

Properties and other fixed assets are stated at cost less accumulated depreciation and impairment losses. The cost of an item of properties and other fixed assets includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The basis of depreciation is as follows:

Properties

Leasehold land, where the balance of the leasehold period is 100 years or less, is depreciated over the remaining period of the lease. Leasehold land where the unexpired lease period is more than 100 years is not depreciated.

Buildings are depreciated on a straight-line basis over their useful lives estimated at 50 years or over the remaining lease period, whichever is shorter.

Other fixed assets

Depreciation is calculated using the straight line method to write down the cost of other fixed assets to their residual values over their estimated useful life as follows:

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

Subsequent expenditure relating to properties and other fixed assets that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefit associated with the item can be measured reliably. Other subsequent expenditure is recognised as hire and maintenance expense in the income statement during the financial year in which it is incurred.

On disposal of an item of properties and other fixed assets, the difference between the net disposal proceeds and its carrying amount is taken to the income statement.

2.12 Impairment of non-financial assets

Goodwill

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. Recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and their value-in-use.

An impairment loss on goodwill recognised in the income statement cannot be reversed in subsequent periods.

Properties and other fixed assets
Investment in subsidiaries, associates and joint ventures

Properties and other fixed assets, and investment in subsidiaries, associates and joint ventures are reviewed for impairment at each balance sheet date to determine if events or changes in circumstances indicate that the carrying value may not be recoverable.

If such an indication exists, the carrying value of the asset is written down to its recoverable amount (being the higher of the fair value less cost to sell and the value-in-use). The impairment loss is charged to the income statement.

2.13 Financial liabilities

The Bank Group classifies its financial liabilities in the following categories: (a) financial liabilities at fair value through profit or loss; and (b) financial liabilities at amortised cost.

Financial liabilities are classified as financial liabilities at fair value through profit or loss if they are incurred for the purpose of short-term repurchasing (held for trading) or designated by management on initial recognition (designated under the fair value option).

Derivatives are classified as held for trading unless they are designated as hedging instruments. The specific Bank Group accounting policy on derivatives is detailed in Note 2.15.

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

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

Financial liabilities are initially recognised at fair value, net of transaction costs incurred. Financial liabilities classified at fair value through profit or loss are subsequently carried at fair value. Realised or unrealised gains or losses of financial liabilities held for trading and financial liabilities designated under the fair value option are taken to "Net trading income" and "Net income from financial instruments designated at fair value" respectively in the income statement in the period they arise. All other financial liabilities are subsequently carried at amortised cost using the effective interest method.

The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Bank Group for similar financial instruments.

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

2.14 Provisions and other liabilities

Provisions are recognised when the Bank Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

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

2.15 Derivative financial instruments and hedge accounting

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

Changes in the fair value of derivatives other than those designated as cash flow hedges or net investments in foreign operations hedges are included in "Net trading income".

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in "Net trading income".

For financial instruments designated as hedging instruments, each entity within the Bank Group documents at the inception the relationship between the hedging instrument and hedged item, including the risk management objective for undertaking various hedge transactions and methods used to assess the effectiveness of the hedge. Each entity within the Bank Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivative is highly effective in offsetting changes in the fair value or cash flows of the hedged item.

(a) Fair value hedge

For a qualifying fair value hedge, the changes in the fair value of the derivative are recorded in the income statement, together with any changes in the fair value of the hedged item attributable to the hedged risk. Gain or loss arising from hedge ineffectiveness is recognised in the income statement under "Net trading income".

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 the income statement over the remaining period to maturity of the hedged item.

(b) Cash flow hedge

The effective portion of changes in the fair value of a derivative designated and qualified as a hedge of future cash flows is recognised directly in the cash flow hedge reserve, and taken to the income statement in the periods when the hedged item affects profit or loss. The ineffective portion of the gain or loss is recognised immediately in the income statement under "Net trading income".

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the cash flow

hedge reserve remains until the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss in the cash flow hedge reserve is recognised immediately in the income statement.

(c) Hedge of net investment in a foreign operation

Hedges of net investments in the Bank Group's foreign operations are accounted for in a manner similar to cash flow hedges. The gain or loss from the derivative relating to the effective portion of the hedge is recognised in the cash flow hedge reserve. The gain or loss relating to the ineffective portion of the hedge is recognised immediately in the income statement. On disposal of the foreign operations, the cumulative gain or loss in the cash flow hedge reserve is taken to the income statement under "Net trading income".

2.16 Employee benefits

Employee benefits, which include base pay, cash bonuses, share-based compensation, contribution to defined contribution plans such as the Central Provident Fund and other staff-related allowances, are recognised in the income statement when incurred. For defined contribution plans, contributions are made to publicly or privately administered funds on a mandatory, contractual or voluntary basis. Once the contributions have been paid, the Bank Group has no further payment obligations.

Employee entitlement to annual leave is recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

2.17 Share-based compensation

Employee benefits also include share-based compensation, namely, the DBSH Share Ownership Scheme, the DBSH Share Option Plan, the DBSH Performance Share Plan and the DBSH Employee Share Plan. The details of the Scheme and Plans are described in Note 43.

Equity instruments granted and ultimately vested under the Plans are recognised in the income statement based on the fair value of the equity instrument at the date of grant. The expense is amortised over the vesting period of each award, with a corresponding adjustment to the Share option/plan reserves. Monthly contributions to the Scheme are expensed off when incurred.

For the DBSH Performance Share Plan and the DBSH Employee Share Plan, a trust has been set up for each share plan. The employee trust funds are consolidated and the DBSH shares held by the trust funds are accounted for as "Other assets", in the balance sheet at market value.

2.18 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

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differences are not recognised for goodwill that is not deductible for tax purposes and for the initial recognition of assets or liabilities that neither affects accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not be reversed in the foreseeable future.

2.19 Financial guarantees

A financial guarantee is initially recognised at its fair value. Subsequently, the amount initially recognised is amortised to the income statement over the period of the financial guarantee. Examples include letter of credit, shipping guarantee, airway guarantee, letter of guarantee etc.

The exposure to potential losses associated with a financial guarantee is monitored periodically. When there is objective evidence indicating probability of losses occurring, a provision is recognised for the financial guarantee.

2.20 Dividend payment

Interim dividends are recorded during the financial year in which they are declared payable. Final dividends are recorded during the financial year in which the dividends are approved by the shareholders at the Annual General Meeting.

2.21 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.

2.22 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 penalty payment that has to be made to the lessor is recognised as an expense in the period the termination takes place.

2.23 Fiduciary activities

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

2.24 Comparatives

Where applicable, comparative figures have been reclassified in order to adopt the current year's presentation.

3 New FRS Issued but not yet Effective

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

FRS 40: Investment Property

FRS 40 becomes effective for financial years beginning on or after 1 January 2007. There is no expected material impact on the Bank Group's financial statements arising from the Standard. The Bank Group's current policy is to carry its investment properties at historical cost less accumulated depreciation and impairment losses.

FRS 107: Financial Instruments: Disclosures

FRS 107 becomes effective for financial years beginning on or after 1 January 2007 and it introduces new disclosure requirements regarding financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including minimum disclosures about credit risk, liquidity risk and market risk. It replaces the disclosure requirements currently in FRS 32: Financial Instruments: Disclosure and Presentation.

The adoption of FRS 107 will create additional disclosure requirements for the Bank Group's financial statements.

Amendment to FRS 1: Presentation of Financial Statements – Capital Disclosures

The amendment to FRS 1 becomes effective for financial years beginning on or after 1 January 2007. It introduces disclosures about the level of an entity's capital and how the capital is managed.

The amendment to FRS 1 will create additional disclosure requirements for the Bank Group's financial statements.

INT FRS 108: Scope of FRS 102 – Share-based Payment

INT FRS 108 becomes effective for financial years beginning on or after 1 May 2006. It clarifies the scope of FRS 102 to include transactions in which the entity cannot identify specifically some or all of the goods and services received.

There is no expected material impact on the Bank Group's financial statements arising from this new INT FRS.

INT FRS 109: Reassessment of Embedded Derivatives

INT FRS 109 becomes effective for financial years beginning on or after 1 June 2006. It establishes that the date to assess the existence of an embedded derivative is the date an entity first becomes a party to the contract, with reassessment only if there is a

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change to the contract that significantly modifies the cash flows.

There is no expected material impact on the Bank Group's financial statements arising from this new INT FRS.

INT FRS 110: Interim Financial Reporting and Impairment

INT FRS 110 becomes effective for financial years beginning on or after 27 October 2006. It prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date.

There is no expected material impact on the Bank Group's financial statements arising from this new INT FRS.

4 Critical Accounting Estimates

The Bank Group's accounting policies and use of estimates are integral to the reported results. Certain accounting estimates require exercise of management's judgement in determining the appropriate methodology for valuation of assets and liabilities. In addition, procedures are in place to ensure that methodologies are reviewed and revised as appropriate. The Bank Group believes its estimates for determining the valuation of its assets and liabilities are appropriate.

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

4.1 Impairment allowances on claims

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

In determining specific allowances, management considers objective evidence of impairment. When a loan is impaired, a specific allowance is assessed by using the discounted cash flow method, measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The amount of specific allowance also takes into account the collateral value, which may be discounted to reflect the impact of a forced sale or timely liquidation.

In determining general allowance, the Bank Group 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 Group believes that the incurred loss concept under FRS 39 can be robustly determined.

4.2 Fair value of financial instruments

Fair value is defined as the value at which positions can be closed or sold in a transaction with a willing and

knowledgeable counterparty over a time period that is consistent with the Bank Group's trading or investment strategy. The majority of the Bank Group's financial instruments reported at fair value are based on quoted and observable market prices or on internally developed models that are based on independently sourced market parameters, including interest rate yield curves, option volatilities and currency rates.

Management exercises judgement in determining the risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors used in the valuation process. Judgement may also be applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting fair value estimates.

4.3 Impairment review of goodwill on consolidation

The Bank Group performs an impairment review to ensure that the carrying value of the goodwill does not exceed its recoverable amount from the CGU to which the goodwill is allocated. The recoverable amount represents the present value of the estimated future cash flows expected to arise from continuing operations. Therefore, in arriving at the recoverable amount, management exercises judgement in estimating the future cash flows, growth rate and discount rate.

4.4 Income taxes

The Bank Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Bank Group recognises liabilities for expected tax issues based on reasonable estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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5 Net Interest Income

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Cash and balances with central banks and Due from banks	1,001	656	761	477
Loans and advances to customers	4,559	3,152	2,859	1,940
Debt securities	2,249	1,734	1,704	1,357
Total interest income	7,809	5,542	5,324	3,774
Due to banks	538	415	565	394
Due to non-bank customers	2,748	1,494	1,649	890
Others	934	690	797	586
Total interest expense	4,220	2,599	3,011	1,870
Net interest income	3,589	2,943	2,313	1,904

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Interest income for financial assets at fair value through profit or loss	1,005	732	861	687
Interest income for financial assets not at fair value through profit or loss	6,804	4,810	4,463	3,087
Interest expense for financial liabilities at fair value through profit or loss	(492)	(206)	(458)	(169)
Interest expense for financial liabilities not at fair value through profit or loss	(3,728)	(2,393)	(2,553)	(1,701)
Total	3,589	2,943	2,313	1,904

6 Net Fee and Commission Income

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Fee and commission income	1,400	1,177	769	656
Fee and commission expense	245	191	88	68
Net fee and commission income	1,155	986	681	588
Comprising:				
Trade and remittances	190	172	100	91
Wealth management	170	129	119	97
Loan-related	166	157	131	122
Investment banking	150	134	110	96
Stock broking	141	106	-	3
Credit card	115	90	73	48
Deposit-related	79	77	69	68
Fund management	62	53	-	-
Guarantees	30	28	28	26
Others	52	40	51	37
Net fee and commission income	1,155	986	681	588

7 Net Trading Income

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
From trading businesses				
- Foreign exchange	379	94	274	15
- Interest rates, credit and equities	153	206	53	165
Other businesses	(10)	20	200	19
Total	522	320	527	199

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8 Net Income from Financial Instruments Designated at Fair Value

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Financial assets designated at fair value	(2)	4	(2)	4
Financial liabilities designated at fair value	(190)	(117)	6	(21)
Total	(192)	(113)	4	(17)

Gains or losses from changes in fair value of financial liabilities designated at fair value, not attributable to changes in market conditions, are not material. Refer to Note 31.

9 Net Income from Financial Investments

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Debt securities	38	10	31	11
Equity securities ^(a)	133	92	131	69
Total	171	102	162	80
Comprising gains transferred from:				
Available-for-sale revaluation reserves	101	88	87	71

(a) 2006 included \$16 million profits on sale of unquoted equity securities which were stated at cost. Their carrying amounts at the time of sale were \$1 million

10 Other Income

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Dividend income	58	49	161	117
Rental income	14	30	1	19
Net gain on properties and other fixed assets ^(a)	104	314	30	309
Others	15	10	2	3
Total	191	403	194	448

(a) Included in 2006 were one-time gains of \$50 million and \$54 million from the sale of DBS Tampines Centre and Hong Kong Queen's Road Office, respectively. 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. Refer to Note 27

11 Employee Benefits

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Salary and bonus	1,067	883	683	561
Contributions to defined contribution plans	55	57	36	38
Share-based expenses	28	40	25	32
Others	94	72	64	20
Total	1,244	1,052	808	651

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12 Other Expenses

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Computerisation expenses	349	261	261	185
Occupancy expenses	161	134	113	97
Revenue-related expenses	105	99	99	90
Others	379	332	237	190
Total	994	826	710	562

Included in the above table were:

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Hire and maintenance of fixed assets, including building-related expenses	98	95	66	61
Audit fees payable to Ernst & Young Singapore	3	3	3	2
Audit fees payable to Ernst & Young firms outside Singapore	2	2	#	#
Non audit fees payable to Ernst & Young Singapore	1	#	1	#
Non audit fees payable to Ernst & Young firms outside Singapore	#	#	#	#

Amount under \$500,000

13 Allowances for Credit and Other Losses

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Loans and advances to customers (Note 19)	228	237	147	161
Financial investments (Note 21)	(32)	3	(37)	5
Investment in subsidiaries (Note 23)	-	-	(52)	732
Properties and other fixed assets (Note 27)	(71)	(46)	(3)	-
Off-balance sheet credit exposures (Note 32)	31	(31)	30	(31)
Others (bank loans and sundry debtors)	(21)	40	(39)	72
Total	135	203	46	939

14 Income Tax Expense

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

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Current tax expense				
- Current year	459	366	314	252
- Prior years' provision	50	-	40	-
Deferred tax expense				
- Reversal/ (Origination) of temporary differences	61	(13)	63	(6)
- Prior years' provision	5	-	-	-
Total	575	353	417	246

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

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Accelerated tax depreciation	(6)	-	(2)	1
Allowances for loan losses	75	(7)	68	(4)
Other temporary differences	(3)	(6)	(3)	(3)
Deferred tax expense charged/(credited) to income statement	66	(13)	63	(6)

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

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Profit	2,933	1,284	2,242	961
Prima facie tax calculated at a tax rate of 20% (2005 : 20%)	587	257	448	192
Effect of different tax rates in other countries	(1)	(11)	9	(2)
Income not subject to tax	(14)	(63)	(13)	(36)
Income taxed at concessionary rate	(68)	(89)	(67)	(89)
Non-tax deductible provisions	(14)	5	(7)	155
Reversal of temporary differences	61	-	63	-
Goodwill charges	-	226	-	-
Others	24	28	(16)	26
Income tax expense charged to income statement	575	353	417	246

Refer to Note 28 for further information on deferred tax assets/liabilities.

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15 Measurement Basis of Financial Instruments

In \$ millions	Bank Group 2006							Total
	Held for trading	Designated at fair value through profit or loss	Loans and receivables / amortised cost	Available-for-sale	Fair value hedging instruments	Cash flow hedging instruments		
ASSETS								
Cash and balances with central banks	-	-	11,846	-	-	-	-	11,846
Singapore Government securities and treasury bills	3,319	-	-	9,524	-	-	-	12,843
Due from banks	-	-	25,202	71	-	-	-	25,273
Financial assets at fair value through profit or loss	14,300	2,196	-	-	-	-	-	16,496
Positive replacement values	8,080	-	-	-	135	-	-	8,215
Loans and advances to customers	-	-	85,149	-	-	-	-	85,149
Financial investments	-	-	1,930	20,331	-	-	-	22,261
Securities pledged	1,483	-	-	1,383	-	-	-	2,866
Other assets	-	-	4,590	-	-	-	-	4,590
Total financial assets	27,182	2,196	128,717	31,309	135	-	-	189,539
Other asset items outside the scope of FRS 39	-	-	-	-	-	-	-	7,944
Total assets								197,483
LIABILITIES								
Due to banks	-	-	7,863	-	-	-	-	7,863
Due to non-bank customers	-	-	122,092	-	-	-	-	122,092
Financial liabilities at fair value through profit or loss	13,895	5,813	-	-	-	-	-	19,708
Negative replacement values	7,789	-	-	-	84	-	-	7,873
Bills payable	-	-	511	-	-	-	-	511
Other liabilities	-	-	6,669	-	-	-	-	6,669
Other debt securities in issue	-	-	3,950	-	-	-	-	3,950
Due to holding company	-	-	201	-	-	-	-	201
Subordinated term debts	-	-	6,749	-	-	-	-	6,749
Total financial liabilities	21,684	5,813	148,035	-	84	-	-	175,616
Other liability items outside the scope of FRS 39	-	-	-	-	-	-	-	903
Total liabilities								176,519

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In \$ millions	Bank Group 2005							Total
	Held for trading	Designated at fair value through profit or loss	Loans and receivables / amortised cost	Available-for-sale	Fair value hedging instruments	Cash flow hedging instruments		
ASSETS								
Cash and balances with central banks	-	-	4,986	-	-	-	-	4,986
Singapore Government securities and treasury bills	4,223	35	-	5,588	-	-	-	9,846
Due from banks ^(a)	-	-	22,015	114	-	-	-	22,129
Financial assets at fair value through profit or loss ^(a)	16,475	2,027	-	-	-	-	-	18,502
Positive replacement values	8,492	-	-	-	272	28	-	8,792
Loans and advances to customers ^(a)	-	-	77,636	-	-	-	-	77,636
Financial investments	-	-	1,864	21,238	-	-	-	23,102
Securities pledged	1,397	-	-	983	-	-	-	2,380
Other assets	-	-	4,847	-	-	-	-	4,847
Total financial assets	30,587	2,062	111,348	27,923	272	28	-	172,220
Other asset items outside the scope of FRS 39	-	-	-	-	-	-	-	8,101
Total assets								180,321
LIABILITIES								
Due to banks ^(a)	-	-	8,950	-	-	-	-	8,950
Due to non-bank customers ^(a)	-	-	106,431	-	-	-	-	106,431
Financial liabilities at fair value through profit or loss ^(a)	16,746	6,077	-	-	-	-	-	22,823
Negative replacement values	8,372	-	-	-	165	-	-	8,537
Bills payable	-	-	378	-	-	-	-	378
Other liabilities ^(a)	-	-	5,469	-	-	-	-	5,469
Other debt securities in issue ^(a)	-	-	2,440	-	-	-	-	2,440
Due to holding company	-	-	59	-	-	-	-	59
Due to related companies	-	-	5	-	-	-	-	5
Subordinated term debts	-	-	5,365	-	-	-	-	5,365
Total financial liabilities	25,118	6,077	129,097	-	165	-	-	160,457
Other liability items outside the scope of FRS 39	-	-	-	-	-	-	-	615
Total liabilities								161,072

(a) Assets and Liabilities in the Bank Group's 2005 Balance Sheet have been re-grouped by investment intention to enhance readability and to provide more relevant and useful information to investors. This presentation does not have any impact on the income statement and the retained earnings of the Bank Group

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In \$ millions	Bank 2006							Total
	Held for trading	Designated at fair value through profit or loss	Loans and receivables / amortised cost	Available-for-sale	Fair value hedging instruments	Cash flow hedging instruments		
ASSETS								
Cash and balances with central banks	-	-	11,619	-	-	-	-	11,619
Singapore Government securities and treasury bills	3,319	-	-	9,524	-	-	-	12,843
Due from banks	-	-	19,519	71	-	-	-	19,590
Financial assets at fair value through profit or loss	13,785	1,033	-	-	-	-	-	14,818
Positive replacement values	8,397	-	-	-	132	-	-	8,529
Loans and advances to customers	-	-	60,470	-	-	-	-	60,470
Financial investments	-	-	1,930	12,499	-	-	-	14,429
Securities pledged	321	-	-	357	-	-	-	678
Other assets	-	-	2,527	-	-	-	-	2,527
Total financial assets	25,822	1,033	96,065	22,451	132	-	-	145,503
Other asset items outside the scope of FRS 39								10,885
Total assets								156,388
LIABILITIES								
Due to banks	-	-	6,758	-	-	-	-	6,758
Due to non-bank customers	-	-	89,947	-	-	-	-	89,947
Financial liabilities at fair value through profit or loss	12,583	1,772	-	-	-	-	-	14,355
Negative replacement values	7,986	-	-	-	79	-	-	8,065
Bills payable	-	-	472	-	-	-	-	472
Other liabilities	-	-	3,711	-	-	-	-	3,711
Other debt securities in issue	-	-	2,065	-	-	-	-	2,065
Due to holding company	-	-	201	-	-	-	-	201
Due to subsidiaries	-	-	4,537	-	-	-	-	4,537
Subordinated term debts	-	-	6,348	-	-	-	-	6,348
Total financial liabilities	20,569	1,772	114,039	-	79	-	-	136,459
Other liability items outside the scope of FRS 39								723
Total liabilities								137,182

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In \$ millions	Bank 2005						Total
	Held for trading	Designated at fair value through profit or loss	Loans and receivables / amortised cost	Available-for-sale	Fair value hedging instruments	Cash flow hedging instruments	
ASSETS							
Cash and balances with central banks	-	-	4,791	-	-	-	4,791
Singapore Government securities and treasury bills	4,223	32	-	5,588	-	-	9,843
Due from banks ^(a)	-	-	15,975	114	-	-	16,089
Financial assets at fair value through profit or loss ^(a)	16,284	1,363	-	-	-	-	17,647
Positive replacement values	8,909	-	-	-	269	28	9,206
Loans and advances to customers ^(a)	-	-	52,702	-	-	-	52,702
Financial investments	-	-	1,864	14,132	-	-	15,996
Securities pledged	413	-	-	20	-	-	433
Other assets	-	-	3,557	-	-	-	3,557
Total financial assets	29,829	1,395	78,889	19,854	269	28	130,264
Other asset items outside the scope of FRS 39							12,159
Total assets							142,423
LIABILITIES							
Due to banks ^(a)	-	-	8,026	-	-	-	8,026
Due to non-bank customers ^(a)	-	-	78,826	-	-	-	78,826
Financial liabilities at fair value through profit or loss ^(a)	14,955	109	-	-	-	-	15,064
Negative replacement values	8,496	-	-	-	150	-	8,646
Bills payable	-	-	351	-	-	-	351
Other liabilities ^(a)	-	-	4,161	-	-	-	4,161
Other debt securities in issue ^(a)	-	-	1,121	-	-	-	1,121
Due to holding company	-	-	59	-	-	-	59
Due to subsidiaries	-	-	2,934	-	-	-	2,934
Due to related companies	-	-	5	-	-	-	5
Subordinated term debts	-	-	4,930	-	-	-	4,930
Total financial liabilities	23,451	109	100,413	-	150	-	124,123
Other liability items outside the scope of FRS 39							499
Total liabilities							124,622

(a) Assets and Liabilities in the Bank's 2005 Balance Sheet have been re-grouped by investment intention to enhance readability and to provide more relevant and useful information to investors. This presentation does not have any impact on the income statement and retained earnings of the Bank

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16 Cash and Balances with Central Banks

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Cash on hand	988	802	915	721
Balances with central banks				
- Restricted balances	2,556	2,461	2,432	2,382
- Non-restricted balances	8,302	1,723	8,272	1,688
Total	11,846	4,986	11,619	4,791

17 Singapore Government Securities and Treasury Bills

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Fair value through profit or loss				
- Trading	3,319	4,223	3,319	4,223
- Fair value designated	-	35	-	32
Available-for-sale	9,524	5,588	9,524	5,588
Total	12,843	9,846	12,843	9,843
Market value	12,843	9,846	12,843	9,843

18 Financial Assets at Fair Value through Profit or Loss

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Trading				
Other government securities and treasury bills	2,509	2,625	1,981	2,416
Corporate debt securities	8,606	9,725	8,620	9,743
Equity securities	790	719	789	719
Loans and advances to customers	1,153	1,719	1,153	1,719
Other financial assets	1,242	1,687	1,242	1,687
Sub-total	14,300	16,475	13,785	16,284
Fair value designated				
Corporate debt securities	1,868	1,920	890	1,295
Loans and advances to customers	328	107	143	68
Sub-total	2,196	2,027	1,033	1,363
Total	16,496	18,502	14,818	17,647
Analysed by industry				
Manufacturing	918	786	918	785
Building and construction	129	180	129	178
General commerce	111	223	111	223
Transportation, storage and communications	641	982	641	982
Financial institutions, investment and holding companies	8,849	11,139	8,680	10,750
Governments	2,509	2,625	1,981	2,416
Others	3,339	2,567	2,358	2,313
Total	16,496	18,502	14,818	17,647

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In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Fair value designated loans & advances and related credit derivatives/enhancements				
Maximum credit exposure	343	119	147	74
Credit derivatives/enhancements – protection bought	(343)	(119)	(147)	(74)
Cumulative change in fair value arising from changes in credit risk	318	104	139	67
Cumulative change in fair value of related credit derivatives/enhancements	(318)	(104)	(139)	(67)

Changes in fair value arising from changes in credit risks are determined as the amount of change in their fair value that is not attributable to changes in market conditions that give rise to market risk. Changes in market conditions that give rise to market risk include changes in a benchmark interest rate, foreign exchange rate or index of prices or rates.

The movement in changes in fair value attributable to credit risk is as follows:

Fair value designated loans and advances

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Balance at 1 January	104	148	67	148
New deals	238	56	74	14
Amount recognised in income statement	1	(20)	1	(15)
Matured deals	(25)	(80)	(3)	(80)
Balance at 31 December	318	104	139	67

Credit derivatives/enhancements

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Balance at 1 January	(104)	(148)	(67)	(148)
New deals	(238)	(56)	(74)	(14)
Amount recognised in income statement	(1)	20	(1)	15
Matured deals	25	80	3	80
Balance at 31 December	(318)	(104)	(139)	(67)

19 Loans and Advances to Customers

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Gross	86,599	79,123	61,538	53,776
Less: Specific allowances	564	636	399	467
General allowances	886	851	669	607
Net total	85,149	77,636	60,470	52,702
Comprising:				
Bills receivable	2,926	2,606	2,658	2,362
Loans	82,223	75,030	57,812	50,340
Net total	85,149	77,636	60,470	52,702
Analysed by industry				
Manufacturing	10,854	8,523	7,866	5,815
Building and construction	10,883	8,956	7,970	6,092
Housing loans	25,043	25,005	17,001	16,179
General commerce	8,930	8,639	3,995	3,906
Transportation, storage and communications	7,709	6,878	5,642	4,754
Financial institutions, investment and holding companies	8,521	8,001	8,243	7,572
Professionals and private individuals (except housing loans)	7,948	7,183	5,273	4,799
Others	6,711	5,938	5,548	4,659
Gross total	86,599	79,123	61,538	53,776

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In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Analysed by products				
Long-term loans	36,188	28,693	26,466	19,338
Short-term facilities	19,117	19,254	13,434	13,829
Overdrafts	3,262	3,482	1,919	1,987
Housing loans	25,043	25,005	17,001	16,179
Trade financing	2,989	2,689	2,718	2,443
Gross total	86,599	79,123	61,538	53,776
Analysed by currency and fixed/ variable rates				
Fixed rate ^(a)				
Singapore dollar	7,941	7,171	7,941	7,164
Hong Kong dollar	633	409	12	2
US dollar	229	208	220	194
Others	820	428	511	107
Sub-total	9,623	8,216	8,684	7,467
Variable rate ^(b)				
Singapore dollar	27,671	26,322	27,659	26,309
Hong Kong dollar	24,309	24,312	4,364	3,115
US dollar	15,068	14,912	12,650	12,609
Others	9,928	5,361	8,181	4,276
Sub-total	76,976	70,907	52,854	46,309
Gross total	86,599	79,123	61,538	53,776

(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 allowances during the year were as follows:

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Specific allowances				
Balance at 1 January	636	557	467	390
Charge to income statement	159	196	78	129
Write-off during the year	(216)	(112)	(145)	(38)
Exchange and other movements	(15)	(5)	(1)	(14)
Balance at 31 December	564	636	399	467
General allowances				
Balance at 1 January	851	805	607	575
Charge to income statement	69	41	69	32
Exchange and other movements	(34)	5	(7)	-
Balance at 31 December	886	851	669	607

20 Non-Performing Assets

The Bank Group classifies its credit facilities in accordance with MAS Notice to Banks No. 612, "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore ("MAS"). These guidelines require the Bank Group to categorise its credit portfolios according to its assessment of a borrower's ability to repay a loan from his normal sources of income. There are five categories of loans as follows:

Performing

- 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, loans

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

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

In \$ millions	Bank Group		Bank	
	NPAs	Specific allowances	NPAs	Specific allowances
2006				
Substandard	939	82	681	55
Doubtful	243	216	131	114
Loss	351	351	296	296
Total	1,533	649	1,108	465
2005				
Substandard	1,220	156	905	121
Doubtful	276	244	205	177
Loss	369	369	282	282
Total	1,865	769	1,392	580

Non-performing assets by industry

In \$ millions	Bank Group		Bank	
	NPAs	Specific allowances	NPAs	Specific allowances
2006				
Customer loans				
Manufacturing	314	170	239	134
Building and construction	107	50	71	37
Housing loans	224	56	144	50
General commerce	336	146	232	96
Transportation, storage and communications	25	12	20	10
Financial institutions, investment and holding companies	173	47	172	46
Professional and private individuals (except housing loans)	142	65	80	28
Others	139	79	79	41
Sub-total ^(a)	1,460	625	1,037	442
Debt securities	36	15	36	15
Contingent items	37	9	35	8
Total	1,533	649	1,108	465

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In \$ millions	Bank Group		Bank	
	NPAs	Specific allowances	NPAs	Specific allowances
2005				
Customer loans				
Manufacturing	434	225	338	176
Building and construction	103	37	68	29
Housing loans	256	66	168	57
General commerce	367	150	259	111
Transportation, storage and communications	30	13	25	11
Financial institutions, investment and holding companies	164	47	163	46
Professional and private individuals (except housing loans)	204	84	131	41
Others	133	71	75	36
Sub-total ^(a)	1,691	693	1,227	507
Debt securities	130	57	130	58
Contingent items	44	19	35	15
Total	1,865	769	1,392	580

(a) NPAs and specific allowances for customer loans each included interest receivables of \$53 million (2005: \$57 million) and \$52 million (2005: \$42 million) for the Bank Group and Bank respectively

Non-performing assets by region

In \$ millions	Bank Group		Bank	
	NPAs	Specific allowances	NPAs	Specific allowances
2006				
Singapore	840	366	838	364
Hong Kong	363	151	-	-
Rest of Greater China	68	20	57	18
South and Southeast Asia	156	77	114	52
Rest of the World	106	35	99	31
Total	1,533	649	1,108	465
2005				
Singapore	999	441	997	439
Hong Kong	402	140	2	1
Rest of Greater China	91	36	63	17
South and Southeast Asia	181	85	145	58
Rest of the World	192	67	185	65
Total	1,865	769	1,392	580

Non-performing assets by overdue period

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Not overdue	413	697	335	607
< 90 days overdue	332	353	233	236
91-180 days overdue	128	157	70	73
> 180 days overdue	660	658	470	476
Total	1,533	1,865	1,108	1,392

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Restructured non-performing assets

Loans are classified as restructured loans when the Bank Group 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 the 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 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	Bank Group		Bank	
	NPAs	Specific allowances	NPAs	Specific allowances
2006				
Substandard	218	29	163	13
Doubtful	66	48	63	45
Loss	42	42	35	35
Total	326	119	261	93
2005				
Substandard	429	85	425	84
Doubtful	26	27	23	24
Loss	41	41	30	30
Total	496	153	478	138

21 Financial Investments

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Available-for-sale				
Quoted other government securities and treasury bills	2,858	4,133	2,723	3,928
Quoted corporate debt securities	15,343	15,643	7,641	8,750
Quoted equity securities	1,996	1,262	1,956	1,239
Unquoted equity securities	298	358	292	330
Less: Impairment allowances ^(a)	164	158	113	115
Available-for-sale financial investments	20,331	21,238	12,499	14,132
Loans and receivables				
Corporate debt securities	1,957	1,928	1,957	1,928
Less: Impairment allowances	27	64	27	64
Loans and receivables financial investments	1,930	1,864	1,930	1,864
Total	22,261	23,102	14,429	15,996
Market value of quoted securities	22,137	22,927	14,259	15,806
Analysed by industry				
Manufacturing	545	932	545	921
Building and construction	1,019	1,070	1,019	1,014
General commerce	121	255	15	19
Transport, storage and communications	830	1,184	779	1,117
Financial institutions, investment and holding companies	13,521	12,938	6,521	6,321
Governments	2,858	4,133	2,723	3,928
Others	3,367	2,590	2,827	2,676
Total carrying value	22,261	23,102	14,429	15,996

(a) Comprised impairment allowances on unquoted equities and general allowances for credit related exposures

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Movements in impairment allowances during the year were as follows:

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Balance at 1 January	222	341	179	209
On adoption of FRS 39 at 1 January 2005	-	(110)	-	(25)
(Write-back)/charge to income statement	(32)	3	(37)	5
Write-off during the year	(10)	(10)	(8)	(10)
Exchange and other movements	11	(2)	6	-
Balance at 31 December	191	222	140	179

22 Securities Pledged

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Securities pledged				
Singapore Government securities and treasury bills	317	20	317	20
Other government securities and treasury bills	2,549	2,360	361	413
Total securities pledged ^(a)	2,866	2,380	678	433
Related liabilities	2,451	2,178	678	433

(a) Included financial assets at fair value through profit or loss of \$1,483 million (2005: \$1,397 million) for the Bank Group, and \$322 million (2005: \$413 million) for the Bank

23 Subsidiaries

In \$ millions	Bank	
	2006	2005
Unquoted equity shares, at cost	10,125	11,344
Impairment allowances	(821)	(873)
Due from subsidiaries	486	595
Total	9,790	11,066

Movements in impairment allowances during the year were as follows:

In \$ millions	Bank	
	2006	2005
Balance at 1 January	(873)	(141)
Charge/(write-back) to income statement	52	(732)
Balance at 31 December	(821)	(873)

Refer to Note 50 for details of significant subsidiaries.

24 Joint Ventures

In \$ millions	Bank	
	2006	2005
Quoted investments in joint ventures at cost	74	-
Unquoted investments in joint ventures at cost	1	-
Net book value	75	-

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

In \$ millions	Bank Group	
	2006	2005
Income statement		
Share of income	43	29
Share of expenses	(37)	(22)
Balance sheet		
Share of total assets	540	142
Share of total liabilities	463	108

Refer to Note 50 for details of significant joint ventures.

On 4 January 2006, the Bank purchased 17.5% shareholdings of Cholamandalam DBS Finance Limited (formerly known as Cholamandalam Investments and Finance Company Limited) from Tube Investments of India Ltd ("TI") for a consideration of \$37 million, bringing DBS's total shareholdings to 37.5%, with the Bank and TI being equal shareholders sharing joint control.

25 Investments in Associates

In \$ millions	Bank	
	2006	2005
Quoted investments in associates at cost	1,199	1,236
Unquoted investments in associates at cost	46	73
Impairment allowances	(678)	(678)
Net book value	567	631
Market value – quoted associates	1,083	813

In \$ millions	Bank Group	
	2006	2005
Unquoted		
Cost	57	84
Impairment allowances	(28)	(28)
Share of post acquisition reserves	52	34
Sub-total	81	90
Quoted		
Cost	1,275	1,312
Goodwill written off	(837)	(837)
Net exchange translation adjustments	(46)	(45)
Share of post acquisition reserves	130	65
Sub-total	522	495
Total	603	585
Market value – quoted associates	1,160	864

The Bank Group's share of income and expenses, and assets and liabilities of associates at 31 December were as follows:

In \$ millions	Bank Group	
	2006	2005
Income statement		
Share of income	368	327
Share of expenses	(301)	(273)
Balance sheet		
Share of total assets	4,133	3,912
Share of total liabilities	3,563	3,327

Refer to Note 50 for details of significant associates.

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26 Goodwill on Consolidation

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

In \$ millions	Bank Group	
	2006	2005
Balance at 1 January	5,803	6,931
Impairment charge	-	(1,128)
Acquisition of a subsidiary and a joint venture	39	-
Exchange differences	(2)	-
Balance at 31 December	5,840	5,803

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

In \$ millions	As at 31 December	
	2006	2005
DBS Bank (Hong Kong) Limited	5,649	5,649
DBS Vickers Securities Holdings Pte Ltd	154	154
Cholamandalam DBS Finance Limited (formerly known as Cholamandalam Investments and Finance Company Limited)	31	-
Primefield Company Pte Ltd	6	-
Total	5,840	5,803

Key assumptions used for value-in-use calculations:

	DBS Bank (Hong Kong) Limited	DBS Vickers Securities Holdings Pte Ltd
Growth rate	4.5%	4.0%
Discount rate	9.5%	9.0%

The recoverable amounts are determined based on a value-in-use calculation. These calculations use cash flow projections based on financial budgets and forecasts approved by senior management covering a five-year period, taking into account projected regulatory capital requirements. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated above. The growth rates do not exceed the long-term average growth rate for the market in which the businesses operate.

For the year ended 31 December 2006, no impairment charge was required for goodwill arising from the acquisition of subsidiaries and joint ventures. Management believes that any reasonably possible change to the key assumptions applied is not likely to cause the recoverable amounts to be lower than the carrying amounts.

For the year ended 31 December 2005, an impairment charge of \$1,128 million has been recorded in 'Goodwill charges' in the income statement. This is attributed to goodwill arising from acquisition of DBS Bank (Hong Kong) Limited.

27 Properties and Other Fixed Assets

In \$ millions	Bank Group			Bank		
	Total properties	Other assets ^(a)	Total	Total properties	Other assets ^(a)	Total
2006						
<u>Cost</u>						
Balance at 1 January	1,790	628	2,418	250	509	759
Additions	29	210	239	3	109	112
Disposals	(337)	(121)	(458)	(6)	(72)	(78)
Exchange differences	(78)	(17)	(95)	-	-	-
Balance at 31 December	1,404	700	2,104	247	546	793
<u>Less: Accumulated depreciation</u>						
Balance at 1 January	164	280	444	51	255	306
Depreciation charge	32	98	130	7	68	75
Disposals	(57)	(79)	(136)	(2)	(55)	(57)
Exchange differences	(6)	(3)	(9)	-	-	-
Balance at 31 December	133	296	429	56	268	324
<u>Less: Allowances for impairment</u>						
Balance at 31 December	194	-	194	16	-	16
Net book value, 31 December	1,077	404	1,481	175	278	453
Market value, 31 December	1,468	-	-	199	-	-

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In \$ millions	Bank Group			Bank		
	Total properties	Other assets ^(a)	Total	Total properties	Other assets ^(a)	Total
2005						
<u>Cost</u>						
Balance at 1 January	2,182	461	2,643	626	385	1,011
Additions	28	197	225	20	135	155
Disposals	(440)	(34)	(474)	(395)	(11)	(406)
Exchange differences	20	4	24	-	-	-
Balance at 31 December	1,790	628	2,418	251	509	760
<u>Less: Accumulated depreciation</u>						
Balance at 1 January	279	211	490	185	194	379
Depreciation charge	52	96	148	20	69	89
Disposals	(170)	(29)	(199)	(153)	(8)	(161)
Exchange differences	3	2	5	-	-	-
Balance at 31 December	164	280	444	52	255	307
Less: Allowances for impairment	312	-	312	18	-	18
Net book value, 31 December	1,314	348	1,662	181	254	435
Market value, 31 December	1,730	-	-	203	-	-

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

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

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Balance at 1 January	312	355	18	18
Write-back to income statement	(71)	(46)	(3)	-
Disposals	(39)	-	-	-
Exchange and other movements	(8)	3	1	-
Balance at 31 December	194	312	16	18

27.1 The net book value of PWC Building, being a property held for the purpose of generating rental income, was \$390 million as at 31 December 2006 (2005: \$347 million). Its fair value was independently appraised at \$390 million (2005: \$347 million).

27.2 On 7 December 2006, Tampines Assets Limited, a special purpose entity consolidated in the Bank Group financials, sold its DBS Tampines Centre for a cash consideration of \$212 million, and the building was derecognised on the balance sheet as at that date. A gain of \$50 million, being the excess of the sales

proceeds over the net book value and after deducting related expenses and amounts attributable to senior note holders, was recognised in the income statement.

27.3 On 18 May 2006, DBS Bank (Hong Kong) Limited sold its office premises in Hong Kong for a cash consideration of HK\$655 million (S\$126 million), and the premises were derecognized on the balance sheet as at that date. A net gain of HK\$267 million (S\$54 million) being the excess of the sales proceeds over the net book value and after deducting related expenses, was recognised in the income statement.

28 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, were shown in the balance sheet:

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Deferred tax assets	20	51	-	27
Deferred tax liabilities	(137)	(58)	(80)	#
Total	(117)	(7)	(80)	27

Amount under \$500,000

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The movement in deferred tax is as follows:

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Balance at 1 January	(7)	40	27	94
On adoption of FRS 39 at 1 January 2005	-	(49)	-	(50)
(Charge)/credit to income statement	(66)	13	(63)	6
Charge to equity	(44)	(11)	(44)	(23)
Balance at 31 December	(117)	(7)	(80)	27

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

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Deferred income tax assets				
Allowances for loan losses	78	153	42	110
Other temporary differences	30	28	22	19
	108	181	64	129
Deferred income tax liabilities				
Accelerated tax depreciation	(121)	(126)	(27)	(29)
Available-for-sale investments/cash flow hedge	(104)	(61)	(117)	(73)
Other temporary differences	-	(1)	-	-
	(225)	(188)	(144)	(102)
Total	(117)	(7)	(80)	27

29 Other Assets

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Accrued interest receivable	1,136	935	866	708
Deposits and prepayments	298	316	342	346
Clients' monies receivable from securities business	885	401	-	-
Sundry debtors and others	2,271	3,195	1,319	2,503
Total	4,590	4,847	2,527	3,557

30 Due to Non-Bank Customers

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Analysed by currency				
Singapore dollar	65,927	59,181	65,773	59,062
US dollar	21,374	21,078	13,256	12,696
Hong Kong dollar	21,698	15,812	1,340	866
Others	13,093	10,360	9,578	6,202
Total	122,092	106,431	89,947	78,826
Analysed by product				
Savings accounts	47,491	45,409	40,904	39,591
Current accounts	14,109	14,004	11,920	12,039
Fixed deposits	57,707	44,564	35,259	25,362
Other deposits	2,785	2,454	1,864	1,834
Total	122,092	106,431	89,947	78,826

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31 Financial liabilities at fair value through profit or loss

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Trading				
Other debt securities in issue (Note 31.1)	2,951	3,409	2,951	3,409
Due to non-bank customers				
– structured investments	6,436	6,097	6,436	6,097
– others	270	432	270	432
Payable in respect of short sale of debt securities	3,564	6,799	2,252	5,008
Other financial liabilities	674	9	674	9
Sub-total	13,895	16,746	12,583	14,955
Fair value designated^(a)				
Due to non-bank customers				
– structured investments	2,575	3,924	32	-
Other debt securities in issue (Note 31.2)	3,238	2,153	1,740	109
Sub-total	5,813	6,077	1,772	109
Total	19,708	22,823	14,355	15,064

(a) 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. At 31 December 2006, unrealised gain for the fair value designated liabilities amount to \$177 million (2005: \$249 million) for the Bank Group and \$7 million (2005: \$6 million) for the Bank

31.1 Other debt securities in issue (Trading)

Details of other debt securities issued and outstanding at 31 December 2006 were as follows:

In \$ millions	Type	Issue Date	Maturity Date	Bank Group		Bank	
				2006	2005	2006	2005
	Equity linked notes	19 May 2003 to 29 Dec 2006	2 Jan 2007 to 21 Mar 2014	723	806	723	806
	Credit linked notes	15 Nov 2001 to 21 Nov 2006	13 Jan 2007 to 20 Jun 2016	1,528	1,932	1,528	1,932
	Interest linked notes	23 Jan 2002 to 19 Dec 2006	6 Jan 2007 to 3 Dec 2019	643	585	643	585
	Exchange linked notes	6 May 2005 to 18 Dec 2006	2 Jan 2007 to 21 Dec 2007	57	86	57	86
	Total			2,951	3,409	2,951	3,409
	Due within 1 year			863	827	863	827
	Due after 1 year			2,088	2,582	2,088	2,582
	Total			2,951	3,409	2,951	3,409

31.2 Other debt securities in issue (Fair value designated)

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Negotiable certificate of deposits	149	1,010	-	-
Other debt securities	3,089	1,143	1,740	109
Total	3,238	2,153	1,740	109
Due within 1 year	1,605	453	1,558	23
Due after 1 year	1,633	1,700	182	86
Total	3,238	2,153	1,740	109

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Details of negotiable certificate of deposits issued and outstanding at 31 December 2006 were as follows:

In \$ millions		Issue Date	Maturity Date	Bank Group		Bank	
				2006	2005	2006	2005
Face Value	Interest Rate and Repayment Terms						
HK\$671m	3-mth HIBOR* -0.1% to +0.01%, payable quarterly	3 Feb 2004 to 31 May 2005	26 Feb 2007 to 6 Apr 2010	133	168	-	-
US\$10m	3-mth LIBOR**, payable quarterly	30 Mar 2005 to 31 May 2005	29 Oct 2007 to 7 Apr 2008	16	23	-	-
HK\$1,150m	Fixed rate, payable quarterly	-	-	-	244	-	-
HK\$50m	Fixed rate, payable half-yearly	-	-	-	11	-	-
HK\$2,680m	Fixed rate, payable yearly	-	-	-	564	-	-
Total				149	1,010	-	-

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

Details of other debt securities issued and outstanding at 31 December 2006 were as follows:

In \$ millions	Type	Issue Date	Maturity Date	Bank Group		Bank	
				2006	2005	2006	2005
	Credit linked notes	9 Oct 2003 to 18 Dec 2006	17 Jan 2007 to 22 Nov 2013	1,742	1,048	474	109
	Equity linked notes	21 Mar 2005 to 10 Nov 2006	10 Nov 2009 to 10 Nov 2011	50	30	-	-
	Exchange linked notes	29 Dec 2006	17 Jan 2007	3	-	3	-
	Stapled notes with non-voting redeemable preference shares and fixed rate notes (Note (a))	13 Sep 2006 to 13 Dec 2006	15 Nov 2007 to 30 Dec 2007	1,263	-	1,263	-
	Secured asset-backed medium term notes (Note (b))	30 Nov 2001	25 Apr 2008	31	65	-	-
Total				3,089	1,143	1,740	109

(a) The notes issued by the Bank consist of non-voting redeemable preference shares and fixed rate notes which are issued and stapled together. The payments at maturity can be either dividends and nominal interest, or full interest on issue value of the stapled securities. The non-voting redeemable preference shares are classified as liabilities instead of shareholders' equity in accordance with the substance of the transaction.

(b) The notes issued by New Heights Investment Limited would be redeemed at a fixed interest rate on the maturity provided that there is no occurrence of a credit event. If there is an occurrence of a credit event, the issuer of the note will deliver bonds or loans or their market value in cash terms to the holder of the notes. The notes are secured on deposits equivalent to the issue price, a series of credit default swaps whereby the issuer sells credit protection, and cross currency swaps.

32 Other Liabilities

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Sundry creditors	2,905	2,989	1,709	2,305
Cash collaterals received in respect of valuation shortfalls on derivative portfolios	539	460	539	460
Interest payable	593	421	447	310
Valuation reserves	195	181	195	180
Loss allowances for off-balance sheet credit exposures	126	95	125	95
Other payables	2,311	1,323	696	811
Total	6,669	5,469	3,711	4,161

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

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Balance at 1 January	95	126	95	126
Charge/ (write-back) to income statement	31	(31)	30	(31)
Balance at 31 December	126	95	125	95

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33 Other Debt Securities in Issue

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Negotiable certificate of deposits	536	522	42	187
Other debt securities	3,414	1,918	2,023	934
Total	3,950	2,440	2,065	1,121
Due within 1 year	3,682	1,410	2,065	187
Due after 1 year	268	1,030	-	934
Total	3,950	2,440	2,065	1,121

Details of negotiable certificate of deposits issued and outstanding at 31 December 2006 were as follows:

In \$ millions	Face Value	Interest Rate and Repayment Terms	Issue Date	Maturity Date	Bank Group		Bank	
					2006	2005	2006	2006
TWD900m		1.705%, payable on maturity	9 Nov 2006	9 Jan 2007	42	187	42	187
HK\$750m		2.13% to 8.34%, payable quarterly	10 May 2000 to 16 Feb 2005	5 Jan 2007 to 23 Feb 2008	147	113	-	-
HK\$1,343m		2.175% to 4.12%, payable yearly	6 Sep 2004 to 10 May 2006	16 May 2007 to 9 Mar 2009	261	22	-	-
HK\$436m		3-mth HIBOR* +0.01% to +0.07%, payable quarterly	30 Nov 2004 to 31 May 2005	7 Jun 2007 to 7 Dec 2007	86	200	-	-
Total					536	522	42	187

* HIBOR: Hong Kong Interbank Offer Rate

Details of other debt securities issued and outstanding at 31 December 2006 were as follows:

In \$ millions	Type	Issue Date	Maturity Date	Bank Group		Bank	
				2006	2005	2006	2005
	Stapled notes with non-voting redeemable Preference (Note (a))	20 Dec 2005 to 13 Dec 2006	15 Nov 2007 to 30 Dec 2007	2,023	934	2,023	934
	Equity linked notes	28 Nov 2006 to 13 Dec 2006	3 Jan 2007 to 19 Jan 2007	2	-	-	-
	Collateralised floating rate notes (Note (b))	-	-	-	66	-	-
	Senior secured bonds (Note (c))	-	-	-	108	-	-
	Asset-backed short term notes (AUD 654 million at 6.24% to 6.38% payable at maturity and \$349 million at 3.38% to 3.44% payable at maturity) (Note (d))	10 Oct 2006 to 29 Dec 2006	3 Jan 2007 to 21 Mar 2007	1,141	810	-	-
	Redeemable non-convertible debentures (Note (e))						
	- Fixed rate at 7.2% to 9.35%	15 Dec 2005 to 12 Dec 2006	6 Sep 2007 to 31 May 2012	73	-	-	-
	- Floating rate at INBMK* +0.25% to +1.3%	3 Mar 2005 to 31 Jul 2006	3 Mar 2008 to 31 Jul 2009	36	-	-	-
	- Floating rate at MIBOR** -0.1% to +2.18%	27 Dec 2004 to 29 Dec 2006	23 Feb 2007 to 31 Jul 2009	87	-	-	-
	Commercial paper (INR 1.5 billion discounted at 7.39% to 8.2%)	1 Sep 2006 to 30 Nov 2006	28 Feb 2007 to 17 Apr 2007	52	-	-	-
Total				3,414	1,918	2,023	934

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

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(a) The notes issued by the Bank consist of non-voting redeemable preference shares and fixed rate notes which are issued and stapled together. The payments at maturity can be either dividends and nominal interest, or full interest on issue value of the stapled securities. The non-voting redeemable preference shares are classified as liabilities instead of shareholders' equity in accordance with the substance of the transaction.

(b) The notes issued by DBS China Square Ltd, a subsidiary of The Bank, were fully redeemed on 30 November 2006.

(c) The bonds were issued by Tampines Assets Limited, a special purpose entity, in connection with the securitization of Tampines Centre. These bonds were fully redeemed on 7 December 2006.

(d) The notes were issued by Red Orchid Secured Assets Limited. The short-dated notes are secured by a debenture creating a first fixed and floating charge over property, assets, rights and undertakings of the issuer.

(e) The notes were issued by Cholamandalam DBS Finance Limited, a joint venture. The medium-term debentures amounting to INR 1.7 billion are secured on a pari passu by way of specific charge on assets under hypothecation, hire-purchase assets and immovable property.

34 Due to Subsidiaries

In \$ millions	Bank	
	2006	2005
Subordinated term debts	1,236	1,352
Amounts due to subsidiaries	3,301	1,582
Total	4,537	2,934

The subordinated term debts were issued by the Bank to DBS Capital Funding Corporation, both wholly-owned subsidiaries of DBSH, on 21 March 2001 and mature on 15 March 2051. The notes comprised Series A Subordinated Note of US\$725 million and Series B Subordinated Note of S\$100 million. Interest is payable in arrears on 15 March and 15 September each year at a fixed rate of 7.657% per annum (Series A) and 5.35%

per annum (Series B), up to 15 March 2011. Thereafter, interest is payable quarterly in arrears on 15 March, 15 June, 15 September and 15 December each year at a floating rate of three-month London Interbank Offer Rate ("LIBOR") + 3.2% per annum (Series A) and three-month Singapore Swap Offer Rate + 2.52% per annum (Series B).

35 Subordinated Term Debts

Subordinated term debts issued by subsidiaries of the Bank Group are classified as liabilities in accordance with FRS 32. Certain of these instruments qualify as Tier 2 capital for capital adequacy purposes. These subordinated term debts are junior long-term debts that have a lower priority claim on the Bank Group's assets in the case of a default or liquidation.

In \$ millions	Face Value	Issue Date	Maturity Date	Bank Group		Bank	
				2006	2005	2006	2005
Issued by The Bank							
US\$750m	7 7/8% Subordinated Notes (Note 35.1)	10 Aug 1999	10 Aug 2009	1,204	1,333	1,204	1,333
US\$500m	7 7/8% Subordinated Notes (Note 35.2)	15 Apr 2000	15 Apr 2010	808	898	808	898
US\$850m	7 1/8% Subordinated Notes (Note 35.3)	15 May 2001	15 May 2011	1,341	1,480	1,341	1,480
US\$750m	5.00% Subordinated Notes callable with step-up in 2014 (Note 35.4)	1 Oct 2004	15 Nov 2019	1,116	1,219	1,116	1,219
US\$900m	Floating Rate Subordinated Notes callable with step-up in 2016 (Note 35.5)	16 Jun 2006	15 Jul 2021	1,379	-	1,379	-
S\$500m	4.47% Subordinated Notes callable with step-up in 2016 (Note 35.6)	11 Jul 2006	15 Jul 2021	500	-	500	-
Issued by other subsidiaries							
US\$262m	7.75% Fixed Rate Subordinated Notes (Note 35.7)	24 Jan 1997	24 Jan 2007	401	435	-	-
Total				6,749	5,365	6,348	4,930
Due within 1 year				401	-	-	-
Due after 1 year				6,348	5,365	6,348	4,930
Total				6,749	5,365	6,348	4,930

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

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

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

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

35.5 Interest is payable quarterly on 15 January, 15 April, 15 July and 15 October commencing 15 October 2006. Interest on the notes will be paid initially at three-month LIBOR plus 0.61%. If the notes are not called at the tenth year, the interest rate steps up and will be set at three-month LIBOR plus 1.61% on the call date. In computing the Group's capital adequacy ratio, these notes qualify as Tier 2 capital.

35.6 Interest is payable semi-annually on 15 January and 15 July commencing 15 January 2007. If the notes are not called at the tenth year, the interest rate steps up and will be reset at a floating rate per annum equal to six-month Singapore swap offer rate plus 1.58% on the call date. In computing the Group's capital adequacy ratio, these notes qualify as Tier 2 capital.

35.7 Interest is payable semi-annually on 24 January and 24 July, commencing 24 July 1997.

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36 Share Capital, Share Premium and Treasury Shares

Share Capital	Bank
In \$ millions	2005
<u>Authorised</u>	
2,000,000,000 ordinary shares	2,000
600,000,000 non-redeemable convertible preference shares ("CPS")	1,200
300,000,000 non-voting convertible CPS	300
800,000,000 non-cumulative redeemable non-convertible perpetual preference shares and each with a a liquidation preference	#
17,500 non-cumulative redeemable non-convertible perpetual preference shares and each with a a liquidation preference	#
1,100,000,000 non-cumulative non-convertible perpetual preference shares and each with a a liquidation preference	11
	1,511

The Companies (Amendment) Act 2005 came into effect on 30 January 2006 whereby the concept of par value, authorised share capital and share premium were abolished. On 30 January 2006, the amount previously classified as share premium was transferred to share capital and became part of the company's share capital henceforth.

Share Capital	2006	2005
In \$ millions		
<u>Issued and fully paid-up</u>		
1,962,302,697 (2005 : 1,962,302,697) ordinary shares	1,962	1,962
11,000,000 (2005 : 11,000,000) non-cumulative non-convertible perpetual preference shares	#	#
Total Issued and Paid-up Share Capital	1,962	1,962
# Amount under \$500,000		

Movements in issued share capital and share premium were as follows:

In \$ millions	Issued share capital	Share premium
Balance at 1 January 2006	1,962	10,134
Effects of Companies (Amendment) Act 2005	10,134	(10,134)
Balance at 31 December 2006	12,096	-

There was no movement in issued share capital and share premium during the previous financial year.

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37 Other Reserves

37.1 Other reserves

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Available-for-sale revaluation reserves	414	111	482	212
Cash flow hedge reserves	-	23	-	23
General reserves	2,423	2,362	2,330	2,269
Capital reserves	(11)	(26)	296	136
Share option and share plan reserves	32	23	35	25
Total	2,858	2,493	3,143	2,665

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

In \$ millions	Bank Group					Total
	Available-for-sale revaluation reserves	Cash flow hedge reserves	General reserves ^(a)	Capital reserves ^(b)	Share option and share plan reserves	
Balance at 1 January 2006	111	23	2,362	(26)	23	2,493
Appropriation from income statement	-	-	61	-	-	61
Net exchange translation adjustments	-	-	-	(6)	-	(6)
Share of associates' capital reserves	-	-	-	21	-	21
Cost of share-based payments	-	-	-	-	15	15
Draw-down of reserves upon vesting of performance shares	-	-	-	-	(6)	(6)
Available-for-sale/cash flow hedge:						
- net valuation taken to equity	454	(29)	-	-	-	425
- transferred to income statement on sale	(101)	-	-	-	-	(101)
- tax on items taken directly to or transferred from equity	(50)	6	-	-	-	(44)
Balance at 31 December 2006	414	-	2,423	(11)	32	2,858
Balance at 1 January 2005						
- as previously reported	-	-	2,327	(41)	-	2,286
- effect of adoption of new or revised FRSs	-	-	-	-	8	8
Balance at 1 January as restated	-	-	2,327	(41)	8	2,294
On adoption of FRS 39 at 1 January 2005	292	-	-	-	-	292
Appropriation from income statement	-	-	35	-	-	35
Net exchange translation adjustments	-	-	-	7	-	7
Share of associates' capital reserves	-	-	-	8	-	8
Cost of share-based payments	-	-	-	-	23	23
Draw-down of reserves upon vesting of performance shares	-	-	-	-	(8)	(8)
Available-for-sale/cash flow hedge:						
- net valuation taken to equity	(87)	28	-	-	-	(59)
- transferred to income statement on sale	(88)	-	-	-	-	(88)
- tax on items taken directly to or transferred from equity	(6)	(5)	-	-	-	(11)
Balance at 31 December 2005	111	23	2,362	(26)	23	2,493

(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. This reserve is non-distributable unless approved by the relevant authorities

(b) The Capital reserves include net exchange translation adjustments arising from translation differences on net investments in foreign subsidiaries, joint ventures, associates and branches, and the related foreign currency borrowings designated as a hedge

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

In \$ millions	Bank					Total
	Available-for-sale revaluation reserves	Cash flow hedge reserves	General reserves ^(a)	Capital reserves ^(b)	Share option and share plan reserves	
Balance at 1 January 2006	212	23	2,269	136	25	2,665
Appropriation from income statement	-	-	61	-	-	61
Net exchange translation adjustments	-	-	-	160	-	160
Cost of share-based payments	-	-	-	-	15	15
Draw-down of reserves upon vesting of performance shares	-	-	-	-	(5)	(5)
Available-for-sale/cash flow hedge:						
- net valuation taken to equity	407	(29)	-	-	-	378
- transferred to income statement on sale	(87)	-	-	-	-	(87)
- tax on items taken directly to or transferred from equity	(50)	6	-	-	-	(44)
Balance at 31 December 2006	482	-	2,330	296	35	3,143
Balance at 1 January 2005						
- as previously reported	-	-	2,233	221	-	2,454
- effect of adoption of new or revised FRSs	-	-	-	-	8	8
Balance at 1 January as restated	-	-	2,233	221	8	2,462
On adoption of FRS 39 at 1 January 2005	297	-	-	-	-	297
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)
Available-for-sale/cash flow hedge:						
- 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 31 December 2005	212	23	2,269	136	25	2,665

(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. This reserve is non-distributable unless approved by the relevant authorities

(b) The Capital reserves include net exchange translation adjustments arising from translation differences on net investments in foreign subsidiaries, joint ventures, associates and branches, and the related foreign currency borrowings designated as a hedge

37.2 Revenue reserves

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Balance at 1 January				
- as previously reported	3,300	3,158	3,040	3,205
- effect of adoption of new or revised FRSs	-	25	-	(18)
Balance at 1 January as restated	3,300	3,183	3,040	3,187
On adoption of FRS 39 at 1 January 2005	-	(25)	-	(122)
Share of associates' reserves	18	-	-	-
Net profit attributable to shareholders	2,321	878	1,825	715
Transfer to general reserves	(61)	(35)	(61)	(36)
Amount available for distribution	5,578	4,001	4,804	3,744
Less: \$0.08 (2005 : \$0.10) tax exempt ordinary final dividends	153	188	154	189
\$0.32 (2005 : \$0.23) tax exempt ordinary interim dividends	627	461	630	462
6% preference dividends of net 20% (2005: 20%) tax paid	53	52	53	53
Balance at 31 December	4,745	3,300	3,967	3,040

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38 Minority Interests

In \$ millions	Bank Group	
	2006	2005
Preference shares issued by DBS Capital Funding Corporation (a)	1,196	1,298
Other subsidiaries	69	62
Total	1,265	1,360

(a) US\$725 million 7.657% non-cumulative guaranteed preference shares, Series A, each with a liquidation preference of US\$1,000 and \$100 million 5.35% non-cumulative guaranteed preference shares, Series B, each with a liquidation preference of \$10,000 were issued on 21 March 2001 by DBS Capital Funding Corporation, a subsidiary of the Bank. Dividends, when declared by the Board of Directors of DBS Capital Funding Corporation, are payable in arrears on 15 March and 15 September each year at a

fixed rate of 7.657% per annum (Series A) and 5.35% per annum (Series B), up to 15 March 2011. Thereafter, dividends are payable quarterly in arrears on 15 March, 15 June, 15 September and 15 December each year at a floating rate of three-month London Interbank Offer Rate ("LIBOR") + 3.2% per annum (Series A) and three-month Singapore Swap Offer Rate + 2.52% per annum (Series B). In computing the Group's capital adequacy ratio, these guaranteed preference shares qualify as Tier 1 capital.

39 Contingent Liabilities

The Bank Group conducts business involving guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

Guarantees and performance bonds are generally written by the Bank Group to support the performance of a customer to third parties. As the Bank Group will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amount.

Endorsements are residual liabilities of the Bank Group in respect of bills of exchange, which have been paid and subsequently rediscounted.

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Guarantees on account of customers	6,909	4,052	6,353	3,888
Endorsements and other obligations on account of customers				
- Letters of credit	4,495	4,217	3,850	3,235
- Others	708	412	619	178
Other contingent items	75	88	75	88
Total	12,187	8,769	10,897	7,389
Industry Breakdown				
Manufacturing	2,414	1,735	2,144	1,504
Building and construction	778	862	719	773
General commerce	2,576	2,920	2,088	2,468
Transportation, storage and communications	940	660	936	628
Financial institutions, investment and holding companies	3,227	1,016	3,127	915
Professionals and private individuals (except housing loans)	180			
		354	147	288
Others	2,072	1,222	1,736	813
Total	12,187	8,769	10,897	7,389

39.1 The Bank has existing outsourcing agreements for the provision of information technology and related support to the Bank Group's operations in Singapore, Hong Kong and China. There are various termination clauses in the agreements that could require the Bank Group to pay termination fees on early termination of the contract or part thereof. The termination fees are stipulated in the agreements and are determined based on the year when the agreements or part thereof are terminated.

39.2 Included in "Other contingent items" at 31 December 2006, is an amount of \$75 million (2005: \$85 million), representing the termination fee payable by the Bank should a distribution agreement be terminated prematurely prior to December 2011.

40 Commitments

Commitments at 31 December comprised the following:

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Loans and other facilities				
- Undrawn credit facilities	85,520	75,168	69,042	61,103
- Undisbursed commitments in debt securities and equities	88	103	88	103
Sub-total	85,608	75,271	69,130	61,206
Capital commitments	40	68	32	60
Operating lease commitments	417	465	335	388
Total	86,065	75,804	69,497	61,654
Undrawn commitments on loans and other facilities analysed by industry				
Manufacturing	11,630	9,775	10,396	8,559
Building and construction	4,825	3,369	3,688	2,897
Housing loans	2,571	1,915	2,537	1,835
General commerce	9,579	7,704	5,604	4,910
Transportation, storage and communications	5,372	5,509	5,277	5,441
Financial institutions, investment and holding companies	23,727	23,330	23,368	23,117
Professionals and private individuals (except housing loans)	15,218	13,892	6,555	5,588
Others	12,686	9,777	11,705	8,859
Total	85,608	75,271	69,130	61,206

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

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Not later than 1 year	109	107	72	76
Later than 1 year but not later than 5 years	220	231	175	186
Later than 5 years	88	127	88	126
Total	417	465	335	388

41 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 Group.

Interest rate contracts

Forward rate agreements give the buyer the ability to determine the underlying rate of interest for a specified period commencing on a specified future date (the settlement date). There is no exchange of principal and settlement is effected on the settlement date. The settlement amount is the difference between the contracted rate and the market rate prevailing on the settlement date.

Interest rate swaps involve the exchange of interest obligations with a counterparty for a specified period without exchanging the underlying (or notional) principal.

Interest rate futures are 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

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payments in one specified currency for interest payments in another specified currency for a specified period.

Currency options give the buyer, on payment of a premium, the right but not the obligation, to buy or sell specified amounts of currency at agreed rates of exchange on or before a specified future date.

Equity-related contracts

Equity options provide the buyer, on payment of a premium, the right but not the obligation, either to purchase or sell a specified stock or stock index at a specified price or level on or before a specified date.

Equity swaps involve the exchange of a set of payments whereby one of these payments is based on an equity-linked return while the other is typically based on interest reference rate.

Credit-related contracts

Credit default swaps involve the transfer of credit risk of a reference asset from the protection buyer to the protection seller. The protection buyer makes one or more payments to the seller in exchange for an undertaking by the seller to make a payment to the buyer upon a predefined credit event.

Commodity-related contracts

Commodity swaps are agreements between two parties to exchange cash flows which are dependent on the price of the underlying physical assets.

41.1 Trading derivatives

Most of the Bank Group's derivatives relate to sales and trading activities. Sale activities include the structuring and marketing of derivatives to customers to enable them to take, transfer, modify or reduce current or expected risks. Trading activities are entered into principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin.

Trading includes market making, positioning and arbitraging activities. Market making involves quoting bid and offer prices to other market participants with the intention of generating revenues based on spread and volume. Positioning involves managing market risk positions with the expectation of profiting from favourable movements in prices, rates or indices. Arbitraging involves identifying and profiting from price differentials of the same product in different markets or the same economic factor in different products.

41.2 Hedging derivatives

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

The Bank Group's fair value hedges consist principally of interest rate swaps used for managing interest rate gaps. Derivatives are also used by the Bank Group 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 value" or "Negative replacement value" respectively.

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

In \$ millions	2006			2005		
	Underlying notional	Year-end positive replacement values	Year-end negative replacement values	Underlying notional	Year-end positive replacement values	Year-end negative replacement values
Derivatives held for trading						
Interest rate derivatives						
Forward rate agreements bought	2,811	-	1	9,512	28	1
Forward rate agreements sold	3,648	1	-	10,515	1	26
Interest rate swaps	705,248	3,923	3,819	875,433	5,481	5,570
Financial futures bought	21,430	-	11	19,190	3	6
Financial futures sold	20,104	12	1	11,090	2	10
Interest rate options bought	5,858	48	-	6,063	74	-
Interest rate options sold	6,757	-	45	10,251	-	67
Interest rate futures options bought	2,956	-	-	2,930	-	-
Interest rate futures options sold	6,253	-	-	5,743	-	9
Interest rate caps/floors bought	14,101	108	-	19,659	230	1
Interest rate caps/floors sold	14,019	-	161	18,726	-	254
Sub-total	803,185	4,092	4,038	989,112	5,819	5,944
Foreign exchange ("FX") derivatives						
FX contracts	316,857	1,730	1,488	223,968	1,220	821
Currency swaps	51,598	946	774	35,694	686	510
Currency options bought	65,323	540	-	32,557	325	-
Currency options sold	64,567	-	535	28,218	-	379
Sub-total	498,345	3,216	2,797	320,437	2,231	1,710
Equity derivatives						
Equity options bought	3,801	248	-	3,407	179	2
Equity options sold	5,279	-	344	4,878	-	328
Equity swaps	1,849	45	81	811	-	20
Sub-total	10,929	293	425	9,096	179	350
Credit derivatives						
Credit default swaps	60,112	479	529	32,434	263	368
Sub-total	60,112	479	529	32,434	263	368
Commodity derivatives						
Commodity swaps	61	-	-	-	-	-
Sub-total	61	-	-	-	-	-
Total derivatives held for trading	1,372,632	8,080	7,789	1,351,079	8,492	8,372
Derivatives held for hedging						
Interest rate swaps held for fair value hedge	6,227	135	84	8,539	272	165
FX contracts held for fair value hedge	10	-	-	4	-	-
FX contracts held for hedge of net investment	47	-	-	39	-	-
Equity options held for cash flow hedge	-	-	-	274 ^(a)	28	-
Total derivatives held for hedging	6,284	135	84	8,856	300	165
Total derivatives	1,378,916^(b)	8,215	7,873	1,359,935^(b)	8,792	8,537
Positive/ negative replacement values		8,215	7,873		8,792	8,537

(a) The forecasted transaction occurred in 2006

(b) The contractual or underlying principal amounts of derivative financial instruments of bank and non-bank counterparties amounted to \$1,170 billion (2005: \$1,150 billion) and \$209 billion (2005: \$210 billion) respectively

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

In \$ millions	Underlying notional	2006		Underlying notional	2005	
		Year-end positive replacement values	Year-end negative replacement values		Year-end positive replacement values	Year-end negative replacement values
Derivatives held for trading						
Interest rate derivatives						
Forward rate agreements bought	2,811	-	1	9,511	28	1
Forward rate agreements sold	3,648	1	-	10,515	1	26
Interest rate swaps	719,935	4,152	3,896	886,932	5,801	5,657
Financial futures bought	20,901	1	10	18,826	2	6
Financial futures sold	19,932	11	1	10,932	2	10
Interest rate options bought	6,745	49	-	7,504	75	-
Interest rate options sold	6,650	-	46	9,983	-	67
Interest rate futures options bought	5,355	-	-	2,930	1	-
Interest rate futures options sold	4,362	-	1	5,379	-	8
Interest rate caps/floors bought	13,860	107	-	19,659	230	1
Interest rate caps/floors sold	14,879	-	162	19,532	1	258
Sub-total	819,078	4,321	4,117	1,001,703	6,141	6,034
Foreign exchange ("FX") derivatives						
FX contracts	324,595	1,728	1,481	228,420	1,224	831
Currency swaps	53,826	973	787	36,925	720	521
Currency options bought	66,309	560	-	33,158	331	-
Currency options sold	65,524	-	556	28,793	-	395
Sub-total	510,254	3,261	2,824	327,296	2,275	1,747
Equity derivatives						
Equity options bought	3,974	259	-	3,329	180	2
Equity options sold	4,956	-	404	5,154	1	321
Equity swaps	1,781	45	79	1,094	10	20
Sub-total	10,711	304	483	9,577	191	343
Credit derivatives						
Credit default swaps	63,037	511	562	34,250	302	372
Sub-total	63,037	511	562	34,250	302	372
Commodity derivatives						
Commodity swaps	61	-	-	-	-	-
Sub-total	61	-	-	-	-	-
Total derivatives held for trading	1,403,141	8,397	7,986	1,372,826	8,909	8,496
Derivatives held for hedging						
Interest rate swaps held for fair value hedge	5,830	132	79	7,665	269	150
Equity options held for cash flow hedge	-	-	-	274 ^(a)	28	-
Total Derivatives held for hedging	5,830	132	79	7,939	297	150
Total Derivatives	1,408,971^(b)	8,529	8,065	1,380,765^(b)	9,206	8,646
Positive/ negative replacement values		8,529	8,065		9,206	8,646

(a) The forecasted transaction occurred in 2006

(b) The contractual or underlying principal amounts of derivative financial instruments of bank and non-bank counterparties amounted to \$1,230 billion (2005: \$1,180 billion) and \$179 billion (2005: \$201 billion) respectively

42 Cash and Cash Equivalents

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Cash on hand (Note 16)	988	802	915	721
Non-restricted balances with central banks (Note 16)	8,302	1,723	8,272	1,688
Trading Singapore Government securities and treasury bills (Note 17)	3,319	4,258	3,319	4,255
Trading other government securities and treasury bills (Note 18)	2,509	2,625	1,981	2,416
Total	15,118	9,408	14,487	9,080

43 Share-based Compensation Plans

43.1 DBSH Share Ownership Scheme

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

	Ordinary shares			
	Number		Market value (\$ millions)	
	2006	2005	2006	2005
Balance, 1 January	3,507,829	3,477,829	58	56
Balance, 31 December	2,922,829	3,507,829	65	58

43.2 DBSH Share Option Plan

Under the DBSH Share Option Plan (the "Option Plan"), options to subscribe for DBSH ordinary shares may be granted to the Bank Group executives who hold

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.

	2006		2005	
	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 1 January	39,474,281	14.87	46,749,383	14.71
Movements during the year:				
- Granted	-	-	2,815,600	15.07
- Exercised	(12,977,688)	13.98	(5,126,909)	12.52
- Forfeited	(1,481,786)	16.90	(4,963,793)	15.90
Balance at 31 December	25,014,807	15.21	39,474,281	14.87
Additional information:				
Outstanding options exercisable at 31 December	20,987,537	15.28	27,624,463	15.67
Weighted average remaining contractual life of options outstanding at 31 December	5.9 years		6.4 years	
Range of exercise price of options outstanding at 31 December	\$10.40 to \$22.33		\$9.18 to \$22.33	

In 2006, 12,977,688 options (2005: 5,126,909) were exercised at their contractual exercise prices. During this period, the average market price of DBSH shares was \$18.24 (2005: \$15.68).

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 shares, as determined by reference to the daily official list published by the Singapore Exchange Securities Trading Ltd, for the three consecutive trading days immediately preceding the date of the grant.

These share options vest over a period of three years in accordance with a vesting schedule determined by the Compensation Committee of DBSH, 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 Group has no legal or constructive obligation to repurchase or settle the options in cash.

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

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43.3 DBSH Performance Share Plan

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

Participants are awarded ordinary shares of DBSH, their equivalent cash value or a combination of both, when performance targets of DBSH and its subsidiaries 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 three 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 vesting period. At each balance sheet date, the Bank Group revises its estimates of the number of PSP shares expected to vest based on non-market vesting conditions and the corresponding adjustments are made to the income statement and Share Plan reserves.

The following table sets out the movement of the PSP shares granted pursuant to the Plan for the financial year ended 31 December 2006 and their fair values at grant date.

(Number of shares)	March 2006 grant	March 2005 grant
Balance, 1 January 2006	Not applicable	2,913,630
Granted in 2006	3,738,190	Not applicable
Forfeited in 2006	(362,500)	(284,780)
Balance, 31 December 2006	3,375,690	2,628,850
Fair value per share at grant date	\$16.20	\$14.70

At an Extraordinary General Meeting of DBSH held on 30 March 2006, the shareholders of DBSH adopted the change of name of the PSP from "DBSH Performance Share Plan" to "DBSH Share Plan" to better reflect the Group's ability to also grant time-based awards. Such time-based awards will only be granted from 2007.

43.4 DBSH Employee Share Plan

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

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

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

44 Related Party Transactions

44.1 Transactions between the Bank and its subsidiaries, which are related parties of the Bank, have been eliminated on consolidation and are not disclosed in this Note.

44.2 During the financial year, the Bank Group had banking transactions with related parties, consisting of associates, joint ventures, directors and key management personnel of the Bank Group. These included the taking of deposits and extension of credit card and other loan facilities. These transactions were made in the ordinary course of business and carried

out at arms-length commercial terms, and are not material.

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

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

In \$ millions	Bank Group		Bank	
	2006	2005	2006	2005
Short-term benefits	51	30	34	18
Post-employment benefits	#	#	#	#
Share-based payments	7	6	5	4
Total	58	36	39	22
<i>Comprise amounts^(b) paid to:</i>				
-Bank directors	11	10	11	10
-Directors of subsidiaries	19	14	-	-
-Key management personnel	28	12	28	12
Total	58	36	39	22
Fees of Bank directors	2	1	#	#
Fees of subsidiaries directors	#	#	-	-
Total compensation and fees	60	37	39	22

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

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(b) Includes cash bonus based on amount accrued during the year, to be paid in the following year
Amount under \$500,000

44.4 Share options granted to the Bank's directors and key management personnel

No share options were granted to the Bank's directors and key management personnel during the financial year. The outstanding number of share options granted to the Bank's directors and key management personnel at the end of the financial year were 888,225 and 1,127,550 (2005: 888,225 and 1,645,550) respectively.

44.5 Performance shares granted to the Bank's directors and key management personnel

During the financial year, 240,740 and 271,390 (2005: 204,080 and 209,620) awards in respect of DBSH ordinary shares were granted to the Bank's 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 100% of the shares awarded to 200%, depending on the Bank Group's performance as measured by return on equity.

44.6 Income received and expenses paid to related parties

In \$ millions	Bank	
	2006	2005
Income received from:		
-Subsidiaries ^(a)	72	89
-Associates/joint ventures	1	5
Total	73	94
Expenses paid to:		
-Subsidiaries ^(a)	233	158
-Subsidiaries of DBSH	#	#
-Associates/joint ventures	5	8
Total	238	166

Amount under \$500,000

(a) Includes special purpose entities

44.7 Amounts due to and from related parties

In \$ millions	Bank	
	2006	2005
Amounts due from:		
-Subsidiaries ^(a)	486	595
-Associates/joint ventures	#	#
Total	486	595
Amounts due to:		
-DBSH	201	59
-Subsidiaries ^(a)	4,537	2,934
-Subsidiaries of DBSH	#	5
-Associates/joint ventures	#	#
Total	4,738	2,998

Amount under \$500,000

(a) Includes special purpose entities

44.8 Loans and guarantees to related parties

Loans granted to subsidiaries amounted to \$1,127 million (2005: \$257 million) and will be settled in cash. Loans granted from subsidiaries to the Bank amounted to \$Nil million (2005: \$51 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 \$697 million (2005: \$1 million) and \$6 million (2005: \$41 million) respectively.

45 Financial Assets and Liabilities not carried at fair value

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

(a) Cash and balances with central banks and Due from banks

The estimated fair value of placements is based on the discounted cash flows using the prevailing money market interest rates for placements with similar credit risk and remaining maturity.

(b) Financial investments

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. As at 31 December 2006, unquoted equities of \$133 million (2005: \$105 million) for the Bank Group, and \$125 million (2005: \$97 million) for the Bank, were stated at cost because the fair values cannot be reliably estimated 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.

46 Financial Instruments – Usage and Risk Management

46.1 Use of financial instruments

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

The Bank Group 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 meeting customers' needs.

The Bank Group'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.

46.2 Financial risk management objectives and policies

As part of overall corporate governance, the DBSH Group Board has approved a comprehensive Integrated Risk Framework covering risk governance for all risk types for all entities within the Bank Group.

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 Group 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 Group's trading and investment market risk appetite is determined by the DBSH 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 or floating interest rate exposure include debt securities, loans and derivatives.

The Bank Group 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.

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The following tables summarise the Bank Group's and the Bank's assets and liabilities at carrying amounts at 31 December, categorised by the earlier of contractual repricing or maturity dates. Actual dates may differ from contractual dates owing to prepayments and the exercise of options. It should also be noted that any representation of interest rate risk at a specific date offers only a snapshot of the risks taken by the Bank Group, 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	Bank Group							Total
	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	
2006								
Cash and balances with central banks	1,111	1,730	2,500	3,018	-	-	3,487	11,846
Due from banks	3,500	3,371	7,761	7,371	1,255	1,139	876	25,273
Financial assets at fair value through profit or loss	652	2,258	2,032	1,604	1,461	7,689	800	16,496
Other securities ^(a)	679	1,464	6,789	7,352	8,356	11,124	2,206	37,970
Loans and advances to customers	28,624	21,760	12,459	13,216	2,659	5,061	1,370	85,149
Other assets ^(b)	-	-	-	-	-	-	20,749	20,749
Total assets	34,566	30,583	31,541	32,561	13,731	25,013	29,488	197,483
Due to banks	3,625	1,779	1,471	427	-	200	361	7,863
Due to non-bank customers	74,120	26,261	12,223	7,634	386	1,468	-	122,092
Financial liabilities at fair value through profit or loss	624	909	2,104	3,213	2,230	8,276	2,352	19,708
Other liabilities ^(c)	1,441	1,294	306	124	118	2,532	14,292	20,107
Subordinated term debts	-	401	-	-	-	6,348	-	6,749
Total liabilities	79,810	30,644	16,104	11,398	2,734	18,824	17,005	176,519
Minority interests	-	-	-	-	-	-	1,265	1,265
Shareholders' funds	-	-	-	-	-	-	19,699	19,699
Total equity	-	-	-	-	-	-	20,964	20,964
On-balance sheet interest rate gap	(45,244)	(61)	15,437	21,163	10,997	6,189	(8,481)	-
Off-balance sheet interest rate gap								
- Financial derivatives	3,890	2,159	14,240	(3,179)	(11,482)	(5,628)	-	-
2005								
Cash and balances with central banks	553	312	755	112	-	-	3,254	4,986
Due from banks	3,331	7,059	6,736	2,689	979	573	762	22,129
Financial assets at fair value through profit or loss	642	3,454	1,187	1,684	1,806	9,450	279	18,502
Other securities ^(a)	850	1,847	4,569	4,947	9,170	12,019	1,926	35,328
Loans and advances to customers	27,596	21,089	11,337	11,360	2,685	2,200	1,369	77,636
Other assets ^(b)	-	-	-	-	-	-	21,740	21,740
Total assets	32,972	33,761	24,584	20,792	14,640	24,242	29,330	180,321
Due to banks	3,301	1,680	2,474	1,413	12	11	59	8,950
Due to non-bank customers	70,104	19,206	11,285	5,159	-	677	-	106,431
Financial liabilities at fair value through profit or loss	1,206	1,257	1,884	2,200	2,906	6,571	6,799	22,823
Other liabilities ^(c)	557	197	589	112	190	1,562	14,296	17,503
Subordinated term debts	-	-	-	-	435	4,930	-	5,365
Total liabilities	75,168	22,340	16,232	8,884	3,543	13,751	21,154	161,072
Minority interests	-	-	-	-	-	-	1,360	1,360
Shareholders' funds	-	-	-	-	-	-	17,889	17,889
Total equity	-	-	-	-	-	-	19,249	19,249
On-balance sheet interest rate gap	(42,196)	11,421	8,352	11,908	11,097	10,491	(11,073)	-
Off-balance sheet interest rate gap								
- Financial derivatives	6,366	8,528	4,656	2,795	(17,394)	(4,951)	-	-

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

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

(c) Other liabilities include negative replacement values, bills payable, current and deferred tax liabilities, other debt securities in issue, other liabilities and due to holding company, subsidiaries and related companies

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In \$ millions	Bank							Total
	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	
2006								
Cash and balances with central banks	1,111	1,730	2,500	3,018	-	-	3,260	11,619
Due from banks	2,239	2,679	5,846	6,020	1,235	1,138	433	19,590
Financial assets at fair value through profit or loss	650	2,093	1,231	1,483	1,446	7,125	790	14,818
Other securities ^(a)	244	759	4,135	2,946	6,552	11,139	2,175	27,950
Loans and advances to customers	19,880	9,950	10,872	12,756	2,314	4,681	17	60,470
Other assets ^(b)	-	-	-	-	-	-	21,941	21,941
Total assets	24,124	17,211	24,584	26,223	11,547	24,083	28,616	156,388
Due to banks	3,469	1,427	1,439	129	-	200	94	6,758
Due to non-bank customers	58,749	16,555	7,191	5,806	367	1,279	-	89,947
Financial liabilities at fair value through profit or loss	556	680	1,547	1,262	1,340	6,618	2,352	14,355
Other liabilities ^(c)	439	50	39	120	105	2,102	16,919	19,774
Subordinated term debts	-	-	-	-	-	6,348	-	6,348
Total liabilities	63,213	18,712	10,216	7,317	1,812	16,547	19,365	137,182
Minority interests	-	-	-	-	-	-	-	-
Shareholders' funds	-	-	-	-	-	-	19,206	19,206
Total equity	-	-	-	-	-	-	19,206	19,206
On-balance sheet interest rate gap	(39,089)	(1,501)	14,368	18,906	9,735	7,536	(9,955)	-
Off-balance sheet interest rate gap								
- Financial derivatives	3,249	102	14,621	(1,327)	(11,347)	(5,298)	-	-
2005								
Cash and balances with central banks	552	312	755	112	-	-	3,060	4,791
Due from banks	2,166	5,157	4,484	2,536	953	573	220	16,089
Financial assets at fair value through profit or loss	642	3,428	1,142	1,632	1,726	8,798	279	17,647
Other securities ^(a)	610	1,248	2,249	3,183	6,699	10,388	1,895	26,272
Loans and advances to customers	19,201	8,138	9,923	10,829	2,413	1,999	199	52,702
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	2,989	1,568	2,144	1,286	11	11	17	8,026
Due to non-bank customers	57,166	11,381	5,330	4,112	17	820	-	78,826
Financial liabilities at fair value through profit or loss	933	740	1,210	424	1,468	5,278	5,011	15,064
Other liabilities ^(c)	347	156	365	43	160	573	16,132	17,776
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
Minority interests	-	-	-	-	-	-	-	-
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)	-	-

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

(b) Other assets include positive replacement values, investments in associates, joint ventures and subsidiaries, properties and other fixed assets, deferred tax assets and other assets

(c) Other liabilities include negative replacement values, bills payable, current and deferred tax liabilities, other debt securities in issue, other liabilities and due to holding company, subsidiaries and related companies

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

	Bank Group					
	Singapore dollar, %	US dollar, %	Hong Kong dollar, %	Singapore dollar, %	US dollar, %	Hong Kong dollar, %
	2006			2005		
Assets						
Cash and balances with central banks	-	-	-	-	-	-
Due from banks	3.22 - 3.30	4.27 - 6.06	2.17 - 4.45	2.66 - 3.41	3.84 - 4.28	4.23
Financial assets at fair value through profit or loss	3.04 - 3.92	2.58 - 6.06	4.57	2.33 - 3.87	4.20 - 4.98	-
Other securities ^(a)	2.77 - 3.66	2.74 - 6.79	3.14 - 4.50	2.25 - 5.70	2.36 - 6.17	3.74 - 5.27
Loans and advances to customers	3.04 - 5.75	3.41 - 7.95	4.15 - 14.35	3.33 - 4.41	4.56 - 6.91	5.75 - 14.56
Liabilities						
Due to banks	2.71 - 2.94	5.21 - 5.40	4.29	2.48 - 2.71	4.12 - 4.25	4.44
Due to non-bank customers	0 - 2.05	1.97 - 5.73	1.39 - 3.68	0 - 1.20	1.82 - 3.75	2.71 - 3.67
Financial liabilities at fair value through profit or loss	2.41	4.85	-	2.03	3.12 - 3.92	-
Subordinated term debts	4.47	5.00 - 7.88	-	-	5.00 - 7.88	-

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

	Bank			
	Singapore dollar, %	US dollar, %	Singapore dollar, %	US dollar, %
	2006		2005	
Assets				
Cash and balances with central banks	-	-	-	-
Due from banks	3.22 - 3.30	4.27 - 5.26	2.66 - 3.41	3.84 - 4.18
Financial assets at fair value through profit or loss	3.04 - 3.92	2.58 - 6.06	2.33 - 3.87	4.20 - 4.98
Other securities ^(a)	2.77 - 3.66	2.74 - 5.74	2.25 - 5.70	2.36 - 4.95
Loans and advances to customers	3.04 - 5.75	3.41 - 7.94	3.33 - 4.41	4.56 - 6.29
Liabilities				
Due to banks	2.71 - 2.94	5.21 - 5.40	2.48 - 2.71	4.12 - 4.14
Due to non-bank customers	0 - 2.05	3.51 - 5.73	0 - 1.20	3.14 - 3.32
Financial liabilities at fair value through profit or loss	2.41	4.85	2.03	3.12 - 3.92
Subordinated term debts	4.47	5.00 - 7.88	-	5.00 - 7.88

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

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

In \$ millions	Bank Group				Total
	Singapore dollar	US dollar	Hong Kong dollar	Others	
2006					
Cash and balances with central banks	11,496	37	68	245	11,846
Due from banks	2,617	17,441	1,167	4,048	25,273
Financial assets at fair value through profit or loss	1,925	5,321	528	8,722	16,496
Other securities ^(a)	15,974	9,768	4,105	8,123	37,970
Loans and advances to customers	34,812	15,202	24,560	10,575	85,149
Other assets ^(b)	9,545	4,809	2,845	3,550	20,749
Total assets	76,369	52,578	33,273	35,263	197,483
Due to banks	1,341	3,566	667	2,289	7,863
Due to non-bank customers	65,927	21,374	21,698	13,093	122,092
Financial liabilities at fair value through profit or loss	9,143	4,060	3,289	3,216	19,708
Other liabilities ^(c)	3,511	13,766	2,006	824	20,107
Subordinated term debts	500	6,249	-	-	6,749
Total liabilities	80,422	49,015	27,660	19,422	176,519
Minority interests	1,265	-	-	-	1,265
Shareholders' funds	19,699	-	-	-	19,699
Total equity	20,964	-	-	-	20,964
Net on-balance sheet position	(25,017)	3,563	5,613	15,841	-
Net off-balance sheet position	21,585	(28,145)	12,344	(5,784)	-
2005					
Cash and balances with central banks	4,716	36	70	164	4,986
Due from banks	5,324	8,686	1,692	6,427	22,129
Financial assets at fair value through profit or loss	882	9,199	497	7,924	18,502
Other securities ^(a)	12,189	13,880	2,694	6,565	35,328
Loans and advances to customers	32,765	14,890	24,323	5,658	77,636
Other assets ^(b)	11,589	6,080	2,953	1,118	21,740
Total assets	67,465	52,771	32,229	27,856	180,321
Due to banks	651	4,618	798	2,883	8,950
Due to non-bank customers	59,181	21,078	15,812	10,360	106,431
Financial liabilities at fair value through profit or loss	8,014	9,072	779	4,958	22,823
Other liabilities ^(c)	3,176	6,284	5,968	2,075	17,503
Subordinated term debts	-	5,365	-	-	5,365
Total liabilities	71,022	46,417	23,357	20,276	161,072
Minority interests	1,360	-	-	-	1,360
Shareholders' funds	17,889	-	-	-	17,889
Total equity	19,249	-	-	-	19,249
Net on-balance sheet position	(22,806)	6,354	8,872	7,580	-
Net off-balance sheet position	21,870	(15,785)	(3,279)	(2,806)	-

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

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

(c) Other liabilities include negative replacement values, bills payable, current and deferred tax liabilities, other debt securities in issue, other liabilities and due to holding company, subsidiaries and related companies

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In \$ millions	Singapore dollar	US dollar	Bank Hong Kong dollar	Others	Total
2006					
Cash and balances with central banks	11,478	8	3	130	11,619
Due from banks	2,402	13,786	125	3,277	19,590
Financial assets at fair value through profit or loss	1,083	5,075	379	8,281	14,818
Other securities ^(a)	16,603	5,881	281	5,185	27,950
Loans and advances to customers	34,822	12,716	4,339	8,593	60,470
Other assets ^(b)	5,054	4,087	8,525	4,275	21,941
Total assets	71,442	41,553	13,652	29,741	156,388
Due to banks	1,342	3,386	343	1,687	6,758
Due to non-bank customers	65,773	13,256	1,340	9,578	89,947
Financial liabilities at fair value through profit or loss	8,199	2,865	76	3,215	14,355
Other liabilities ^(c)	4,387	13,901	1,328	158	19,774
Subordinated term debts	500	5,848	-	-	6,348
Total liabilities	80,201	39,256	3,087	14,638	137,182
Minority interests	-	-	-	-	-
Shareholders' funds	19,206	-	-	-	19,206
Total equity	19,206	-	-	-	19,206
Net on-balance sheet position	(27,965)	2,297	10,565	15,103	-
Net off-balance sheet position	21,106	(26,012)	11,124	(6,218)	-
2005					
Cash and balances with central banks	4,703	7	5	76	4,791
Due from banks	5,142	6,309	242	4,396	16,089
Financial assets at fair value through profit or loss	855	8,610	389	7,793	17,647
Other securities ^(a)	12,385	8,852	412	4,623	26,272
Loans and advances to customers	32,740	12,588	3,091	4,283	52,702
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	651	4,278	812	2,285	8,026
Due to non-bank customers	59,062	12,696	866	6,202	78,826
Financial liabilities at fair value through profit or loss	6,192	5,894	365	2,613	15,064
Other liabilities ^(c)	4,136	8,703	2,564	2,373	17,776
Subordinated term debts	-	4,930	-	-	4,930
Total liabilities	70,041	36,501	4,607	13,473	124,622
Minority interests	-	-	-	-	-
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)	-

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

(b) Other assets include positive replacement values, investments in associates, joint ventures and subsidiaries, properties and other fixed assets, deferred tax assets and other assets

(c) Other liabilities include negative replacement values, bills payable, current and deferred tax liabilities, other debt securities in issue, other liabilities and due to holding company, subsidiaries and related companies

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

In \$ millions	Bank Group		
	Net investments in overseas operations ^(a)	Financial instruments which hedge the net investments ^(b)	Remaining structural currency exposures
2006			
US dollar	454	378	76
Hong Kong dollar	3,539	3,485	54
Others	1,519	740	779
Total	5,512	4,603	909
2005			
US dollar	350	349	1
Hong Kong dollar	4,445	4,394	51
Others	1,381	718	663
Total	6,176	5,461	715

In \$ millions	Bank		
	Net investments in overseas operations ^(a)	Financial instruments which hedge the net investments ^(b)	Remaining structural currency exposures
2006			
US dollar	372	371	1
Hong Kong dollar	3,467	3,418	49
Others	1,324	621	703
Total	5,163	4,410	753
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

(a) Refer to investment in associates, net tangible assets of subsidiaries and 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 Group 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 Group is guided by a set of Bank Group-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 Group also uses credit derivatives 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 on the balance sheet, which in general is only a fraction of the derivative contract or notional amount used to express the volume of instruments. This credit exposure, together with potential exposures from market movements, is managed as part of the overall lending limits to the counterparties. Credit exposures on these instruments are usually unsecured, except where the Bank Group enters into collateralised margin transactions with counterparties.

- Master netting arrangements

The Bank Group further manages its credit exposure by entering into master netting arrangements with counterparties where it is appropriate and feasible to do so. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities as transactions are usually accounted for individually on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are settled on a net basis.

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- Credit-related commitments

Financial guarantees and standby letters of credit, which represent undertakings that the Bank Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans even though they are of contingent nature. Documentary and commercial letters of credit, which are undertakings by the Bank Group on behalf of a customer, are usually collateralised by the underlying

shipments of goods to which they relate and therefore exhibit different risk characteristics from direct 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.

47 Concentration Risk

The Bank Group's risk management processes also ensure that an acceptable level of risk diversification is maintained across the Bank Group on an ongoing basis. Limits are established and regularly monitored in respect of country exposures and major industry groups, as well as for single counterparty exposures. Control structures are in place to ensure that appropriate limits are in place, exposures are monitored against these limits, and appropriate actions are taken if limits are breached.

47.1 Cross-border exposures

At 31 December 2006, the Bank Group had exposures to various countries where net exposure exceeded 1% of the Bank Group's total assets. The exposures are determined based on the location of the credit risk of the customers and counterparties regardless of where the transactions are booked.

The Bank Group's exposures exceeding 1% of the Bank Group total assets as at 31 December were 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)	
2006							
Top 10 countries							
(Net exposure >1% of Total assets)							
Hong Kong	1,761	2,486	27,953	138	32,338	16.4	
South Korea	6,506	684	1,664	-	8,854	4.5	
United States	1,689	657	3,827	449	6,622	3.3	
China	1,990	118	4,174	239	6,521	3.3	
India	2,980	671	1,810	438	5,899	3.0	
United Kingdom	2,829	188	2,391	42	5,450	2.8	
Germany	3,174	670	1,423	4	5,271	2.7	
Australia	2,976	6	1,474	52	4,508	2.3	
Netherlands	2,978	16	849	9	3,852	1.9	
Indonesia	389	1,461	1,737	12	3,599	1.8	
Total	27,272	6,957	47,302	1,383	82,914	42.0	
2005							
Top 10 countries							
(Net exposure >1% of Total assets)							
Hong Kong	1,186	2,199	27,702	272	31,359	17.4	
United States	1,392	2,937	4,619	370	9,318	5.2	
South Korea	3,106	791	1,963	-	5,860	3.3	
United Kingdom	3,002	28	2,266	100	5,396	2.9	
Germany	3,163	507	569	7	4,246	2.4	
China	1,235	59	2,519	43	3,856	2.1	
Australia	2,644	-	1,100	32	3,776	2.1	
India	2,370	365	771	41	3,547	2.0	
Indonesia	564	1,005	1,630	5	3,204	1.8	
Netherlands	2,187	19	929	5	3,140	1.7	
Total	20,849	7,910	44,068	875	73,702	40.9	

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

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

In \$ millions	Loans and debt securities				Total exposure	
	Assets in	Banks	Central banks and Government securities	Non-banks ^(a)	Investments	Amount
	(1)	(2)	(3)	(4)	(5)=(1+2+3+4)	(6)
2006						
Top 10 countries						
(Net exposure >1% of Total assets)						
South Korea	5,939	692	1,654	-	8,285	5.3
Hong Kong	839	148	5,871	139	6,997	4.4
India	2,979	677	1,807	438	5,901	3.8
United States	799	664	3,722	449	5,634	3.6
China	1,489	117	3,245	239	5,090	3.3
United Kingdom	1,432	190	2,371	42	4,035	2.6
Netherlands	2,497	16	849	9	3,371	2.2
Germany	1,253	674	1,423	3	3,353	2.1
Taiwan	450	1,469	1,199	2	3,120	2.0
Malaysia	934	285	1,217	4	2,440	1.5
Total	18,611	4,932	23,358	1,325	48,226	30.8
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	19,552	784	39,649	27.8

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

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48 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. The Bank Group seeks to manage its liquidity to meet its obligations

under normal as well as adverse circumstances, and take advantage of arising lending and investment opportunities. As part of its liquidity risk management, the Bank Group 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 Group at 31 December 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
2006								
Cash and balances with central banks	3,312	1,694	2,500	3,018	-	-	1,322	11,846
Due from banks	4,046	3,118	6,356	7,421	2,269	1,990	73	25,273
Financial assets at fair value through profit or loss	650	1,869	514	1,550	1,837	9,233	843	16,496
Other securities ^(a)	530	378	2,745	7,660	10,202	14,243	2,212	37,970
Loans and advances to customers	7,217	7,584	9,443	12,893	11,064	36,354	594	85,149
Other assets ^(b)	899	67	46	41	21	9	19,666	20,749
Total assets	16,654	14,710	21,604	32,583	25,393	61,829	24,710	197,483
Due to banks	3,089	1,835	1,934	448	-	190	367	7,863
Due to non-bank customers	74,120	26,261	12,223	7,634	386	1,468	-	122,092
Financial liabilities at fair value through profit or loss	826	629	1,586	5,326	3,174	8,148	19	19,708
Other liabilities ^(c)	1,457	1,348	451	2,252	170	1,115	13,314	20,107
Subordinated term debts	-	401	-	-	-	6,348	-	6,749
Total liabilities	79,492	30,474	16,194	15,660	3,730	17,269	13,700	176,519
Minority interests	-	-	-	-	-	-	1,265	1,265
Shareholders' funds	-	-	-	-	-	-	19,699	19,699
Total equity	-	-	-	-	-	-	20,964	20,964
Net liquidity gap	(62,838)	(15,764)	5,410	16,923	21,663	44,560	(9,954)	-
2005								
Cash and balances with central banks	2,391	267	755	107	67	-	1,399	4,986
Due from banks	3,799	6,935	6,135	2,493	1,719	859	189	22,129
Financial assets at fair value through profit or loss	10,681	2,769	398	505	947	2,926	276	18,502
Other securities ^(a)	4,693	862	2,282	4,149	11,491	9,922	1,929	35,328
Loans and advances to customers	6,643	6,257	8,427	10,935	10,692	34,577	105	77,636
Other assets ^(b)	253	23	24	14	29	14	21,383	21,740
Total assets	28,460	17,113	18,021	18,203	24,945	48,298	25,281	180,321
Due to banks	3,329	1,497	2,067	1,175	351	523	8	8,950
Due to non-bank customers	70,103	19,207	11,285	5,159	-	677	-	106,431
Financial liabilities at fair value through profit or loss	1,287	887	1,341	2,903	5,399	10,277	729	22,823
Other liabilities ^(c)	1,384	622	620	291	784	2,199	11,603	17,503
Subordinated term debts	-	-	-	-	435	4,930	-	5,365
Total liabilities	76,103	22,213	15,313	9,528	6,969	18,606	12,340	161,072
Minority interests	-	-	-	-	-	-	1,360	1,360
Shareholders' funds	-	-	-	-	-	-	17,889	17,889
Total equity	-	-	-	-	-	-	19,249	19,249
Net liquidity gap	(47,643)	(5,100)	2,708	8,675	17,976	29,692	(6,308)	-

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

(b) Other assets include positive replacement values, investments in associates, joint ventures and subsidiaries, properties and other fixed assets, deferred tax assets and other assets

(c) Other liabilities include negative replacement values, bills payable, current and deferred tax liabilities, other debt securities in issue, other liabilities and due to holding company, subsidiaries and related companies

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The table below analyses assets and liabilities of the Bank at 31 December 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
2006								
Cash and balances with central banks	3,163	1,694	2,500	3,018	-	-	1,244	11,619
Due from banks	2,613	2,426	4,775	5,939	1,792	1,988	57	19,590
Financial assets at fair value through profit or loss	653	1,707	458	1,429	1,818	7,920	833	14,818
Other securities ^(a)	181	238	2,312	3,248	7,353	12,416	2,202	27,950
Loans and advances to customers	4,518	5,459	6,424	10,469	8,346	25,156	98	60,470
Other assets ^(b)	13	8	12	5	-	-	21,903	21,941
Total assets	11,141	11,532	16,481	24,108	19,309	47,480	26,337	156,388
Due to banks	2,938	1,483	1,902	150	-	190	95	6,758
Due to non-bank customers	58,749	16,555	7,191	5,806	367	1,279	-	89,947
Financial liabilities at fair value through profit or loss	759	526	1,041	3,321	2,201	6,488	19	14,355
Other liabilities ^(c)	440	87	338	2,158	151	612	15,988	19,774
Subordinated term debts	-	-	-	-	-	6,348	-	6,348
Total liabilities	62,886	18,651	10,472	11,435	2,719	14,917	16,102	137,182
Minority interests	-	-	-	-	-	-	-	-
Shareholders' funds	-	-	-	-	-	-	19,206	19,206
Total equity	-	-	-	-	-	-	19,206	19,206
Net liquidity gap	(51,745)	(7,119)	6,009	12,673	16,590	32,563	(8,971)	-
2005								
Cash and balances with central banks	2,391	267	755	107	67	-	1,204	4,791
Due from banks	2,477	5,093	4,104	2,253	1,353	809	-	16,089
Financial assets at fair value through profit or loss	10,678	2,754	350	453	868	2,265	279	17,647
Other securities ^(a)	4,642	613	1,099	2,011	7,886	8,126	1,895	26,272
Loans and advances to customers	4,199	4,332	5,390	8,298	7,847	22,633	3	52,702
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	2,974	1,385	1,738	1,048	351	523	7	8,026
Due to non-bank customers	57,166	11,381	5,330	4,112	17	820	-	78,826
Financial liabilities at fair value through profit or loss	783	538	664	616	3,684	8,778	1	15,064
Other liabilities ^(c)	424	155	376	133	720	1,253	14,715	17,776
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
Minority interests	-	-	-	-	-	-	-	-
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)	-

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

(b) Other assets include positive replacement values, investments in associates, joint ventures and subsidiaries, properties and other fixed assets, deferred tax assets and other assets

(c) Other liabilities include negative replacement values, bills payable, current and deferred tax liabilities, other debt securities in issue, other liabilities and due to holding company, subsidiaries and related companies

49 Segmental Reporting

49.1 Business segment reporting

The business segment results are prepared based on information and data generated from the Bank Group's internal financial reporting systems and are reflective of the organisation's management reporting structure. The activities of the Bank Group are highly integrated and accordingly, internal allocation has to be made in preparing the segment information. As a result, amounts for each business segment are shown after the allocation of certain centralised costs, funding income and the application of transfer pricing, where appropriate. 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, fixed deposits, 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 Group's asset and liability interest rate positions and investment of the Group's excess liquidity and shareholders' funds.

- **Central Operations**

Central Operations encompasses a range of activities resulting from central corporate decisions and the related income and expenses not attributed to business segments. These include funding costs of the Group's associates, joint ventures and subsidiaries and gains/losses on properties. Private banking activities and asset management activities are included in this segment.

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

In \$ millions	Corporate and Investment Banking						Central Operations	Total
	Consumer Banking	Enterprise Banking	Investment Banking	Global Financial Markets	Central Treasury Unit	Central Operations		
2006								
Net interest income	1,765	736	592	595	280	(379)	3,589	
Non-interest income	514	330	585	274	(64)	208	1,847	
Expenses	985	338	376	411	31	227	2,368	
Allowances for credit and other losses	52	119	77	(3)	(5)	(105)	135	
Profit before tax	1,242	609	724	466	190	(228)	3,003	
Total assets before goodwill	30,655	20,067	40,090	69,426	28,119	3,286	191,643	
Goodwill charges							5,840	
Total assets							197,483	
Total liabilities	76,237	18,827	19,733	36,114	998	24,610	176,519	
Capital expenditure	50	8	37	18	3	123	239	
Depreciation	29	10	7	15	6	63	130	
2005								
Net interest income	1,308	578	475	484	380	(282)	2,943	
Non-interest income	483	227	462	111	(167)	582	1,698	
Expenses	926	291	319	364	31	95	2,026	
Allowances for credit and other losses	77	145	144	-	6	(169)	203	
Profit before tax and goodwill charges	788	369	474	236	176	423	2,466	
Total assets before goodwill	29,539	18,486	32,824	67,107	24,047	2,515	174,518	
Goodwill charges							5,803	
Total assets							180,321	
Total liabilities	68,903	17,871	17,953	30,974	1,417	23,954	161,072	
Capital expenditure	34	19	7	23	9	133	225	
Depreciation	29	15	3	20	7	74	148	

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

In \$ millions	Corporate and Investment Banking						Central Operations	Total
	Consumer Banking	Enterprise Banking	Investment Banking	Global Financial Markets	Central Treasury Unit	Central Operations		
2006								
Net interest income	1,367	258	534	506	49	(401)	2,313	
Non-interest income	350	118	553	62	92	393	1,568	
Expenses	618	145	335	264	23	208	1,593	
Allowances for credit and other losses	34	42	78	(2)	(5)	(101)	46	
Profit before tax	1,065	189	674	306	123	(115)	2,242	
Total assets	21,433	6,250	39,073	60,373	19,585	9,674	156,388	
Total liabilities	56,788	8,507	18,523	30,552	62	22,750	137,182	
Capital expenditure	21	-	3	6	-	82	112	
Depreciation	16	-	3	4	-	52	75	
2005								
Net interest income	966	219	431	449	167	(328)	1,904	
Non-interest income	346	97	436	(98)	(38)	555	1,298	
Expenses	579	138	291	228	25	41	1,302	
Allowances for credit and other losses	64	78	135	5	7	650	939	
Profit before tax and goodwill charges	669	100	441	118	97	(464)	961	
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	

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49.2 Geographical segment reporting

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

In \$ millions	Bank Group					Total
	Singapore	Hong Kong	Rest of Greater China ^(c)	South and Southeast Asia ^(d)	Rest of the World ^(e)	
2006						
Total income	3,422 ^(a)	1,576 ^(b)	147	181	110	5,436
Net profit before goodwill	1,437 ^(a)	680 ^(b)	55	127	22	2,321
Goodwill charges						-
Net profit after goodwill						2,321
Total assets before goodwill	126,610	44,868	7,792	5,131	7,242	191,643
Goodwill charges						5,840
Total assets						197,483
2005						
Total income	3,037 ^(a)	1,266	92	141	105	4,641
Net profit before goodwill	1,428 ^(a)	481	4	100	(7)	2,006
Goodwill charges						(1,128)
Net profit after goodwill						878
Total assets before goodwill	116,204	41,393	5,861	3,781	7,279	174,518
Goodwill charges						5,803
Total assets						180,321

(a) Includes one-time net gains of \$40 million and \$303 million in 2006 and 2005 respectively

(b) Includes one-time gains of \$54 million in 2006

(c) Rest of Greater China, includes branch operations in China and Taiwan

(d) South and Southeast Asia, includes branch and subsidiary operations in India, Indonesia, Malaysia, Thailand and the Philippines

(e) Rest of the World, includes branch operations in South Korea, Japan, United States of America and United Kingdom

In \$ millions	Bank					Total
	Singapore	Hong Kong	Rest of Greater China ^(b)	South and Southeast Asia ^(c)	Rest of the World ^(d)	
2006						
Total income	3,492 ^(a)	114	94	83	98	3,881
Net profit	1,685	32	38	49	21	1,825
Total assets	134,312	5,796	6,041	3,042	7,197	156,388
2005						
Total income	2,932 ^(a)	61	60	53	96	3,202
Net profit	663	10	10	36	(4)	715
Total assets	125,785	2,967	4,641	2,006	7,024	142,423

(a) Includes one-time net gains of \$40 million and \$303 million in 2006 and 2005 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

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50 List of Subsidiaries, Joint Ventures and Associates

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

Name of subsidiary	Principal activities	Country of incorporation	Share capital		Effective shareholding %		
			Currency	In millions	2006	2005	
<u>Held by the Bank</u>							
1. DBS Vickers Securities Holdings Pte Ltd	Investment holding	Singapore	SGD	403	100	100	
2. DBS Asset Management Ltd	Investment management services	Singapore	SGD	64	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	228	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	12	86	68	
9. DBS Diamond Holdings Ltd	Investment holding	Bermuda	USD	4,065	100	100	
10. DBS Capital Funding Corporation **	Capital funding	Cayman Islands	USD	#	100	100	
11. DBS (China) Investment Co., Ltd *		China	CNY	241	100	-	
12. Primefield Company Pte Ltd ***	Investment holding	Singapore	SGD	8	100	-	
13. DBS HDM Capital Management Sdn Bhd *	Investment company	Malaysia	RM	#	50	-	
14. DBSN Services Pte. Ltd.	Nominee services	Singapore	SGD	#	100	-	
<u>Held by other subsidiaries</u>							
15. DBS Vickers Securities (Singapore) Pte Ltd	Securities and futures broker	Singapore	SGD	50	100	100	
16. DBS Vickers Securities Online (Singapore) Pte Ltd	Securities broker	Singapore	SGD	56	100	100	
17. DBS Vickers Securities Online Holdings Pte Ltd	Investment holding	Singapore	SGD	46	80	73	
18. DBS Asset Management (United States) Pte Ltd	Investment management services	Singapore	SGD	#	100	100	
19. DBS Vickers Research (Singapore) Pte Ltd	Market research consultants	Singapore	SGD	1	100	100	
20. DBS Vickers Securities Nominees (Singapore) Pte Ltd	Nominee services	Singapore	SGD	#	100	100	
21. DBS Bank (Hong Kong) Limited *	Retail, corporate and investment banking services	Hong Kong	HKD	5,200	100	100	
22. DBS Asset Management (Hong Kong) Ltd *	Investment management services	Hong Kong	HKD	13	100	100	
23. DBS Corporate Services (Hong Kong) Limited *	Investment holding and corporate services	Hong Kong	HKD	1	100	100	
24. DHB Limited *	Investment holding	Hong Kong	HKD	500	100	100	
25. DBS Vickers Securities Online (HK) Limited *	Securities broker	Hong Kong	HKD	137	100	100	
26. DBS Vickers (Hong Kong) Limited *	Securities and futures broker	Hong Kong	HKD	150	100	100	
27. Kenson Asia Ltd *	Corporate services	Hong Kong	HKD	#	100	100	
28. Kingly Management Ltd *	Corporate services	Hong Kong	HKD	#	100	100	
29. Worldson Services Ltd *	Corporate services	Hong Kong	HKD	#	100	100	
30. Ting Hong Nominees Limited *	Nominee services	Hong Kong	HKD	#	100	100	
31. DBS Vickers Securities Nominees (Hong Kong) Limited *	Nominee services	Hong Kong	HKD	#	100	100	
32. PT DBS Vickers Securities (Indonesia)*	Securities broker	Indonesia	IDR	55,000	99	99	
33. DBS Vickers Securities (Thailand) Co. Ltd *	Securities broker	Thailand	THB	396	100	100	
34. DHJ Management Limited **	Corporate services	British Virgin Islands	USD	#	100	100	
35. JT Administration Limited **	Corporate services	British Virgin Islands	USD	#	100	100	
36. Market Success Limited **	Corporate services	British Virgin Islands	USD	#	100	100	
37. Kendrick Services Limited **	Corporate directorship services	British Virgin Islands	USD	#	100	100	
38. Lushington Investment Limited **	Corporate shareholding services	British Virgin Islands	USD	#	100	100	
39. Quickway Limited **	Corporate directorship services	British Virgin Islands	USD	#	100	100	
40. DBS Group (Hong Kong) Limited *	Investment holding	Bermuda	USD	356	100	100	
41. DBS Vickers Securities (UK) Ltd *	Securities broker	United Kingdom	GBP	#	100	100	
42. DBS Vickers Securities (USA), Inc *	Securities broker	United States	USD	#	100	100	
43. DBS Trustee H.K. (Jersey) Limited *	Trustee services	Jersey	GBP	#	100	100	

DBS Bank Ltd and its subsidiaries
Notes to the consolidated financial statements
Year Ended 31 December 2006

Name of subsidiary	Principal activities	Country of incorporation	Share capital		Effective shareholding %	
			Currency	In millions	2006	2005
44. AXS Infocomm Pte Ltd ^{(a)***}	Development and operation of multimedia transactional pay phone kiosks	Singapore	SGD	14	64.8	-

Amount under \$500,000

* 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

*** Audited by other auditors

(a) Shareholding includes 10.8% (2005: Nil) held through DBS Bank. In addition, there is an indirect shareholding of 9.5% (2005: Nil) held through Network for Electronic Transfers (Singapore) Pte Ltd. There is no control over indirect shareholding, thus consolidation was not applied

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

Name of joint venture	Principal activities	Country of incorporation	Share capital		Effective shareholding %		
			Currency	In millions	2006	2005	
<u>Held by the Bank</u>							
1. Ayala DBS Holdings Inc. *	Investment holding	The Philippines	PHP	3,340	40.0	40.0	
2. Cholamandalam DBS Finance Limited (formerly known as Cholamandalam Investments and Finance Company Limited) ***	Consumer finance	India	INR	380	37.5	20.0	
3. DBS HDM Capital Sdn Bhd *	Investment holding	Malaysia	RM	#	50.0	-	
<u>Held by other subsidiaries</u>							
4. Hutchinson DBS Card Limited *	Provision of credit card services	British Virgin Islands	HKD	1	50.0	50.0	

Amount under \$500,000

* Audited by Ernst & Young firms outside Singapore

*** Audited by other auditors

The significant associates in the Group are listed below:

Name of associate	Principal activities	Country of incorporation	Share capital		Effective shareholding %		
			Currency	In millions	2006	2005	
<u>Quoted - Held by the Bank</u>							
1. Bank of the Philippine Islands ***	Commercial banking and financial services	The Philippines	PHP	22,386	20.4	20.4	
<u>Quoted - Held by other subsidiaries</u>							
2. Hwang - DBS (Malaysia) Bhd ^{(b)***}	Investment holding	Malaysia	RM	265	26.2	23.1	
<u>Unquoted - Held by the Bank</u>							
3. Century Horse Group Limited *	Financial services	British Virgin Islands	USD	#	20.0	20.0	
4. Clearing and Payment Services Pte Ltd ***	Provides service infrastructure for clearing payment and settlement of financial transactions	Singapore	SGD	#	33.3	33.3	
5. Investment and Capital Corporation of the Philippines *	Financial services	The Philippines	PHP	300	20.0	20.0	
6. Network for Electronic Transfers (Singapore) Pte Ltd ***	Electronic funds transfer	Singapore	SGD	1	33.3	33.3	
7. Nextmall Holdings Corporation **	Hypermarket chain	Cayman Islands	USD	#	33.7	33.7	
8. Orix Leasing Singapore Ltd ***	Leasing and hire-purchase financing of equipment, provision of installment loans & working capital financing	Singapore	SGD	3	30.0	30.0	
<u>Unquoted - Held by other subsidiaries</u>							
9. Hwang-DBS Investment Management Berhad ***	Investment management services	Malaysia	RM	10	30.0	42.3	
10. Hwang-DBS Resources Sdn Bhd ***	Leasing of movable assets	Malaysia	RM	3	23.1	23.1	
11. Hwang-DBS Vickers Research (Malaysia) Sdn Bhd ^{(c)***}	Investment management	Malaysia	RM	3	49.0	49.0	
12. Singapore Africa Investment Management Pte Ltd ***	Investment management	Singapore	USD	#	30.0	30.0	
13. Southern Africa Investment Pte Ltd ^{(d)***}	Investment holding	Singapore	USD	35	25.0	25.0	
14. Singapore Consortium Investment Management Ltd ***	Investment management services	Singapore	SGD	1	33.3	33.3	

Amount under \$500,000

DBS Bank Ltd and its subsidiaries
Notes to the consolidated financial statements
Year Ended 31 December 2006

- * Audited by Ernst & Young firms outside Singapore
- ** No statutory audit was performed for this company as it is not mandatory under local laws and regulations
- *** Audited by other auditors
- (b) Shareholding includes 2.6% held through DBS Bank
- (c) In addition to the effective shareholding of 49%, there is an indirect shareholding of 13.4% (2005: 11.8%) held through Hwang-DBS (Malaysia) Bhd. There is no control over indirect shareholding, thus consolidation was not applied
- (d) Shareholding includes 12.5% held through DBS Bank

DBS Bank Ltd and its subsidiaries

Directors' Report

The Directors are pleased to submit their report to the Member together with the audited consolidated financial statements of DBS Bank Ltd (the "Bank") and its subsidiaries (the "Bank Group") and the balance sheet, income statement and statement of changes in equity of the Bank for the financial year ended 31 December 2006, 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
Jackson Tai	-	Chief Executive Officer & Vice Chairman
Frank Wong Kwong Shing	-	Chief Operating Officer
Ang Kong Hua		
Andrew Robert Fowell Buxton	-	(Appointed 17 February 2006)
Goh Geok Ling		
Kwa Chong Seng		
Leung Chun Ying		
N R Narayana Murthy		
Peter Ong Boon Kwee		
John Alan Ross		
Wong Ngit Liong		

Messrs Jackson Tai, Ang Kong Hua, Leung Chun Ying and Peter Ong will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Arrangements to enable Directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year, was the Bank a party to any arrangement, the object of which, is to enable the Directors to acquire benefits through the acquisition of shares in or debentures of the Bank or any other body corporate save as disclosed in this report 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 Bank and related corporations as stated below:

	Holdings in which Directors have a direct interest		Holdings in which Directors are deemed to have an interest	
	As at 31 Dec 2006	As at 31 Dec 2005 (or date of appointment if later)	As at 31 Dec 2006	As at 31 Dec 2005 (or date of appointment if later)
DBS Group Holdings Ltd ("DBSH") ordinary shares				
Koh Boon Hwee	-	-	-	-
Jackson Tai	157,307	148,822	-	-
Frank Wong Kwong Shing	213,357	204,872	-	-
Ang Kong Hua	-	-	-	-
Andrew Robert Fowell Buxton*	4,000	-	-	-
Goh Geok Ling	2,100	2,100	-	-
Kwa Chong Seng	42,129	42,129	50,000	50,000
Leung Chun Ying	-	-	-	-
John Alan Ross	10,000	10,000	10,000	-
N R Narayana Murthy	2,000	2,000	-	-
Peter Ong Boon Kwee	-	-	-	-
Wong Ngit Liong	-	-	-	-
* Appointed 17 February 2006				
Unissued ordinary shares under the DBSH Share Option Plan				
Jackson Tai	440,175	440,175	-	-
Frank Wong Kwong Shing	448,050	448,050	-	-
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 21 January 2007.

Directors' contractual benefits

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

DBSH Share Option Plan

The DBS Bank Share Option Plan (the "DBS Bank Option Plan") was adopted by the shareholders of the Bank at an Extraordinary General Meeting of the Bank held on 19 June 1999 to replace the DBS Bank Option Scheme. At an Extraordinary General Meeting held on 18 September 1999, the shareholders of DBSH adopted the DBSH Share Option Plan (the "Option Plan") to replace the DBS Bank Option Plan, following the restructuring of the Bank as a wholly owned subsidiary company of DBSH. Particulars of the share options granted under the Option Plan in 1999, 2000, 2001, 2002, 2003, 2004 and 2005 (herewith called "1999 DBSH Options", "March/July 2000 DBSH Options", "March/June/August 2001 DBSH Options", "January/March/August/December 2002 DBSH Options", "February 2003 DBSH Options", "March 2004 DBSH Options" and "March 2005 DBSH Options") have been set out in the Directors' Reports for the years ended 31 December 1999, 2000, 2001, 2002, 2003, 2004 and 2005 respectively.

The movements of the unissued ordinary shares of DBSH in outstanding DBSH options granted under the Option Plan were as follows:

DBSH Options	Number of unissued ordinary shares		During the year			Number of unissued ordinary shares	Exercise price per share	Expiry date
	1 January 2006	Granted	Exercised	Forfeited	31 December 2006			
July 1999	2,716,023	-	1,434,554	355	1,281,114	\$15.30	27 July 2009	
March 2000	1,329,000	-	73,000	98,000	1,158,000	\$20.87	5 March 2010	
July 2000	968,000	-	14,000	75,000	879,000	\$22.33	26 July 2010	
March 2001	8,613,000	-	2,344,284	725,801	5,542,915	\$17.70	14 March 2011	
June 2001	21,000	-	21,000	-	-	\$14.76	31 May 2011	
August 2001	420,000	-	151,600	-	268,400	\$12.93	31 July 2011	
January 2002	50,500	-	50,500	-	-	\$13.70	1 January 2012	
March 2002	7,953,280	-	3,419,973	9,290	4,524,017	\$14.73	27 March 2012	
August 2002	475,800	-	173,900	(13,800) #	315,700	\$12.27	15 August 2012	
December 2002	20,000	-	10,000	-	10,000	\$11.47	17 December 2012	
February 2003	8,277,220	-	3,994,110	34,740	4,248,370	\$10.40	23 February 2013	
March 2004	6,079,158	-	1,120,916	341,050	4,617,192	\$14.73	2 March 2014	
March 2005	2,551,300	-	169,851	211,350	2,170,099	\$15.07	1 March 2015	
	39,474,281	-	12,977,688	1,481,786	25,014,807			

Included a credit of 15,000 shares previously reported as "forfeited" due to timing.

Other than the DBSH Options granted under the Option Plan as disclosed herein, there were no further options granted by DBSH 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 the Bank at an Extraordinary General Meeting of the Bank held on 19 June 1999. At an Extraordinary General Meeting held on 18 September 1999, the shareholders of DBSH adopted the DBSH Performance Share Plan (the "Performance Share Plan"), to replace the DBS Bank Performance Share Plan, following the restructuring of the Bank as a wholly-owned subsidiary company of DBSH. During the financial year, awards in respect of an aggregate of 3,738,190 ordinary shares were granted pursuant to the DBSH Performance Share Plan, to selected employees of the DBSH Group. This included 240,740 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 could range from a minimum of 100% of the shares awarded to 200%, depending on the DBSH Group's performance as measured by return on equity.

Information on the Performance Share Plan is as follows:

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

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 DBSH, 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 of DBSH.

- (iii) The Performance Share Plan shall continue to be in force at the discretion of the Compensation Committee of DBSH, subject to a maximum period of ten years commencing from 18 September 1999, provided always that the Performance Share Plan may continue beyond the above stipulated period with the approval of the shareholders of DBSH by ordinary resolution in general meeting and of any relevant authorities which may then be required.
- (iv) 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 DBSH.
- (v) The aggregate nominal amount of new ordinary shares of DBSH 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 DBSH 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, DBSH will have the flexibility to deliver ordinary shares of DBSH 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 DBSH 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 DBSH (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 DBSH that such adjustment (other than in the case of a capitalisation issue) is fair and reasonable.

At an Extraordinary General Meeting held on 30 March 2006, the shareholders of DBSH adopted the change of name of the Plan from "DBSH Performance Share Plan" to "DBSH Share Plan" to better reflect DBSH Group's ability to also grant time-based awards. Such time-based awards will only be granted from 2007.

Auditors

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

On behalf of the Directors

Koh Boon Hwee

Jackson Tai

15 February 2007
Singapore

Statement by the Directors

We, Koh Boon Hwee and Jackson Tai, being two of the Directors of DBS Bank Ltd (the “Bank”), state that, in the opinion of the Directors, the consolidated financial statements of the Bank Group, consisting of the Bank and its subsidiaries, and the income statement, balance sheet and statement of changes in equity of the Bank, together with the notes thereon as set out on pages 1 to 66, are drawn up so as to give a true and fair view of the state of affairs of the Bank and Bank Group as at 31 December 2006 and the results of the Bank and the Bank Group, changes in equity of the Bank and the Bank Group and cash flows of the Bank Group for the year ended on that date and there are reasonable grounds to believe that the Bank and the Bank Group will be able to pay their debts as and when they fall due.

On behalf of the Directors

Koh Boon Hwee

Jackson Tai

15 February 2007
Singapore

Independent Auditors' Report

To the Member of DBS Bank Ltd (incorporated in Singapore)

We have audited the accompanying financial statements of DBS Bank Ltd (the "Bank") and its subsidiaries (the "Bank Group") set out on pages 1 to 66, which comprise the balance sheets of the Bank Group and the Bank as at 31 December 2006, consolidated income statements of the Bank Group and the Bank, statement of changes in equity of the Bank Group and the Bank and consolidated cash flow statements of the Bank Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Bank's directors are responsible for the preparation and fair presentation of these financial statements in accordance with Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

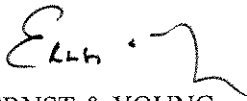
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion,

- (i) the consolidated financial statements of the Bank Group and the income statement, balance sheet, and statement of changes in equity of the Bank are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 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 of Banks No. 612 "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore, so as to give a true and fair view of the state of affairs of the Bank Group and the Bank as at 31 December 2006 and the results of the Bank Group and the Bank, changes in equity of the Bank Group and the Bank and cash flows of the Bank Group for the year ended on that date; and
- (ii) the accounting and other records required by the Act to be kept by the Bank and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.



ERNST & YOUNG
Certified Public Accountants

15 February 2007
Singapore