

DBS Group Holdings Ltd
Annual Report 2004



Corporate Information

Management Committee

Jackson Tai – Vice Chairman & Chief Executive Officer

Frank Wong – Chief Operating Officer
Vice Chairman, DBS Bank
Chairman, DBS Bank (Hong Kong) Limited

Jeanette Wong – Chief Financial Officer

Eric Ang – Managing Director & Joint Head, Global Financial Markets

Steve Ingram – Managing Director & Head, Technology and Operations
Group Chief Information Officer

David Lau – Managing Director & Joint Head, Global Financial Markets

Rajan Raju – Managing Director & Head, South and Southeast Asia

S Dhanabalan – Advisor

Susan Ho – Principal Secretary

DBSH Board of Directors

S Dhanabalan – Chairman
Jackson Tai – Vice Chairman & Chief Executive Officer
Frank Wong – Chief Operating Officer
Ang Kong Hua
Bernard Chen
Fock Siew Wah
Gail D Fosler
Goh Geok Ling
Kwa Chong Seng
Leung Chun Ying
Narayana Murthy
Peter Ong
John A Ross
Thean Lip Ping
Wong Ngit Liong

Audit Committee

Bernard Chen – Chairman
Goh Geok Ling
Peter Ong

Board Risk Management Committee

Fock Siew Wah – Chairman
Bernard Chen
Kwa Chong Seng
Peter Ong
John A Ross

Compensation Committee

Thean Lip Ping – Chairman
S Dhanabalan
Fock Siew Wah
Leung Chun Ying
Wong Ngit Liong

Executive Committee

S Dhanabalan – Chairman
Jackson Tai
Frank Wong
Bernard Chen
Fock Siew Wah
Kwa Chong Seng

Nominating Committee

Bernard Chen – Chairman
S Dhanabalan
Gail D Fosler
Leung Chun Ying
Thean Lip Ping

Group Secretary

Heng Lee Cheng

Registrar

Barbinder & Co. Pte Ltd
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PWC Building
Singapore 048424
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Fax: (65) 6236 4399

Auditors

Ernst & Young
Certified Public Accountants
10 Collyer Quay #21-01
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Singapore 049315

Partner in charge of the audit
Fang Ai Lian

Registered Office

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Singapore 068809
Tel: (65) 6878 8888
Fax: (65) 6445 1267
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Website: www.dbs.com

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Performance at a Glance

Financial Summary – DBS Group Holdings Ltd and its Subsidiary Companies

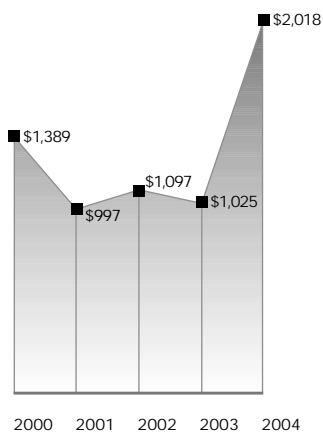
	2004	2003	2002
Profit and Loss (\$ millions)			
Operating profit	2,435	1,386	1,473
Net profit attributable to members (NPAM)	2,018	1,025	1,097
NPAM excluding goodwill amortisation	2,458	1,455	1,375
Balance Sheet (\$ millions)			
Total assets	175,553	159,595	149,445
Customer loans	69,664	64,335	60,709
Customer deposits	113,206	108,041	101,315
Total shareholders' funds	16,502	14,896	14,237
Per Ordinary Share (\$)			
Basic earnings	1.34	0.68	0.74
Basic earnings excluding goodwill amortisation	1.64	0.98	0.93
Gross dividend	0.40	0.30	0.30
Net assets backing	10.76	9.75	9.30
Selected Ratios (%)			
Return on average total shareholders' funds	12.85	7.04	7.94
Return on average total shareholders' funds (excluding goodwill amortisation)	15.66	9.99	9.95
Operating expenses as % of income before operating expenses	40.7	43.9	44.6
Capital adequacy ¹			
Tier 1	11.3	10.5	10.3
Total	15.8	15.1	15.5

1) Ratios for 2004 were computed based on the MAS capital framework issued on May 28 2004. Comparatives were not restated and were computed using Bank for International Settlements guidelines.

Financial Highlights

Group Net Profit Attributable to Members

(\$ millions)

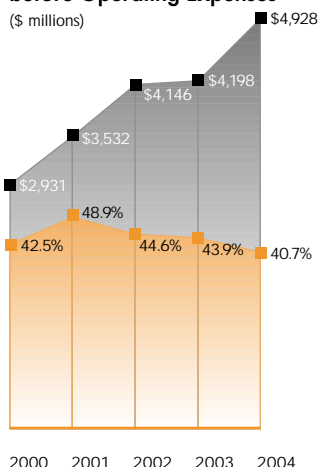


2004: \$2,018 million (+97%)
2003: \$1,025 million

Group net profit attributable to members in 2004 included one-time gains of \$310 million from disposal of a subsidiary company DBS Thai Danu Bank Public Company Limited and \$187 million from sale of equity investment in Wing Lung Bank.

Group Income before Operating Expenses & Ratio of Operating Expenses to Income before Operating Expenses

(\$ millions)



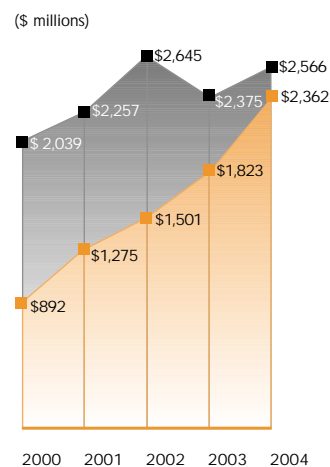
■ **Income before Operating Expenses**
2004: \$4,928 million (+17%)
2003: \$4,198 million

■ **Ratio of Operating Expenses to Income before Operating Expenses***
2004: 40.7% (-3.2 percentage points)
2003: 43.9%

* Excluding goodwill amortisation

Group Net Interest Income and Non-Interest Income

(\$ millions)

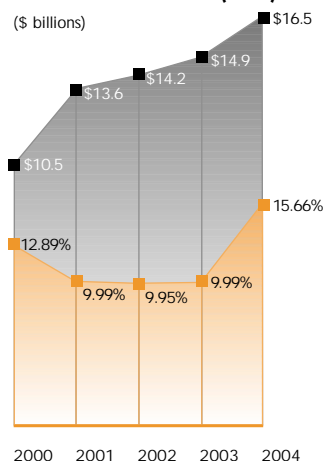


■ **Net Interest Income**
2004: \$2,566 million (+8%)
2003: \$2,375 million

■ **Non-Interest Income**
2004: \$2,362 million (+30%)
2003: \$1,823 million

Group Total Shareholders' Funds and Return on Average Total Shareholders' Funds (ROE)

(\$ billions)



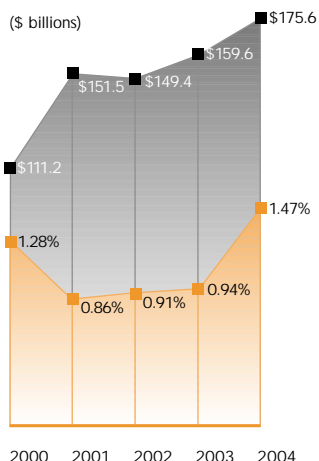
■ **Total Shareholders' Funds**
2004: \$16.5 billion (+11%)
2003: \$14.9 billion

■ **ROE***
2004: 15.66% (+5.67 percentage points)
2003: 9.99%

* Excluding goodwill amortisation

Group Total Assets and Return on Average Total Assets (ROA)

(\$ billions)



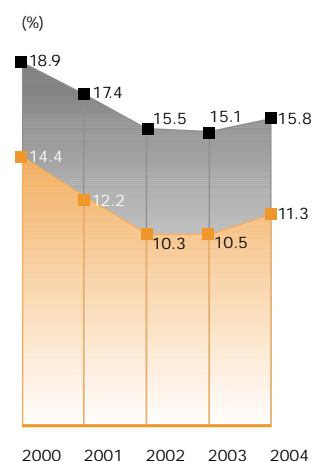
■ **Total Assets**
2004: \$175.6 billion (+10%)
2003: \$159.6 billion

■ **ROA***
2004: 1.47% (+0.53 percentage points)
2003: 0.94%

* Excluding goodwill amortisation

Capital Adequacy Ratio (CAR)¹

(%)



■ **Total (Tier 1 & 2)**
2004: 15.8%
2003: 15.1%

■ **Tier 1**
2004: 11.3%
2003: 10.5%

1) Ratios for 2004 were computed based on the MAS capital framework issued on May 28 2004. Comparatives were not restated and were computed using Bank for International Settlements guidelines.

Chairman's Statement 2004 was a good year for Asian economies. Hong Kong and Singapore grew in excess of 7%. Growth was underpinned by strong exports, low inflation and an upturn in business and consumer spending. Against this backdrop, DBS performed well.



S Dhanabalan
Chairman



With a business diversified in consumer, enterprise and wholesale banking, we were able to capitalise on the economic rebound to grow our customer franchise, expand our existing operations, form new ventures and open new overseas offices. We achieved greater diversification in our income with strong growth across all our businesses and across different geographies.

Financial Review

In 2004, Group net profits crossed the \$2 billion mark for the first time. Excluding one-time gains of \$497 million from the disposal of non-core investments, Group net profits was 48% higher than the year before. Operating income rose 17% to \$4.93 billion while operating expenses increased 8% to \$2.45 billion. Aggregate net profits for our consumer, SME and corporate sectors rose 33% from \$888 million to \$1.18 billion. Our fee income grew 15% and exceeded \$1 billion.

Our loan book expanded by 13% to \$69.7 billion during 2004, with new lending to individuals, corporates and SMEs across the region.

Our asset quality improved to pre-Asian crisis levels, helped by more favourable economic conditions. Our non-performing loan ratio stood at a low 2.5%, down from 5.2% the year before while our provision coverage rose to 89% from 63% previously.

Return on equity was the highest in four years at 12.7%. Our capital adequacy ratio rose to 15.8%. With a healthy balance sheet and robust capital ratios, we believe we are in a strong

position to serve our customers, to capture business opportunities and to invest for the future.

Overall, it was a good year for DBS. We were able to reap the fruits of earlier investments in people, processes and systems.

Regional Franchise

During the year, we continued to grow organically in China, India, Indonesia and Malaysia. We hired more staff, introduced new product lines and expanded to new locations. Our efforts are starting to show results in these countries, as evident from the fact that growth in revenues from the region outpaced those from Singapore and Hong Kong last year.

In Thailand, we merged the operations of DBS Thai Danu with that of Thai Military Bank and The Industrial Finance Corporation of Thailand, to form TMB Bank, the country's fifth largest banking group with combined assets in excess of Bt 677 billion (\$29 billion). We believe that TMB Bank's bigger scale offers a more effective way for us to grow in a key market where industry consolidation is actively encouraged by the government.

Shareholder Returns

The Board declared an interim dividend of \$0.18 per share and a final dividend of \$0.22 per share. The total dividend of \$0.40 is a 33% increase over the \$0.30 paid in 2003.

It is the Board's intention to increase the dividend rate in a sustainable manner in line with underlying earnings growth. At the same time, we believe that the region's enormous growth

Left: DBS in India

Our Mumbai branch moved to bigger premises in 2004 and expanded its capabilities to include treasury and markets operations, institutional banking and trade finance.

Right: DBS in China

DBS opened a branch in Guangzhou in July and a representative office in Doughton in December. We were also awarded a Domestic Enterprise licence in Shenzhen and Shanghai, and a derivatives licence for all branches.

potential means that the best long-term return for shareholders will be achieved by using our capital to grow the business, both organically and through selective inorganic opportunities that create value.

Quality of Earnings

Banking and finance are becoming increasingly complex and competitive. As DBS seeks to expand its business and balance risk and return, we will continue to invest in people and systems, in areas such as risk management, financial controls, legal and regulatory compliance, credit assessment and portfolio management. The imminent implementation of the Basel II capital accord adds further urgency to the steps that we need to take. These investments are absolutely necessary for sound banking and will improve the quality of our earnings.

Prospects for 2005

We remain optimistic about economic prospects in Asia notwithstanding market expectations of short-term dislocations in some economies that have grown at breakneck speed in recent years. The challenge for DBS is to sustain our growth momentum from a higher revenue base so that we can continue to strengthen our foundation as a progressive pan-Asian bank. With our stronger capital resources, we are in a better position to embark on various initiatives that will translate into a higher level of service and value for our customers and shareholders in the coming years.

Apology

Though much was achieved in 2004, our performance was marred by the safe deposit box incident in the Mei Foo branch in Hong Kong. There is no excuse for the series of errors that led to the accidental destruction of 83 customers' deposit boxes. We apologise to our customers for the loss and stress that we caused them.

Acknowledgements

I would like to thank our customers, business partners and shareholders for their unstinting support of DBS without which we would not have achieved last year's record earnings.

I am also indebted to my fellow Board members for generously sharing their time and insights. Special thanks go to the four Board members, namely Bernard Chen Tien Lap, Fock Siew Wah, Gail D Fosler and LP Thean, who will be retiring at this year's Annual General Meeting.

Bernard and Siew Wah, who have been on the board for nine and seven years respectively (including tenure on the DBS Bank Board), had wanted to retire last year and were persuaded by me to serve another year. I am grateful to them for their sterling contributions on the Board and in the Audit and Risk Committees.

Siew Wah has very kindly agreed to serve as an Advisor to the Chairman on matters relating to the Bank's plans and business in China. I will also miss Gail's challenging and incisive questions and her perceptive comments on economic issues. I am also grateful to LP Thean who is stepping down after serving with

The challenge for DBS is to sustain our growth momentum from a higher revenue base so that we can continue to strengthen our foundation as a progressive pan-Asian bank.

much dedication since 2002. I appreciate his balanced views as Chairman of the Compensation Committee. His legal experience and focus on customer interests were invaluable in helping the Board make sound decisions.

I welcome two new Board members, Goh Geok Ling, Chairman of Tuas Power Ltd, and Wong Ngjit Liong, Chairman and CEO of the Venture Group, who joined us in May last year.

I am also pleased to have Ang Kong Hua, Executive Director of NatSteel Ltd, as the latest member of our Board effective March this year.

Last but not least, the management and staff of DBS Group are to be commended for their hard work and dedication. Their contributions helped make DBS a leading financial institution in Asia.



S Dhanabalan

Chairman, DBS Group Holdings

Left: Trade Finance, Hong Kong
DBS Hong Kong maintained its number two position in trade finance amid a very competitive environment.

Right: DBS Jakarta, Indonesia
2004 was a busy year for DBS Indonesia. It tripled its assets, expanded its staff strength and product offerings, relocated to a bigger office in Surabaya and opened a branch in Medan.





A photograph of two people practicing Tai Chi in a park. The person in the foreground is wearing a light purple long-sleeved shirt and dark pants, captured in a Tai Chi pose. Another person in a dark jacket is visible in the background, also practicing. The park features large, leafless trees and a paved walkway. The sky is clear and blue.

DBS China

DBS made significant inroads with Chinese-owned companies last year both in investment and corporate banking. Our role as lead manager for Li-Ning Co. Ltd's IPO in Hong Kong illustrates our ability to harness our financial expertise, knowledge and contacts across borders. We raised HK\$609 million for China's highly popular sportswear company founded by its namesake Olympic gymnast and three-time gold medallist.

Board of Directors



S Dhanabalan, Chairman

Appointed July 1 1999, he worked in DBS Bank from 1968 to 1978 before spending 16 years as a Cabinet Minister in the Singapore government. He is the current Chairman of Temasek Holdings (Pte) Ltd and a Director of the Government of Singapore Investment Corporation Pte Ltd. Age 67.



Jackson Tai, Vice Chairman & Chief Executive Officer

Appointed May 13 2001, he has been Chief Executive Officer since June 2002. A United States citizen, he joined DBS in 1999 as Chief Financial Officer and was made President and Chief Operating Officer in January 2001. Prior to joining DBS, Mr Tai served 25 years at J.P. Morgan & Co as an investment banker. He is also a director of Singapore Telecommunications Ltd and CapitalLand Ltd. Age 54.



Frank Wong Kwong Shing, Chief Operating Officer

Appointed September 16 2003, he is Chief Operating Officer of DBS Group Holdings and DBS Bank, Vice Chairman of DBS Bank and Chairman of DBS Bank (Hong Kong). A British citizen, he brings over 30 years of experience in financial markets, having worked for Citibank, J.P. Morgan and NatWest Markets, and in Hong Kong, Frankfurt, London and Singapore. Mr Wong is also Director of China Mobile (HK) Ltd. Age 57.



Bernard Chen Tien Lap, Director

Appointed July 1 1999, he spent 12 years at the Ministries of Defence and Finance and as Minister of State from 1977 to 1981. He then joined Fraser & Neave group, where he served the last seven years as General Manager and Director. He was Chief Executive Officer of Intraco Ltd from 1991 to 2000. Mr Chen is now Chairman of The Commercial & Industrial Security Corporation. Age 62.



Fock Siew Wah, Director

Appointed July 1 1999, he began his career with DBS and is currently Senior Advisor of Nuri Holdings (S) Pte Ltd and Chairman of Singapore Airlines Cargo Pte Ltd. He is a Director of Temasek Holdings (Pte) Ltd and Singapore Airlines Ltd, and was previously Regional Treasurer (Asia-Pacific) for J.P. Morgan, President and CEO of Overseas Union Bank, Special Advisor to Singapore's Finance Minister and Deputy Chairman of Fraser & Neave Limited. Age 64.



Gail D Fosler, Director

Appointed October 29 1999, she is Executive Vice President and Chief Economist of The Conference Board. Before joining The Conference Board in 1989, she was Chief Economist and Deputy Staff Director of the US Senate Budget Committee. Ms Fosler is currently a Director of Unisys Corporation, Baxter International, Caterpillar Incorporated, The National Bureau of Economic Research and The Economic Club of New York. She is American. Age 57.



Goh Geok Ling, Director

Appointed May 3 2004, he is Chairman of Tuas Power Pte Ltd. Prior to his retirement in October 1999, he was in the electronics industry for 29 years. He spent 28 years with Texas Instruments Singapore Pte Ltd where he last held the post of Managing Director. He became Managing Director of Micron Semiconductor Asia Pte Ltd after the acquisition of Texas Instruments. Mr Goh is also a Council Member of Nanyang Technological University. Age 64.



Kwa Chong Seng, Director

Appointed July 29 2003, he is Chairman and Managing Director of ExxonMobil Asia Pacific Pte Ltd and the Lead Country Manager for the ExxonMobil companies in Singapore. He is also Deputy Chairman of Temasek Holdings (Pte) Ltd. Mr Kwa also serves on the Public Service Commission and the Legal Service Commission in Singapore. Age 58.



Leung Chun Ying, Director

Appointed July 22 2002, he is Chairman of DTZ Debenham Tie Leung Global. A Chinese citizen, he was extensively involved in establishing Hong Kong as a Special Administrative Region, having served as a Vice Chairman of the Preparatory Committee and the Provisional Legislative Council. A member of the Hong Kong Executive Council, he was its Convenor between 1999 and 2002. Age 50.



Narayana Murthy, Director

Appointed August 19 2003, he is Chairman of Infosys Technologies Ltd, a company he co-founded and in which he had served as Chief Executive Officer for 20 years. An Indian citizen, he is also a director on the Central Board of the Reserve Bank of India, co-chairman of the Indo-British Partnership and a member of the Indian Prime Minister's Council on Trade and Industry. Age 58.



Peter Ong Boon Kwee, Director

Appointed March 26 2003, he is Permanent Secretary of the Ministry of Trade and Industry. Prior to that, he was Permanent Secretary of the Ministry of Transport and second Permanent Secretary (Defence) of the Ministry of Defence. From 1998 to 2000, he was seconded to Temasek Holdings (Pte) Ltd as an Executive Vice President. He is also the current Chairman of the Maritime and Port Authority. Age 43.



John A Ross, Director

Appointed February 6 2003, he is a retired banker. Prior to his retirement in 2002, he was Corporate Chief Operating Officer for the Deutsche Bank Group. Before joining Deutsche Bank in 1992, he spent 21 years at the Bank of New York. A US citizen, Mr Ross is a Trustee of the German Marshall Fund, the Jewish Museum, the Metropolitan Opera Guild and Hobart & William Smith Colleges. Age 60.



Thean Lip Ping, Director

Appointed September 9 2002, he is a consultant at the legal firm of KhattarWong. He was a High Court Judge from 1984-1993 and a Judge of Appeal of the Supreme Court from 1993-2002. Prior to that, he was a practising lawyer for 26 years. Mr Thean is also the Chairman of the Securities Industry Council of Singapore. Age 72.



Wong Ngit Liong, Director

Appointed May 3 2004, he has been the Chairman and Chief Executive Officer of Venture Group since 1986. Prior to that, he spent more than 12 years with the Hewlett-Packard Company. Mr Wong also serves on the boards of SIA Engineering Company and International Enterprise Singapore. Age 64.

Note: **Ang Kong Hua**, Executive Director, NatSteel Ltd, was appointed a director in March 2005.

Year in Review

January DBS Thai Danu Bank and Thai Military Bank signed a Memorandum of Understanding to merge.

DBS and Indonesia's Bank Mandiri led a US\$215 million syndicated loan to PT Mitra Global Telekomunikasi Indonesia, the largest syndicated facility for an Indonesian telcom company since 1998.

February POSB and Chowiz launched an e-Savings plan for schools to encourage children to save.

March DBS Thai Danu Bank, Thai Military Bank and The Industrial Finance Corporation of Thailand agreed to merge to create the fifth largest banking group in Thailand by assets.

DBS Hong Kong launched DBS Wealth Account to tap the emerging affluent population.

April DBS Shanghai branch was granted a Domestic Enterprise licence.

DBS and AirAsia launched the AirAsia Credit Card, offering cardmembers the fastest way to redeem free flights on AirAsia.

DBS agreed to sell its entire 10% stake in Hong Kong's Wing Lung Bank Ltd to Wu Jieh Yee Company Limited for HK\$1.2 billion.

DBS launched a home loan with the lowest first-year rate and year-long payment holiday; and a car loan cash rebate that cuts interest by 20%.

May Wong Ngit Liong, Chairman and CEO of Venture Group, and Goh Geok Ling, Chairman of Tuas Power Limited, joined the Group's board of directors.

DBS and MasterCard unveiled DBS Woman's Card, a new credit card which offers women platinum privileges with free concierge services.

June DBS Asia Capital raised HK\$609 million for the IPO of China's Li-Ning Co. Ltd.

DBS launched the Pan-Asian Bond Index to track local sovereign and quasi-sovereign bonds from eight key regional markets.

DBS TD Waterhouse was renamed DBS Vickers Securities Online after DBS Vickers raised its stake in the online joint venture.

DBS Hong Kong partnered Standard & Poor's (S&P) to provide S&P's independent and objective investment fund analysis to retail investors.

July DBS opened its Guangzhou branch.

DBS Shenzhen branch was granted a Domestic Enterprise licence.

DBS Hong Kong issued its first million credit cards.

Capital OK, a joint venture between DBS and Shin Corporation from Thailand, made its first move into Thailand's consumer finance market with the launch of "Life's OK", an innovative credit plan for consumers.

DBS Hong Kong kicked off "Cares Hong Kong", a company-wide community service programme to promote a caring culture among staff.

August DBS was sole arranger for a US\$500 million multi-currency debt issuance programme for Pan Asia Paper.

September DBS was chosen by SPRING to manage Singapore's first loan securitisation pilot programme for SMEs.

DBS launched a new Internet banking platform – iBanking – to serve more online customers at faster speed.

DBS Bank successfully closed a US\$750 million subordinated note issue which qualified as Upper Tier 2 capital for the Bank.

October DBS Hong Kong apologised for the accidental destruction of 83 safe deposit boxes.

November DBS was granted a derivatives licence for all DBS branches in China.

December DBS was joint lead arranger for the Suntec REIT, the largest IPO in Singapore in 2004.

DBS opened a Representative Office in Dongguan, making it the first foreign bank to establish a presence in the southern city of China.

DBS Hong Kong launched the Woman's Card at a glamorous party featuring Hong Kong celebrity Daniel Wu.

DBS Group and its staff donated \$600,000 to victims of tsunami-affected countries. The Bank also raised S\$5.6 million from customers through its Internet banking channel and ATMs.



DBS Malaysia

DBS was an aggressive new challenger in the offshore syndicated loans and equities and debt markets in Malaysia last year. Our branch in Labuan and representative office in Kuala Lumpur performed notably well, and among the marquee syndicated loans was a US\$250 million term loan secured for YTL Power International Bhd.



CEO's Report At the start of 2004, Asian economies surged ahead toward recovery and favourable market conditions prevailed.



Jackson Tai
Vice Chairman & Chief Executive Officer



DBS in Singapore
Singapore, as well as Hong Kong, is DBS' springboard from which our successful business models, expertise and processes will be exported across the region.

As the year progressed, capital-raising activities and investment sales languished in a market rattled by an uncertain outlook for US interest rates, concerns over China's overheated economy, rising oil prices and a demand slowdown for technology-related products. Trading volumes suffered and conditions became particularly difficult when bond yields fell sharply against widespread expectations.

Against this uneven 2004 operating environment, DBS chalked up record earnings and delivered the strongest bottom-line numbers in its 36-year history. Our net profit rose 97% to \$2.02 billion, including \$497 million in one-time gains from sales of stakes in affiliate banks. Excluding these gains, net profit of \$1.52 billion was up 48% from the year before and surpassed the record of \$1.39 billion set in 2000.

Net interest income grew 8% last year to \$2.57 billion with net interest margin arresting previous year's decline to stabilise at 1.79%. Non interest income increased 30% to \$2.36 billion but excluding one-time gains, the increase was 2% to \$1.87 billion.

The stronger performance can be traced to our dogged determination over the past three years to growing annuity income from our core customer businesses across segments and geography.

- For the year, our loan book grew 13% to \$69.7 billion, excluding our deconsolidated Thailand operations.
- But the larger trend is more revealing: our loan book grew over eight consecutive quarters. During this period, loan assets increased 20% or \$11.6 billion.

- Our success in diversifying our income streams by growing recurring income across all customer segments significantly reduced our past reliance on market-related income.

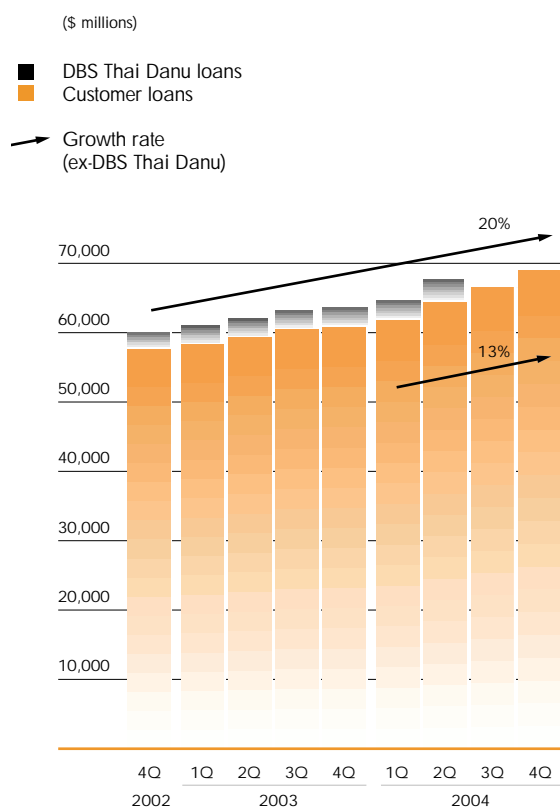
Although loan margins have contracted in Asia's ocean of excess liquidity, our lending operations generate not only recurring interest income, but also the opportunity for us to garner franchise-building fee business. Thus, our loan book's net interest income must be juxtaposed against our fee income which has climbed to 22.9% of total income (excluding one-time gains). Importantly, fee income has grown at a compound annual growth rate of 24% over six consecutive years, from \$274 million in 1998 to \$1.013 billion in 2004.

Our higher earnings boosted our capital resources to a 15.8% group total capital adequacy ratio under the MAS capital framework. Our strong profitability placed us on a new level of operating strength and toughened our resolve to become a leader among Asian financial institutions.

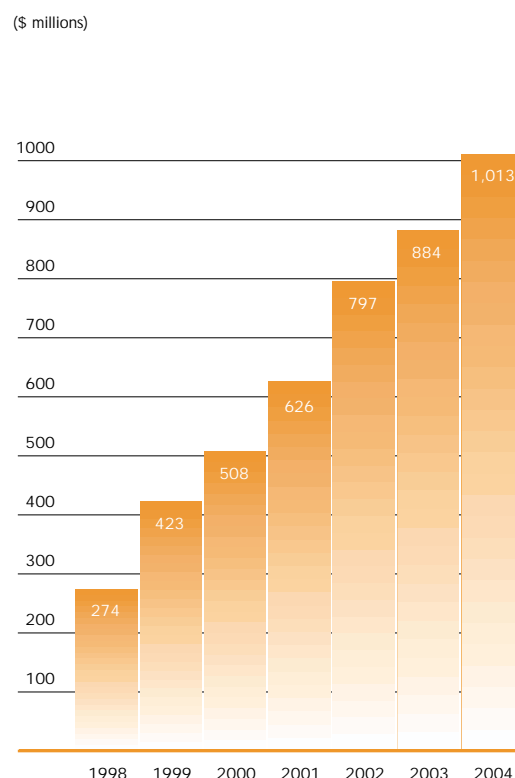
Fundamentally, we owe our improved performance to a customer-centric approach that puts customers at the core of our business strategy.

In this regard, we failed in one spectacular instance last year when operational lapses during the renovation of our Mei Foo branch in Hong Kong led to the accidental destruction of 83 customers' safe deposit boxes. While others might have deftly side-stepped the blame to contractors, we chose to promptly acknowledge our responsibility for the incident, and took steps to fairly compensate our customers without delay.

Eight Consecutive Quarters of Loan Growth



Six Consecutive Years of Fee Income Growth



To date we have settled in full with all but seven customers. The incident had no material financial impact on our Hong Kong operations, but nonetheless set back our efforts to establish our brand in our second biggest market in Asia. We deeply regret this incident, have since taken remedial action to ensure that such lapses do not recur, and pledge to regain the trust of our customers.

The unfortunate incident was a reminder of the continuous need to improve the quality of our business as we expand in scale and scope. Business achievements are of no consequence if we let our customers down. Arising from the incident, all DBS employees were reminded that producing strong financial results alone does not make DBS a well-managed bank. Since then, we have taken steps to reinforce a company culture that places customers first and upholds the highest business standards and practices.

2004 Highlights

We completed in 2004 a range of notable achievements, a reflection of DBS' growing diversity and depth of talent.

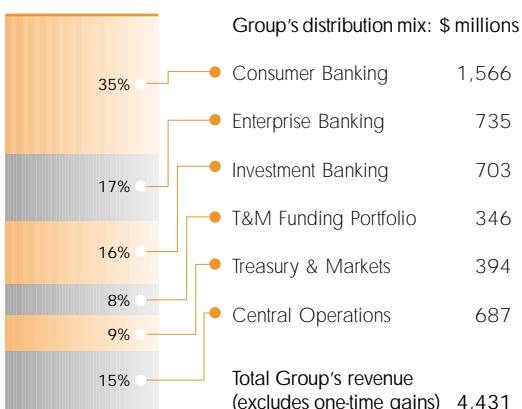
- We won standout investment banking mandates, including lead manager for the biggest IPO in Singapore, the \$830.3 million Suntec REIT; the first global bond in Asia after the 1997 Asian financial crisis, a US\$270 million bond financing for Indonesia's PT MGTI; and a HK\$609 million IPO for Li-Ning Co. Ltd, the consumer goods company founded by the namesake Olympic gymnast and three-time gold medalist.
- We embarked on a programme of organic growth to underpin our continued search for appropriate mergers and acquisitions opportunities. We opened new branches and offices in China,

Indonesia and India, and saw double-digit growth in assets and revenues in these countries.

- We completed the merger of DBS Thai Danu, Thai Military Bank and The Industrial Finance Corporation of Thailand in September. The new entity now operates under the Thai Military Bank name and is the fifth largest bank in Thailand with combined assets in excess of Bt 677 billion (\$29 billion). DBS' 16.1% ownership is second only to the 31.2% stake of the Thai Ministry of Finance.
- During the year, we took advantage of favourable market conditions to raise US\$750 million of Upper Tier 2 capital for DBS Bank through a 15-year, 5% subordinated notes issue. The financing supplements maturing subordinated notes, was in line with our policy of proactively managing our capital base, and positions DBS to pursue business and strategic initiatives as suitable opportunities arise.
- We maintained our wealth management sales despite intense competition and in the face of sluggish market conditions in the second half of the year. Total sales of investment products in Singapore and Hong Kong amounted to \$8.812 billion.
- We divested our long-held 10% stake in Hong Kong's Wing Lung Bank Ltd in April to Wing Lung Bank's controlling Wu family. We also took initial steps in November to divest our 12.7% stake in Banco D'Oro to the controlling Sy family of the Philippines, which was completed in January this year. Although neither stake fits into our program for highly integrated banking operations in the region, we value the relationship and trust with the lead shareholders of these institutions and look forward to continued business collaboration.

To achieve scale, we embrace a multi-pronged approach of pursuing organic growth, acquisitions, and hybrid strategies of joint-ventures and alliances.

DBS Revenues by Business Segments in 2004



Embracing our Roots as we Build Diversity and Depth

DBS is an Asian bank of the 21st century. We live, breathe and work in the most exciting and fastest-growing region of the world. Our prospects are inextricably tied to the fortunes of Asia; for us, there is no running away when storm clouds gather over the horizon and returning when blue skies reappear. We are firmly rooted here to serve our Asian clients, in good times and bad.

Our Asian origin and orientation have endowed us with the advantage of local knowledge and insight while our commitment to international best practices have helped us build profitable operating models and leadership in product and service quality. We embrace good governance, transparency, as well as timely and full disclosure.

Our strategy has been the same regardless of market cycles. We strive to build scale, diversity and depth as we expand further into the region to serve our customers.

- We must grow the scale of our operations to harness lower per unit cost for our customers, and to remain relevant to our customers and shareholders.
- We seek diversity in business mix and product offerings to address our customers' growth across Asia, as well as to achieve better balance in shareholder returns.
- We are increasing our business depth to anchor our market penetration and dominance, and to capture higher returns from our more developed products and services.

We adopt this strategy on top of an unwavering commitment to sound risk and credit management, as well as a culture of strong internal controls, compliance and transparency.

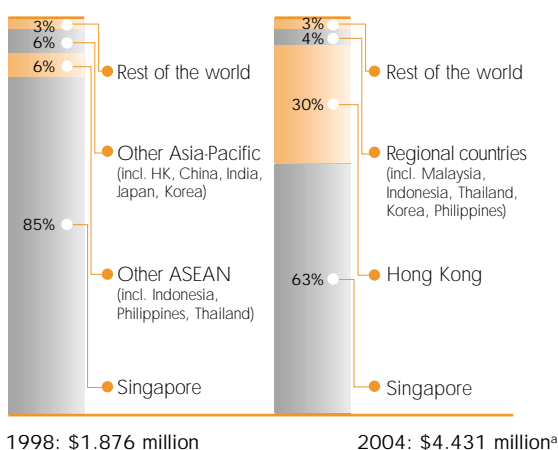
To achieve scale, we embrace a multi-pronged approach of pursuing organic growth, acquisitions, and hybrid strategies of joint-ventures and alliances. What form we adopt, and how fast, depends very much on business opportunities at hand as well as changing local regulatory policies and forbearance.

Outside of our twin hubs of Singapore and Hong Kong, organic growth has driven top-line numbers in countries like China, Indonesia, India and Malaysia. In the coming years, we will be channelling more resources to significantly reinforce our presence in these countries. Asset growth in these countries swelled more than 14% last year.

We will pursue acquisitions only when the right opportunities arise, and only if they extend our regional reach and add significant value to our existing businesses.

Thus far, our regionalisation efforts have helped us achieve a more balanced geographical distribution of our income and assets in 2004. In 1998, only 17% of our assets were sourced outside Singapore. Last year, that share was 32%. Operations outside of Singapore contributed 37% in revenues last year, compared to 15% six years ago when we started to map out our pan-Asian ambitions.

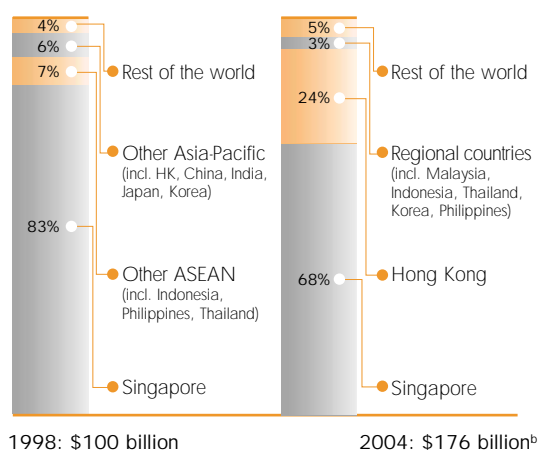
Operating Income



a) Excludes S\$497 million one-time gains

b) Includes goodwill assets; distribution of assets by geography excludes goodwill assets

Total Assets



Replicating Singapore Strengths in the Region

As we expand our operations, we seek to replicate the capabilities we have built up over three decades in Singapore, and more recently in Hong Kong, in the rest of Asia. Notwithstanding regulatory constraints that sometimes slow our agenda, we made headway last year in markets beyond Singapore and Hong Kong.

Momentum is building in our operations in China, Indonesia, India, Malaysia, and South Korea. Growth in revenues from the region and the rest of the world outside Singapore and Hong Kong outpaced that of the twin hubs last year, increasing 14% against 10% and 2% for Singapore and Hong Kong respectively.

As we grow in these countries, we will be using Singapore and Hong Kong as springboards, exporting from these two markets successful business models, expertise and processes, and extending a common technology and operations infrastructure across the region.

Most of the business growth outside our two key markets has thus far been in wholesale banking since local regulations continue to impose varying degrees of restrictions on foreign banks' presence in the retail market. We have, for example, been a new and aggressive challenger in the syndicated loans markets in India, Malaysia and South Korea. In Malaysia, where we have an offshore branch in Labuan and a marketing office in Kuala Lumpur, we were lead arranger of numerous high profile syndicated loans. They included a US\$250 million term loan for YTL Power International Bhd, a US\$300 million term loan for Astro, a US\$700 million floating rate facility for Titan Capital (L) Ltd, and a US\$400 million revolving credit facility for Star Cruises.

In India, we emerged as the number two bookrunner for syndicated lending as ranked by the Thomson Financial League Tables 2004, capturing 9.7% share from 13 issues totalling US\$444.4 million.

Looking forward, we are focused on opportunities to accelerate client coverage across geographies, and to offer the same full suite of services we already have in our twin hubs of Singapore and Hong Kong. These include capital markets and advisory, treasury and markets, structured finance, private banking, stockbroking, asset management and transaction services. There is no reason, for example, for us not to replicate abroad our asset securitisation capabilities which have seen us pioneer and dominate the Real Estate Investment Trusts (REIT) business in Singapore.

We also look for an enhanced presence in the regional derivatives market, particularly in China where we were awarded a licence to conduct derivatives business last year. This approval will help us expand the modest scale of wealth management business we have already developed through our "white labelling" collaboration with Chinese banks.

In most of the markets in greater China and South and Southeast Asia, we aim to capitalise on our track record in corporate and SME banking to target mid-cap customers. We will take full advantage of our on-site presence, local insight, and Asian commitment to build an enduring mid-cap franchise, one that weathers cycles and is not affected by competing demands from other parts of the world. We must do so before global bank competitors finally demonstrate a long-term willingness to invest in Asian mid-cap customers. We must also

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Regional Revenues Grow at a Faster Pace

	Amount (\$m)		YoY
	2003	2004	change (%)
Revenues			
Region and rest of world ^a	199	227	14
Hong Kong ^b	1,337	1,361	2
Singapore ^c	2,520	2,773	10
Total	4,056	4,361	8

a) Excludes DBS Thai Danu in all periods

b) Includes non-DBS Bank (HK) operations

c) Excludes one-time gains of \$497 million in 2004

differentiate ourselves from some global banks who still find it more compelling at their remote headquarters to book trophy transactions with large high-profile customers in their episodic view of Asia.

An Integrated Approach to Serving our Customers

As we extend our geographical reach and product offerings, we will make evolutionary organisational adjustments that will allow us to offer our customers a seamless experience of high level of service and quality of products across the region. Early in 2005, we placed all of our client-facing businesses under Frank Wong, who was appointed Chief Operating Officer in recognition of his success in forging the agendas and priorities of different businesses. He will help ensure that we harness DBS' resources across functions and geographies to serve our customers with integrated, innovative and timely solutions.

Another evolutionary organisation change took place two years ago and is now beginning to take hold. We grouped six businesses – Investment Banking, Treasury & Markets, DBS Vickers Securities, Private Banking, Asset Management as well as some of the functions within Central Treasury Unit – into a new integrated Wholesale Banking team. By hard-wiring product manufacturers, relationship managers and distribution specialists who serve corporates and institutions closer together, we were able to leverage product capabilities and sector expertise across the DBS Group, facilitating closer teamwork and more efficient cross-selling of products and services.

In our SMEs business, we have set up a Regional Enterprise Banking Management Team comprising senior managers from Singapore and Hong Kong, to consolidate and drive regional

plans and ensure alignment of policies and practices in credit, processes and systems.

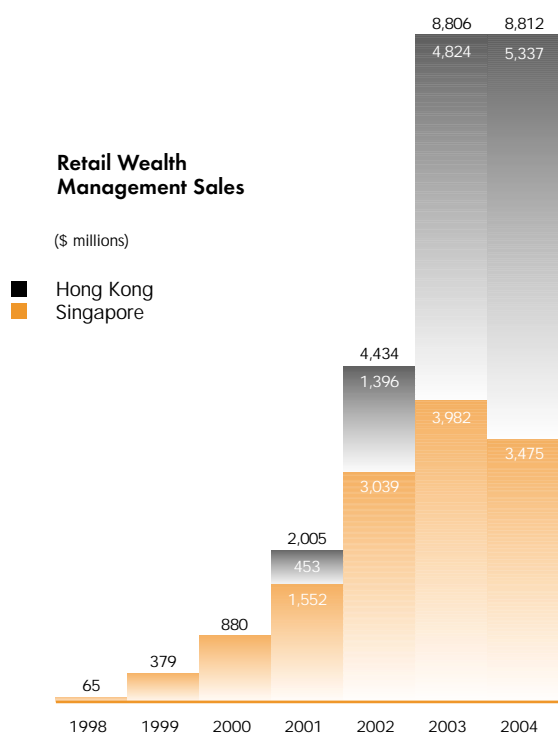
Expanding Distribution to Serve Retail Customers

Our consumer banking franchise in Singapore and Hong Kong registered a 37% increase in earnings in 2004 to become the largest net profit contributor within the Group. But beyond the bookkeeping of profit, our regional consumer banking franchise is addressing the challenge that banking is increasingly about access to customers and distribution.

DBS retained its dominant position as the largest distributor of investment and insurance products to the mass market, with the bulk of the treasury products engineered in-house and insurance products sourced from Aviva, our strategic bancassurance partner.

Sharing a common wealth management business model with Singapore, Hong Kong reported yet another year of robust sales in investment and bancassurance products, particularly in unit trusts where it now commands at least a 5% market share. Fees from sale of bancassurance and unit trust products rose 47% despite uncertainties in the financial markets.

DBS' retail distribution network is the largest in Singapore, with 86 branches and 768 ATMs located conveniently at consumer hotspots across the island. We opened a new branch for POSB in Jurong East in July. In 2004, our ATMs in Singapore processed an average of 17 million transactions a month from a total of about 3.7 million ATM cards in circulation.



Excludes bancassurance

\$ millions	2003		2004 ^a		%growth
	NPAM ^b	Proportion	NPAM ^b	Proportion	
Consumer Banking	337	23%	462	24%	+37%
Enterprise Banking	231	16%	303	15%	+31%
Investment Banking	320	22%	415	21%	+30%
Treasury & Markets + Funding Portfolio	506	35%	436	22%	-14%
Central Operations	61	4%	345	18%	nm
Total	1,455	100%	1,961	18%	+35%

a) Excludes \$497 million one-off gains

b) Cash NPAM: excludes goodwill amortisation

nm: not meaningful

A woman in a black dress is standing behind a glass display case. She is holding several shopping bags, including a brown paper bag and a black bag. The background is blurred, suggesting an indoor setting like a store or event. The lighting is warm, highlighting the woman's arm and the bags.

DBS Woman's Card

In May 2004, DBS Bank, in partnership with MasterCard International, unveiled the DBS Woman's Card in Singapore. Designed specially for the busy, discerning woman, the new card offers platinum privileges and concierge services at no cost. The success of the Woman's Card led to a similar launch in Hong Kong seven months later.



In addition to being able to access our combined network of 151 branches and 848 ATMs in Singapore and Hong Kong, DBS customers are also able to use their ATM cards at over 500,000 ATMs in 120 countries that are part of the PLUS/Cirrus network. From last year, they could also carry out transactions at the cash machines of four partner banks in the region following the signing of ATM alliances with the HDFC Bank in India, Bank Internasional Indonesia and Bank Danamon in Indonesia and BPI in The Philippines.

The number of credit cards issued by DBS in Hong Kong crossed the one million mark in July, making the bank the fourth largest credit card issuer in the Chinese Special Administrative Region. The success of the Woman's Card in Singapore, which debuted in May, led to a similar launch in Hong Kong seven months later. We are now the second largest issuer of credit cards in Singapore, with more than 750,000 cards in circulation, including the successful Black Card and the Woman's Card.

In Singapore, we defended our traditional strongholds in housing loans which grew 13% year-on-year, making headway in the public housing market with an innovative HDB Loyalty Programme. We started rebuilding our auto loans portfolio towards the end of 2003 and have been fast gaining market share with packages designed to provide attractive pricing, convenience and simplicity to our customers. Compared to 2003, auto loans in Singapore grew even stronger at 90% to \$1.12 billion.

Bottom-line growth in Hong Kong consumer banking was impressive. Concerted efforts to build relationships with Treasures

Priority Banking customers, and to target the emerging affluent with a new DBS Wealth Account, were well received, resulting in higher customer acquisition and retention, and higher profitability. During the year, six branches with full Treasures Priority Banking services were renovated and expanded, while a new branch was opened in the new Tseung Kwan O residential district.

During the year, we also launched a new Internet banking platform to deliver online products and services faster, to more users, and across the region in a seamless manner.

Helping SMEs Flourish in Asia

With our origins in development financing of heavy industries, it is no surprise that DBS was a relative late-comer to serving SMEs. To make up for lost time, we stepped up investments in people and infrastructure over the last two years as we set our sights on building an enduring SME franchise in this higher risk-adjusted return business.

These investments are beginning to pay off. In 2004, our Enterprise Banking business in the region registered record earnings with double digit growth in loans to customers in Hong Kong, China and Singapore. Overall, Enterprise Banking's earnings rose 31% in 2004. Increasingly, DBS' products and services, including capital markets, trade finance, and strong local credit knowledge, make us an attractive financing partner for growth-bound SMEs.

In Hong Kong, where our more mature SME business commands a 12% market share, we continued to outperform the industry in loan growth, registering a 17% increase compared to the

In 2004, our Enterprise Banking business in the region registered record earnings with double digit growth in loans to customers in Hong Kong, China and Singapore.

DBS' Distribution Network in the Region		
	Singapore	Hong Kong
Branches	86	65
Treasures Priority Counters	18	22
ATMs	768	80
Cash Deposit & Passbook Updating Machines	228	53
Internet Banking Users	600,000	70,000
Phone Banking Users	1,025,000	978,000

industry average of 1%. Our SME portfolio in Hong Kong expanded for eight straight quarters, with notable growth in factoring and equipment finance. We also maintained a number two position in trade finance in a very competitive environment. The Hong Kong team extended their coverage in southern China last year with a flurry of activity, including the award of a Domestic Enterprise Licence to the Shanghai Branch in April and the Shenzhen Branch in July, the commencement of business in Guangzhou Branch in July and the opening of the Dongguan Representative Office in November.

In Singapore, our Enterprise Banking asset base grew 28% in a market facing marginal growth and narrowing lending spreads. A structured finance team was set up to provide customers with a comprehensive suite of products and services ranging from term loans to risk management and cash management products. We also upgraded the credit turnaround and selection process, and introduced more rigorous risk assessment and monitoring.

Our capabilities were recognised in September when DBS was selected by the Singapore Government to pioneer the nation's first loan securitisation programme for SMEs, scheduled for launch this year. This programme is intended to help SMEs tap funding through the capital markets.

Providing Financial Solutions to Leading Asian Corporates

DBS aims to be the top financial solutions partner of leading corporate and institutional clients in Asia. Towards this end, we are accelerating the expansion of our regional client coverage and the roll out of product origination capabilities. We will

continue to leverage our unique institutional and retail investor distribution capabilities as well as our dominant position in local currency capital market financings. As Asia grows and becomes the centre of capital formation, DBS is well-positioned to intermediate regional capital flows.

Corporate and investment banking contributed \$415 million in net profit, up 30% over 2003. The sterling performance was due to higher fee income principally from capital market activities, and strong growth in loan-related fees from higher volume of loan syndication transactions.

We were involved in many of the year's major transactions in Asia, demonstrating our distinctive capabilities across debt and equity capital markets. We again led in the value of Initial Public Offerings in Singapore, accounting for 20% of the total \$3.4 billion raised in 2004. In November, we assisted Ascendas-MGM Funds Management Limited offer 37.5 million units of their Ascendas Real Estate Investment Trust ("A-REIT"). The retail investor portion of that A-REIT was sold out at our ATMs within 25 minutes of launch. We were also underwriter for Meghmani Organics, the first Indian company to seek a listing on the Singapore Exchange.

In another deal that showcased our unique cross-functional capabilities involving the mergers & acquisitions, debt capital market, and equity capital market teams, we worked with CapitaLand Limited on the creation and distribution-in-specie of CapitaCommercial Trust (CCT), which became the first commercial REIT to be listed on the Singapore Exchange.

DBS Indonesia

With the forming of ATM alliances, DBS customers can now carry out transactions at the cash machines of four partner banks in the region, namely Bank Internasional Indonesia and Bank Danamon in Indonesia, HDFC Bank in India, and BPI in The Philippines.

DBS Dealing Room

One of DBS' core strengths is our ability to manage risk arising from volatility in financial markets for our clients.



In Hong Kong, DBS Asia Capital kept its focus on the mid-cap segment and clinched two significant transactions during the year – the IPO for Li-Ning Co. Ltd, which was more than 11 times subscribed, and for China Force, an edible oil manufacturer which sold HK\$295 million worth of shares to the public.

In syndicated finance, DBS was sole arranger for a US\$215 million syndicated term loan facility for Hebei Pan Asia Long-teng Paper Co Ltd, as well as a HK\$7 billion syndicated credit facility for Kerry Properties.

In addition, we raised our profile in South Korea's loan syndication market by completing the US\$230 million syndicated loan facility for Kookmin Bank, a US\$200 million floating rate notes issue for Hyundai Motor Finance Company and a JPY10 billion floating rate notes issue for Samsung Corning.

Our debt capital markets team was selected by Pan Asia Paper Co Ltd as the sole arranger for its US\$500 million multi-currency debt issuance programme and sole lead manager for its inaugural debt issues. Other deals included being mandated lead manager for Yellow Pages (Singapore) Pte Ltd's \$130 million bond issue.

In mergers & acquisitions, we successfully advised Titan (Holdings) Ltd, a Hong Kong-listed oil group, on its US\$103 million acquisition of Neptune Associated Shipping Pte Ltd and two other oil tankers in Singapore. We were also financial adviser to China Merchant Holdings (Pacific) Limited, a company listed on the Singapore Exchange, on its

HK\$2.8 billion acquisition of five toll roads in China. Supporting our investment banking team, our award-winning custody and trust services expanded its product offerings and geographical coverage during the year. In the ADR (American Depository Receipt) custody business, we were awarded several mandates for the ADR programmes of major Chinese companies and appointed administration agent for a major debt restructuring.

Managing Risks amid Volatility

One of DBS' core strengths is our ability to manage risks arising from volatility in financial markets. The compounded annual growth rate of revenue from our treasury and markets operations since 1999 has exceeded 30%. This growth reflects our commitment to building a treasury centre of excellence in Singapore that will supply a growing pipeline of interest rate, currency and equity products to the rest of the region. We aim to extend our dominance in Singapore dollar instruments to other Asian currencies, and to expand our sales capabilities in derivatives across multiple asset classes.

A major synthetic collateralised debt obligation transaction during the year involved the US\$1.65 billion securitisation of DBS Bank's Asian loan portfolio, one of the largest securitisation deals in Asia outside Japan.

Making Headway in Managing Wealth

In another intensely competitive segment, DBS Asset Management retained its lead position as the largest retail fund manager in Singapore and in Malaysia through Hwang-DBS during 2004.

Treasury & Markets' growth reflects our commitment to building a treasury centre of excellence in Singapore that will supply a growing pipeline of interest rate, currency and equity products to the rest of the region.



DBS Hong Kong

The number of credit cards issued by DBS in Hong Kong reached one million in July, making DBS the fourth largest credit card issuer in the Chinese SAR.

Our flagship Shenton Income Fund was awarded best Global Bond Fund over three and five years by Standard & Poor's and Lipper. Our Malaysian joint venture, Hwang-DBS Securities, saw strong growth in 2004 with eleven distributors selling our retail funds there, making us the fastest growing fund management company in Malaysia in terms of total assets under management.

Full-service brokerage DBS Vickers Securities benefited from a buoyant stock market in the first half of the year but saw volumes decline in the second half because of more sluggish conditions. It reported 11% increase in fees and commission to \$240.6 million, another record contribution to the Group. DBS Vickers remains one of the top three brokers in Singapore by market share and among the leading players in Hong Kong and Thailand.

Our private banking business in Singapore and Hong Kong continues to work closely with other wholesale banking units within the Group to offer clients tailored solutions for their financial needs. Joining forces with DBS Asset Management and one of the world's largest fund managers, the private banking team launched the first Singapore dollar leveraged fund of hedged funds, the Sentinel II Enhanced Opportunity Fund.

Strong Asset Quality Allows DBS to Grow with our Customers

In the aftermath of the 1997 Asian financial crisis, our non-performing loans reached an embarrassing 13.1% in 1999, as a result of our limited credit risk management and a lending discipline that did not match our regional ambitions at the time.

Our resolve to put right our asset quality never wavered over the past five years, despite setbacks and disruption from economic recession, asset deflation, terrorism and the SARS episode. Our year-end 2.5% non-performing loan rate is now among the best of Asian banks and reflects our willingness to disclose our mistakes through early classification of problem loans, the readiness to take precautionary and sizeable provisions despite the profit and loss consequences, and the courage to write off or sell non-performing loans notwithstanding the impact on our regulatory capital.

Today, our provision coverage of non-performing loans stands at 89%, up significantly from the 44% in 1998. We now have sufficient provision cushion to weather economic shocks to our loan book. More importantly, our asset quality and provision cushion give us the leeway and confidence to grow with our customers as they expand their operations throughout Asia.

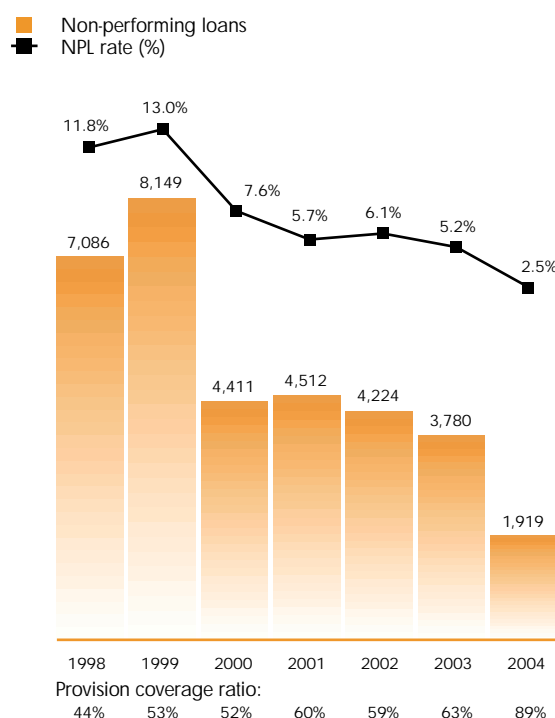
Integrating Technology and Operations for Productivity

We integrated our technology and operations teams nearly two years ago and are building on the foundation laid in 2003. Unit costs declined by 7%, productivity increased by 11%, while quality, measured in both customer satisfaction and six sigma terms, continued to improve.

Our IT outsourcing program is now two years into its planned ten-year cycle and we are reaping the benefits of increased focus on adding business value, and access to the global competencies of our partner, IBM. As the relationship progresses, we are moving away from capital investments in technology towards a pay-as-you-use model of operation. We are also

Non-Performing Loan Rate at 2.5% Among Best of Asian Banks

(\$ millions)



beginning to deploy other advanced technologies from IBM as part of our joint technology planning process.

With our strategic partners, we achieved a number of significant milestones in 2004. We relocated, consolidated and upgraded our core data centres in Singapore and Hong Kong, implemented new Internet Banking systems for both our retail and corporate customers and completed the standardisation of our unsecured lending platform.

Recruiting and Retaining Talent as Economy Recovers

Even as we invest millions in hardware and software we never lose sight of the fact that our people are our most important asset.

The talent of our people – their drive, intelligence and curiosity – differentiate DBS in a crowded market of financial service providers. In our recruitment and retention policies, we search for the best and brightest and reward them on a meritocratic basis that directly links reward with performance.

As economies in Asia recover and competition intensifies in the banking industry, attracting, retaining and motivating talent across the region is a clear and present challenge for DBS, as it is for other Asian banks. To address this challenge, we are undertaking different initiatives in the area of career development and progression, talent management, leadership development and remuneration review.

We continue to embrace family-friendly policies that help employees strike a better work-life balance. Last year, DBS

became the first major corporation in Singapore to grant all employees two days paid family/childcare leave, exceeding the statutory requirement which confines the benefit to employees with children less than seven years of age. We also extended maternity for any childbirth, again going beyond the new legislated benefit for the fourth childbirth.

During the year, we won the Family Friendly Employer Award given by a tripartite body comprising government, union and employers for our efforts in building harmonious industrial relations. For our commitment to staff welfare and training and development, we received the NTUC Plaque of Commendation in Singapore.

Giving Back to the Communities

Beyond providing financial products and services, creating wealth, generating jobs and paying taxes, DBS recognises our larger civic and social responsibilities to the communities in which we operate. We continue to champion thoughtful philanthropic and volunteer work.

The Indian Ocean tsunami, unleashed by an earthquake off Indonesia's Sumatra island on Boxing Day, devastated coastal communities in South Asia, causing death and destruction on an unprecedented scale. Although the economic impact from the terrible tragedy is expected to be modest, the toll it exacted on human life was staggering. As a bank firmly rooted in Asia, DBS shares in the grief of the communities affected by the disaster. We have contributed to relief efforts through our own donations and through facilitating donations from our staff and



Suntec REIT

2004 was a banner year for DBS' investment banking team. Among the marquee deals was the \$830.3 million Suntec REIT, the biggest IPO in Singapore.

business partners in Singapore and Hong Kong. Importantly, DBS raised almost \$5.6 million through our internet banking and ATM channels for the Singapore Red Cross Tidal Waves Asia Fund in slightly under a month, a testament to the power of our retail distribution channels.

After the lull following the 2003 SARS outbreak, our staff stepped up their volunteerism work for various causes in Singapore and Hong Kong. During the year, they escorted underprivileged children to the theatre, conducted a museum tour for the physically handicapped, cooked for low income families, built homes for the poor on Batam island, and celebrated the mooncake festival with residents of an old folks home. DBS supports its staff in their community work by giving every employee two days of paid voluntary leave each year.

DBS was once again conferred the "Distinguished Patron of the Arts" award by the Ministry of Information, Communications & the Arts in Singapore for its contributions to various arts causes.

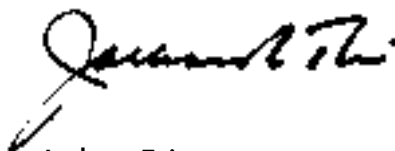
We Share Asia's Future and Confidence

DBS is an Asian bank focused on Asia.

We have emerged from the Asian crisis stronger, tougher, more agile, and more determined to be a leader among Asian banks. Our portfolio of businesses is more diversified and geographically balanced, and will be further calibrated to improve shareholders' returns. Our capital and asset quality are among the strongest of our peers, and we are exceptionally well-placed to grow with our customers as they expand

throughout Asia. Our commitment to good corporate governance, transparency and timely disclosure – together with our investments in people, products and systems – differentiate us as Asia surges ahead.

We are proud of our record achievements for 2004 and are quietly confident of DBS' future. For this, I offer my personal and heart-felt thanks to our shareholders, customers, business partners and employees for their support.



Jackson Tai

Vice Chairman and Chief Executive Officer
DBS Group Holdings

DBS raised almost \$5.6 million through our internet banking and ATM channels for the Singapore Red Cross Tidal Waves Asia Fund in slightly under a month.



Share A Hope

DBS champions philanthropic and volunteer works, raising funds for charities, including the Community Chest's "Give a Hand, Share a Hope" campaign.



DBS Singapore

DBS has the biggest distribution network in Singapore with 86 branches, 18 Treasures priority centres, 768 ATMs and 228 self-service machines located across the island. Despite intense competition and sluggish market conditions in the second half, DBS continued to retain the lead for the distribution of wealth management products.



Corporate Governance Report

Introduction

At DBS, we see good corporate governance as the cornerstone of any effective, well-run organisation. Integrity, honesty and transparency in dealings are crucial to retaining investor confidence and in ensuring a firm's reputation. Not only do we benchmark ourselves against the Singapore Code of Corporate Governance, we also adopt, where appropriate, international best practice corporate governance standards.

This report describes DBS' corporate governance processes with specific reference to the guidelines in the Code, and also includes information required to be disclosed under the Best Practices Guide and the Interested Person Transactions Policy in the SGX Listing Manual.

Board Matters

Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company.

Role of the Board

DBS Group Holdings ("DBSH") Board, which has overall responsibility for managing the affairs of DBS Group, including reviewing its financial performance, setting its strategic direction and performance objectives and reviewing major corporate initiatives, comprises 14 members, excluding Ang Kong Hua who joined the Board in March 2005.

Of these, two are executive directors, three are directors associated with Temasek Holdings Pte Ltd ("THL"), DBSH's

substantial shareholder, and nine are independent directors. The three directors associated with THL were not appointed at the request of THL and do not report to THL or take directions from THL. Six of the 14-member Board are non-Singaporeans.

Certain matters specifically require Board approval, including:

- (a) the consolidated financial statements and directors' report of the DBS Group;
- (b) any strategic plan for the DBS Group and how actual results compare with the plan;
- (c) the annual budget for the DBS Group;
- (d) all strategic acquisitions and divestments by the DBS Group;
- (e) all major fund-raising exercises of the DBS Group; and
- (f) all decisions that will have a major impact on the reputation or standing of the DBS Group.

Board Meetings

The Board conducts five scheduled Board meetings a year with at least one meeting held over two days. The agenda includes review of financial performance and discussions on corporate strategy, business plans, major corporate initiatives and review of potential strategic acquisitions or alliances.

In addition to the scheduled meetings, the Board also holds ad hoc meetings as and when required. Meetings are allowed to be held via teleconference and video-conference. Board approval for specific proposals may also be obtained through written resolutions by circulation due to exigencies.



Attendance at Board and Committee Meetings

Name of Director	Board Meetings		Audit Committee Meetings		Board Risk Management Committee Meetings		Executive Committee Meetings		Nominating Committee Meetings ⁶		Compensation Committee Meetings	
	Number of meetings held [@]	Attendance	Number of meetings held [@]	Attendance	Number of meetings held [@]	Attendance	Number of meetings held [@]	Attendance	Number of meetings held [@]	Attendance	Number of meetings held [@]	Attendance
S Dhanabalan	6	6	-	-	-	-	20	18	0	0	4	4
Jackson Tai	6	6	-	-	-	-	20	18	-	-	-	-
Frank Wong Kwong Shing	6	6	-	-	-	-	20	17	-	-	-	-
Bernard Chen Tien Lap	6	6	5	5	4	4	20	18	0	0	-	-
Fock Siew Wah	6	4	-	-	4	4	20	18	-	-	4	4
Gail D Fosler	6	5	-	-	-	-	-	-	0	0	-	-
Goh Geok Ling¹	3	3	2	2	-	-	-	-	-	-	-	-
Kwa Chong Seng²	6	6	-	-	4	3	20	17	-	-	-	-
Moses Lee Kim Poo³	2	1	3	3	-	-	-	-	-	-	-	-
Leung Chun Ying	6	5	-	-	-	-	-	-	0	0	4	3
Narayana Murthy	6	4	-	-	-	-	-	-	-	-	-	-
Peter Ong Boon Kwee	6	5	5	4	4	4	-	-	-	-	-	-
John A Ross	6	5	-	-	4	3	-	-	-	-	-	-
Thean Lip Ping	6	6	-	-	-	-	-	-	0	0	4	3
Wong Ngit Liang⁴	3	3	-	-	-	-	-	-	-	-	1	1
Yeo Ning Hong⁵	2	2	-	-	-	-	-	-	-	-	3	2

@ the number of meetings held during the period the director was a member of the Board and/or relevant Committee

1) Appointed on May 3, 2004 (Board and Audit Committee)

2) Appointed on January 13, 2004 (Board Risk Management Committee)

3) Resigned on April 30, 2004 (Board and Audit Committee)

4) Appointed on May 3, 2004 (Board and Compensation Committee)

5) Resigned on April 30, 2004 (Board and Compensation Committee)

6) No physical meetings held. Approval of nominations by circulation

Training

New and existing directors undergo comprehensive orientation and training programmes. New directors are provided with relevant materials on directors' roles and responsibilities. They are also briefed by the company secretary on their fiduciary responsibilities, and by the CEO and key business and functional heads on the Group's businesses and operations.

Board and Board committee members are also updated regularly on key accounting and regulatory changes. In 2004, the Audit Committee received comprehensive briefings on fraud risk management, tax risk management and anti-money laundering, as well as changes to key accounting standards, such as Financial Reporting Standards (FRS) 32, 39, 102 and 103.

Directors are given unrestricted access to all DBS staff.

Integrity, honesty and transparency in dealings are crucial to retaining investor confidence and in ensuring a firm's reputation.

DBS Management Committee
(left to right)

David Lau, Frank Wong, Jeanette Wong,
Jackson Tai, Rajan Raju, Eric Ang
and Steve Ingram

Board Committees

A number of Board committees have been established to assist the Board in discharging its responsibilities and to enhance the Group's corporate governance framework. The committees include the Executive, Board Risk Management, Audit, Compensation and Nominating Committees. The operations of the Audit Committee are described in the section "Audit Committee".

Each of these committees has its own written terms of reference that describes the responsibilities of the committee.

Executive Committee

The DBSH and DBS Bank Executive Committee ("Exco") comprises six members (S Dhanabalan (Chairman), Jackson Tai, Frank Wong, Bernard Chen, Fock Siew Wah and Kwa Chong Seng) and is authorised to exercise all the powers of the Board, except those which the Board may only exercise by law or which the Board has expressly reserved for itself. The DBSH and DBS Bank Exco meets twice a month. During those meetings, the Exco reviews and decides on credit proposals requiring its approval. The Exco also discusses, and where required, endorses strategic and other major issues that are brought up prior to discussion with, and where required, approval by the full Board. During the year, major initiatives reviewed by the Exco included:

- (a) DBS Thai Danu Bank merger proposal;
- (b) Proposed divestment of Wing Lung Bank stake; and
- (c) Proposed US\$750 million Upper Tier 2 subordinated debt issue.

Board Risk Management Committee

The Board Risk Management Committee ("BRMC") comprises five members (Fock Siew Wah (Chairman), Bernard Chen, Kwa Chong Seng, Peter Ong and John Ross).

The role of the BRMC is to:

- (a) assist the Board in reviewing risk policies;
- (b) approve delegation of risk decisions to the Exco or other Bank Committees;
- (c) periodically review risk profile at the portfolio level; and
- (d) perform any other functions as may be agreed by the Board.

The BRMC meets four times a year. In 2004, the BRMC continued to serve as an active Board forum to review and exercise oversight on DBS' risk management activities. The matters deliberated at the 2004 BRMC meetings included:

- (a) periodic updates on the risk profiles of DBS Group, covering trading market risk, structural market risk, credit risk (including country risk) as well as operational risk, (b) updates on various risk management initiatives, such as Basel II Accord preparation, Market Risk Internal Models preparation and Business Continuity Management preparedness of the DBS Group, and (c) proposed revisions to risk management policies and framework.

Compensation Committee

The Compensation Committee ("CC") comprises five members (Thean Lip Ping (Chairman), S Dhanabalan, Fock Siew Wah, Leung Chun Ying and Wong Ngit Liong). The Chairman of the Committee is an independent director.

The role of the CC is to:

- (a) review and approve the remuneration, including the grant of share options and performance shares, to the executive directors of DBSH and DBS Bank;
- (b) review and approve the aggregate variable cash bonuses, share options and performance share grants to the employees of DBS Group; and
- (c) oversee management development and succession planning in DBS Group.

A number of Board committees have been established to assist the Board in discharging its responsibilities and to enhance the Group's corporate governance framework.

Executive directors, who are not members of the CC, may attend meetings but do not attend discussions pertaining to themselves, including their own performance and remuneration.

Nominating Committee

As required by regulation and its Articles, DBSH has established a Nominating Committee ("NC") comprising five members (Bernard Chen (Chairman), S Dhanabalan, Gail Fosler, Leung Chun Ying and Thean Lip Ping). The Chairman of the Committee is an independent director.

Regulations issued by the Monetary Authority of Singapore ("MAS") require the NCs of Singapore banks to identify candidates and review all nominations by the Board, any Director or any member of DBSH for the following positions in DBSH:

- (a) Director/Alternate Director (for appointment or re-appointment, election or re-election). In deciding on the appointment of new candidates to the Board, the NC will take into account the proposed appointee's background, experience and other board memberships;
- (b) membership of the Executive Committee, the Compensation Committee, the Audit Committee, the Board Risk Management Committee and any other Board committees that may be established from time to time; and
- (c) the Chief Executive Officer, Deputy Chief Executive Officer, President, Deputy President and Chief Financial Officer, including any other officer, by whatever name called, who has responsibilities and functions similar to any of these officers.

Beyond the regulations, all appointments of key business and functional heads, and the heads of major subsidiaries in the Group, must be approved by the NC. In 2004, the NC reviewed and approved the appointments of the Head of Group Audit, Group Human Resources and Group Legal and Compliance.

Board Composition and Balance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision-making.

Five of the directors are considered non-independent. They are S Dhanabalan (Chairman), Jackson Tai, Frank Wong, Fock Siew Wah and Kwa Chong Seng.

Mr Dhanabalan is Chairman of THL. Mr Jackson Tai and Mr Frank Wong are executive directors. Mr Tai is the Vice-Chairman and CEO of DBSH and DBS Bank, and Mr Wong is the Chief Operating Officer of DBSH and DBS Bank, Vice-Chairman of DBS Bank and Chairman, DBS Bank (Hong Kong). Mr Fock and Mr Kwa are non-executive directors of THL, but are not nominated nor appointed by THL. They do not report to or take directions from THL and act in their personal and independent capacity as directors of DBSH. Under the draft Banking (Corporate Governance) Regulations 2003 (the "Regulations") issued by MAS, directors who are also non-executive directors of a substantial shareholder are deemed not to be independent. Although the Regulations are not yet law, we have treated Mr Fock and Mr Kwa as not independent purely because of the provision in the draft Regulations.

The NC adopts the definition of independence as stated in the Code and the Regulations. The independence of each director is reviewed annually by the NC.

Apart from the five directors mentioned above, the NC has reviewed and confirmed the independence of the remaining directors (Bernard Chen, Gail Fosler, Goh Geok Ling, Leung Chun Ying, Narayana Murthy, Peter Ong, John Ross, Thean Lip Ping and Wong Ngit Liong).



DBS Building Tower One

The DBS HQ in Singapore is a 50-storey tower block built in 1973. The four round concrete caissons in the building's foundation inspired the original design of the DBS logo in 1972.

In particular, while Mr Wong is Chairman and Chief Executive Officer of the Venture Group of companies ("Venture"), and Venture has made payments to DBS which exceeded \$200,000 in the last financial year, he has been assessed as independent as such payments are not material to DBS' financials.

Mr Thean is a non-profit sharing consultant at Singapore law firm KhattarWong ("KW"). While KW rendered services to DBS, and earned fees which exceeded \$200,000 in the last financial year, Mr Thean does not participate in KW's deliberations relating to DBSH. As such, he is viewed as independent.

While there is no limit on the number of directors that may be appointed under DBSH's Articles, the Board considers its current board size to be appropriate, taking into account the nature and scope of DBS' operations.

With their deep and broad knowledge, expertise and experience, Board members provide valuable insight and advice during Board discussions.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

The Chairman and CEO functions in DBS are assumed by different individuals. The Chairman, Mr Dhanabalan, is a non-executive director, while the CEO, Mr Jackson Tai, is an executive director.

The CEO is the most senior executive in DBS and assumes executive responsibility for DBS' business, while the Chairman assumes responsibility for the management of the Board.

The Board agenda is set by the CEO and approved by the Chairman. Board members are provided with comprehensive materials in advance of Board meetings, and all major issues and initiatives are discussed and reviewed by the Board.

The Chairman hosts a private session without the presence of executive directors at every board meeting.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board. As a principle of good corporate governance, all directors should be required to submit themselves for re-nomination and re-election at regular intervals.

New directors are appointed by the Board based on recommendations by the Nominating Committee ("NC"). In reviewing the suitability of new candidates, the NC takes into account certain criteria set out in the relevant regulations and the Articles of Association. These include the requirement that the Board must comprise a majority of Singapore citizens or permanent residents, a majority of directors must be independent and not more than two directors may be executive directors. In addition, the NC ensures that the candidate is qualified for the position.

The NC also takes into consideration whether a candidate has multiple directorships and whether these other directorships will constrain the candidate in setting aside sufficient time and attention to DBS affairs.

All new directors must submit themselves for re-election at the next annual general meeting of DBSH. One-third of the directors must also retire by rotation at each annual general meeting.

Directors are appointed for two-year terms, up to a maximum of three two-year terms. In reviewing the re-appointment of

DBS Hong Kong

DBS Hong Kong recorded another year of robust sales in investment and bancassurance products, performing exceptionally well in unit trusts where it now has at least 5% market share.



DBS Treasures Banking

Under Treasures Priority Banking, DBS offers comprehensive advisory services tailored to the individual's financial needs.

directors, the NC will take into account a range of factors, including the director's level of participation at Board and Board committee meetings and his performance and contributions during the term. The maximum tenure of three two-year terms may also be exceeded if the NC considers that the director's experience and expertise are valuable to DBS Group and cannot be easily replaced by a new director.

The NC also reviews the appointments of all Board committee members. In reviewing such appointments, the NC seeks to ensure that the appointee has the relevant experience and skills to make a meaningful contribution to the particular committee, and that Board committee memberships are equitably distributed among directors where possible.

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

DBSH has implemented a process to assess the performance and effectiveness of the Board as a whole as well as to assess the performance and effectiveness of individual directors.

For collective Board appraisal, each director assesses the Board's performance as a whole and provides feedback to the Chairman of the Board and the Chairman of the NC. Both Chairmen consolidate the feedback and present the findings to the Board annually. Board performance is judged on the basis of accountability as a whole, rather than strict definitive financial performance criteria, as it would be difficult to apply specific financial performance criteria to evaluate the Board. The Board has found the collective Board assessment useful in evaluating its effectiveness, as directors have provided constructive feedback and suggestions for improvement.

In the case of individual assessment, each director is evaluated on the basis of his or her attendance, knowledge and contribution to the effectiveness of the Board. Each director completes a self and peer evaluation form, which is seen only by the Chairman of the Board. Where the feedback indicates that a director can benefit from development of certain aspects of his/her work on the Board, this will be communicated individually.

Access to Information

Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis.

Directors are provided with the agenda and meeting materials in advance of Board meetings.

Management provides the Board with a monthly update covering financial results, market and business developments, business and operations metrics and updates on major issues.

Directors have access to the company secretary and senior management at all times. Directors requiring external professional advice will be assisted by the company secretary, with DBS bearing the cost of such external advice.

The company secretary attends all board meetings and ensures that board procedures are followed and relevant regulations are complied with. The company secretary attends all meetings of the Board and the Audit Committee. The minutes of the Audit Committee and the BRMC are circulated to the Board.

Remuneration Matters

Principles 7 to 9 of the Code deal with remuneration matters. These matters will be covered separately in the Remuneration Report.

DBS India
DBS Mumbai branch, established in 1995, is poised to benefit from India's fast growing and rapidly liberalising market.



Accountability and Audit

Accountability

Principle 10: The Board is accountable to the shareholders while the Management is accountable to the Board.

DBS recognises the importance of keeping the Board regularly updated on DBS' performance and prospects. As stated above, Management provides the Board with a monthly update apart from the regular Board meetings.

The heads of all business and support units provide a quarterly certification to the CEO and the Chief Financial Officer ("CFO") stating, inter alia, that the head of such business or support unit is not aware of any circumstances not otherwise dealt with in the financial statements that would render any amount stated in the financial records misleading. The CEO and CFO in turn provide a Letter of Representation on a quarterly basis to the Audit Committee and the external auditors, Ernst & Young ("EY"), confirming that the financial statements have been properly drawn up.

Disclosure to investors is addressed in the section "Communication with Shareholders" below.

Audit Committee

Principle 11: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

The AC comprises independent non-executive directors Bernard Chen (Chairman), Goh Geok Ling and Peter Ong.

The role of the AC is to:

(a) review the financial statements prior to submission to the Board;

- (b) review with the external auditor the audit plan, the evaluation of the system of internal accounting controls and the external auditor's audit report;
- (c) review the scope and results of the internal audit procedures;
- (d) nominate the external auditor;
- (e) review the cost effectiveness, independence and objectivity of the external auditors and (where the auditors also supply a substantial volume of non-audit services to DBS) to keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money;
- (f) review interested person's transactions; and
- (g) perform any other functions which may be agreed by the AC and the Board.

The AC also has explicit authority to investigate any matter within its terms of reference. It has full access to and co-operation of management and full discretion to invite any director or executive officer to attend its meetings. The AC has reasonable resources to enable it to discharge its functions properly.

In its review of the audited financial statements for the financial year ended 2004, the AC discussed with management and the external auditors the accounting principles that were applied and their judgement of items that might affect the financials. Based on the review and discussions with management and the external auditors, the AC is of the view that the financial statements are fairly presented in conformity with generally accepted accounting principles in all material aspects.

In 2004, the AC met five times. In addition to reviewing the financial results, the internal and external auditors' reports, and discussing the usual business of the AC, the AC also discussed more wide-ranging issues, including the lessons learnt from high profile operational lapses in other banks.



DBS Indonesia

DBS' expertise in raising funds for telecommunication companies helped us land a standout mandate from PT Mitra Global Telekomunikasi Indonesia last year.

The Group Audit Head, the Group Legal and Compliance Head and the external auditors attend every AC meeting. In addition, the AC meets with the external auditors separately after each AC meeting without the presence of management.

The AC has received the requisite information from EY and has considered the financial, business and professional relationship between EY and DBS, for the financial year 2004. The AC has also conducted an annual review of the volume of non-audit services provided by EY to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the auditors before confirming their re-nomination. The AC is of the view that EY can be considered independent.

Internal Controls

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

A sound system of internal controls can only operate within a defined organisational and policy framework. The management framework at DBS clearly defines the roles, responsibilities and reporting lines of business units and support units. Delegation of authority, control processes and operational procedures are documented and disseminated to staff. While all employees have a part to play in upholding the system of internal controls, certain corporate functions such as Group Audit, Group Risk and Group Compliance provide independent oversight and control.

Internal controls are reviewed on an ongoing basis by Group Audit, whose work is supplemented by that of the external auditors. The role of Group Audit and the external auditors is described in the section on "Internal Audit".

Risk management is essential to the DBS Group's business. Group Risk is responsible for instituting firm-wide risk management framework and infrastructure. Risk management

processes have been integrated throughout the DBS Group into the business planning, execution and monitoring processes, particularly through the approval process for new products and/or services. Business units also perform periodic control self-assessment processes to review and attest to the effectiveness of their internal control environment. The risk management process in DBS is also strengthened through the regular deliberations of the Board Risk Management Committee.

The Group Compliance function has specific accountability for instilling and maintaining a strong compliance culture and framework within the DBS Group.

The AC has reviewed the adequacy of DBS' control environment and has made its report to the Board.

Based on the information furnished to the Board, nothing has come to the Board's attention to cause the Board to believe that the internal controls and risk management processes are not satisfactory for the type and volume of business conducted.

Internal Audit

Principle 13: The company should establish an internal audit function that is independent of the activities it audits.

Group Audit is an independent function that reports directly to the Audit Committee and the CEO. Its scope of work covers all business and support functions in the DBS Group, both in Singapore and overseas. All audit offices in the Group follow a consistent set of code of ethics based on principles recommended by the USA Institute of Internal Auditors.

The annual audit plan is developed under a structured Risk Assessment Approach that examines all of the Group's activities and entities, the inherent risks and internal controls. Audit assignments are identified based on this approach and audit resources are focused on the higher risk activities.

A sound system of internal controls can only operate within a defined organisational and policy framework. The management framework at DBS clearly defines the roles, responsibilities and reporting lines of business units and support units.

The progress of corrective actions on all outstanding audit issues is monitored monthly through Group Audit's centralised Global Audit Tracking System. Information on outstanding issues is categorised and reported to senior and line management through the Monthly Control Reports.

All copies of reports with adverse opinions and a monthly summary of all audit reports issued in the month are copied to the Chairman of the Audit Committee, external auditors and senior executives of the Group including the CEO, CFO, Group Legal and Compliance Head and Group Risk Head.

Group Audit meets regularly with the external auditors to strengthen working relationships between both parties, discuss matters of mutual interest, develop a common understanding and co-ordinate the audit efforts.

In the course of 2004, Group Audit carried out its functions in accordance with the general description provided above. The department is adequately resourced and has the required mandate from the AC and the CEO to carry out its functions effectively.

The professional competence of the internal auditors is maintained through Group Audit's continuing professional development programme, which focuses on updating auditors' knowledge of auditing techniques, regulations and banking products and services.

The Group Audit Head is Edmund J Larkin. Mr Larkin has a Bachelor of Commerce degree from the University of New South Wales and is an Associate Member of the Institute of Chartered Accountants in Australia and Securities Institute of Australia.

As stated above, Group Audit works closely with the external auditors, EY. The external auditors carry out, in the course of their annual statutory audit, a review of the effectiveness of DBS'

material internal controls and risk management to the extent of their audit plan. Material non-compliance and internal control weaknesses noted during their audit, along with any recommendations, are reported to the AC.

Communication with Shareholders

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

Dissemination of Information

DBS has an active dialogue with shareholders, both institutional and retail, and takes its responsibilities towards shareholders very seriously. DBS holds a media and analysts briefing after the release of its quarterly results. All press releases, audited financial statements and financial results announcements are published on SGXNET and DBS' website. A dedicated investor relations team meets key institutional investors on a regular basis.

During the year, DBS management met more than 160 local and foreign investors in more than 150 meetings. The meetings included five investor conferences – two in New York, and one each in London, Singapore and Hong Kong.

DBS does not practise selective disclosure. Price sensitive information is first publicly released, either before DBS meets with any group of investors or analysts or concurrently.

This dissemination process is continuous throughout the year to ensure the company meets disclosure and reporting obligations.

Shareholders' Meetings

DBS recognises that the annual general meeting ("AGM") is an important opportunity for retail investors to meet with the Board and management. In addition to the Board, members of the Management Committee and the external auditors are also available to answer shareholders' queries. DBS conducts a briefing session for shareholders on the financial statements just before the commencement of the AGM.

Group Audit meets regularly with the external auditors to strengthen working relationships between both parties, discuss matters of mutual interest, develop a common understanding and co-ordinate the audit efforts.

DBS has reviewed the Code recommendation that companies encourage greater shareholder participation at annual general meetings by allowing shareholders to vote in absentia via such methods as email, fax etc. Following advice that the present legal and regulatory environment is not entirely conducive to absentia voting methods (particularly email voting), DBS has decided to defer the introduction of absentia voting methods until an appropriate time.

Code of Conduct

DBS has an internal code of conduct that applies to senior management and staff. The code of conduct incorporates the industry's code of ethics, and covers areas such as client confidentiality, business conduct, conflicts of interests and insider trading. All staff are required to acknowledge annually that they have read and understood the code and have agreed to abide by it.

The following disclosures are required to be made under the SGX Listing Manual and recommendations of the Working Group formed by the three Singapore banking groups:

Dealings in Securities/Best Practices Guide

The SGX-ST Best Practices Guide recommends that staff of listed companies should not trade in the company's securities:

- (i) during the period beginning one month before the release of the half-year and full-year results; and
- (ii) during the period beginning two weeks before the release of the first quarter and third quarter results

and ending on the date of release of the said results.

As the first quarter and third quarter financial results are, in practice, available to certain staff before the commencement of the two-week period recommended in the Best Practices Guide, DBS has extended the two-week "black-out" period to three weeks for the first quarter and third quarter results.

Directors and staff are also reminded periodically in writing that the general prohibition on trading while in possession of material non-public information applies at all times.

To further strengthen its corporate governance practices in relation to staff personal dealings in securities, DBS implemented a personal investment policy in 2001. The policy requires selected staff who may have access to price-sensitive information in the course of their duties to obtain prior approval from Group Compliance or designated supervisors before trading in securities listed in countries where DBS has a major presence, such as Singapore and Hong Kong. Such staff must generally effect trades in affected securities through the DBS Vickers group of companies. DBS Vickers is DBS' 100%-owned stockbroking subsidiary.

Related Party Transactions

The DBS Group's policy on transactions with related parties is in compliance with statutory and regulatory requirements, namely:

- (a) (in the case of DBS Bank) Section 29 of the Banking Act, Chapter 19; and
- (b) (in the case of DBSH) MAS Directives to Financial Holding Companies No. 8 and Chapter 9 of the SGX Listing Manual on interested person transactions (see the section "Interested Person Transactions Policy" immediately following this section).

Under Section 29(1)(d) of the Banking Act, a bank cannot grant unsecured credit facilities, directly or indirectly, which in the aggregate and outstanding at any one time exceed the sum of \$5,000 to:

- (a) the bank's directors;
- (b) any firm in which the bank or any of its directors has an interest as a partner, manager or agent, or to any individual or firm of whom or of which any of its directors is a guarantor;
- (c) a company in which any of its directors, whether legally or beneficially, owns more than 50% of the issued capital or in

Round the Clock Services

DBS operates in 14 markets and multiple time zones around the world.



Customer Service

DBS' Call Centre in Singapore consistently scores above 80% in a customer satisfaction survey conducted weekly.

which any of its directors controls the composition of the board of directors, but excluding public companies, the securities of which are listed on SGX or other stock exchange approved by MAS and the subsidiaries of such public companies; and

- (d) any corporation, other than a bank, that is deemed to be related to the bank as described in Section 6 of the Companies Act

In addition, under Section 29(1)(e) of the Banking Act, a bank shall not grant to any of its officers (other than a director) or its employees or other persons, being persons receiving remuneration from the bank (other than any persons receiving remuneration from a bank in respect of their professional services), unsecured credit facilities which in the aggregate and outstanding at any one time exceed one year's emoluments of that officer or employee or person.

To ensure compliance with Section 29(1)(d) and (e), DBS Bank has taken the following steps:

- (a) Compliance with Section 29(1)(d) and (e) is an integral part of the credit approval process;
- (b) Before directors are appointed, they are notified of the requirement of Section 29(1)(d) and their existing facilities, if any, are adjusted to comply; and
- (c) A semi-annual reminder is sent to all directors to update their particulars and related interests, as defined in Section 29(1)(d).

Directive 8 restricts lending and guarantees by a financial holding company such as DBSH. Under Directive 8(1)(a), a financial holding company may not, inter alia, grant any credit facility to any person other than a subsidiary or any of its officers (other than a director) or its employees or other persons, being persons receiving remuneration from the financial holding company (other than in respect of professional services rendered). In particular, under Directive 8(2), a financial holding company shall not grant, directly or indirectly, unsecured advances or loans under Directive 8(1)(a) to:

- (a) Any subsidiary which in the aggregate and outstanding at any one time exceeds the sum of \$5,000 except to any subsidiary which is a bank licensed under the Banking Act, a finance company licensed under the Finance Companies Act or, with MAS' prior approval, a foreign banking subsidiary; or
- (b) Any of its officers (other than a director) or its employees or other persons, being persons receiving remuneration from the financial holding company (other than in respect of professional services rendered) which in the aggregate and outstanding at any one time exceeds one year's emoluments of that person.

Compliance with MAS Directive No. 8 is an integral part of the credit approval process for all credit facilities granted by DBSH.

The DBSH Group has granted credit facilities to the following related parties in the ordinary course of business on normal terms and conditions. The outstanding amounts of these credit facilities and the estimated values of collaterals at December 31, 2004 are as follows:

(In \$ millions)	Credit Facilities Granted to	Contingent Credit Facilities Granted to	Estimated Values of Collaterals	Deposits Received by DBSH Group
Granted to/received from:				
DBSH Directors and their related entities	14	#	31	-
Companies with DBSH Directors represented on their boards	1,140	21	237	-
Bank-related companies¹:				
- engaged in financial activities	977	56	1,888	860
- engaged in non-financial activities	179	#	357	9

Notes:

1) Excludes transactions between DBS Bank's subsidiary companies and their own subsidiary companies

Amount under \$500,000

Interested Person Transactions Policy

As a listed company on the Singapore Exchange, DBSH is required to comply with Chapter 9 of the SGX Listing Manual on interested person transactions. To ensure compliance with Chapter 9, DBSH has taken the following steps:

- (a) Compliance with Chapter 9 is an integral part of the credit approval process for the entire DBS Group; and
- (b) A semi-annual update of directors' personal particulars is obtained.

The following are details of the interested person transactions entered into by the DBS Group in 2004:

Name of Interested Person	Aggregate Value of all Interested Person Transactions during 2004 (excluding transactions less than \$100,000)
CapitaMall Trust	
Renewal of branch lease at Junction 8 Shopping Centre	\$2,971,296
SMRT Trains Ltd	
Electronic Banking Centre lease at Raffles Place MRT Station	\$144,936
Seraya Energy Pte Ltd	
Electricity purchase for all DBS Bank's contestable premises (both high tension and low tension)	\$3,851,900
Electricity purchase for DBS China Square Ltd	\$1,080,000
NCS Communications Engineering Pte Ltd	
Maintenance of AV Equipment	\$371,574
Singapore MRT Ltd	
Renewal of ATM Lease at Somerset MRT Station	\$108,000
Singapore Telecommunications Ltd	
Subscription for telecom services	\$120,000
Singapore Technologies Pte Ltd	
Annual software maintenance and support IT Professional Services	\$183,000
Singapore Airlines Ltd	
Travel expenses	\$5,200,000



DBS India

India was one of the fastest growing markets for DBS in 2004. Our Mumbai branch received a fresh injection of capital and expanded its capabilities during the year to include institutional banking, trade finance and treasury operations. We were the number two book runner in syndicated loans as ranked by the Thomson Financial League Tables 2004, capturing a 9.7% market share.



Remuneration Report

This report describes DBS' remuneration practices and policies with reference to the following principles set out in the Code of Corporate Governance.

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for fixing the remuneration packages of individual directors. No Director should be involved in deciding his own remuneration.

Level and Mix of Remuneration

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully, but companies should avoid paying more for this purpose. A proportion of the remuneration, especially that of executive directors, should be linked to performance.

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report.

The Group's remuneration philosophy and policies are an integral part of its corporate strategy. We pay special attention to developing employees as the Group's most important resource and as an important stakeholder, and recognise that a transparent reward system is an important key driver of performance (although not the only one). We focus on driving desired employee behaviour and performance, supported by our transparent remuneration policy and incentive system as well as an open performance appraisal system.

Policy on Employee Remuneration

DBS' remuneration policy seeks to:

- (a) Attract and retain talented and skilled employees who are critical to the long-term success of DBS;
- (b) motivate employees to perform at the highest levels to achieve individual, business and group objectives;
- (c) support a strong performance-oriented culture at all employee levels by linking pay and reward directly to individual, unit and group performance; and
- (d) foster an ownership culture which aligns the interests of employees with the interests of shareholders.

The total compensation of each employee, which is benchmarked to market total compensation for similar job functions, consists of the following components:

- (a) base pay;
- (b) cash bonuses; and
- (c) long-term share incentives comprising DBSH performance shares and share option awards.

In determining the total compensation, individual, unit and DBS Group performance as well as market remuneration

competitiveness are taken into consideration. Market competitiveness data are obtained from external benchmarks, including market surveys.

Long-term Share Incentives – Performance Share Plan, Share Option Plan, Employee Share Plan and Share Ownership Scheme

DBSH Group has in place share-based remuneration programmes that allow its employees to share in the growth and success of DBSH Group. These plans include a DBSH Performance Share Plan ("PSP"), a DBSH Share Option Plan ("SOP"), an Employee Share Plan ("ESP") and a DBSH Share Ownership Scheme ("SOS").

Managing Directors, Senior Vice Presidents and Vice Presidents are eligible to participate in the PSP and SOP. Select high-performing Assistant Vice Presidents are eligible to participate in the SOP. The awards made under the PSP and SOP are part of the annual incentive remuneration, which comprises cash bonuses and share-based awards. The share portion (i.e., PSP and SOP) of an employee's annual incentive remuneration increases correspondingly with the amount of the employee's total annual incentive remuneration, such that employees with higher annual incentive remuneration receive a larger portion of their compensation in share-based awards.

For the PSP and SOP, vesting periods are imposed. The number of shares eventually awarded upon vesting under the PSP is based on DBS Group's performance for a three-year performance period as measured by the Group's return on equity (ROE). The aggregate total number of new DBSH ordinary shares that may be issued under the SOP and the PSP at any time may not exceed 7.5% of the issued ordinary shares of DBSH.

Employees of DBSH Group who are not eligible for the SOP or PSP are eligible to participate in the ESP and SOS. Under the ESP, employees are awarded DBSH ordinary shares when DBS Group meets certain performance targets. These awards vest after a period of three years. The SOS is a market purchase plan administered by DBS Trustee Ltd, a wholly-owned subsidiary company of DBS Bank. Under the SOS, all confirmed employees with at least one year of service can subscribe up to 10% of their monthly base pay to buy units of DBSH ordinary shares, with DBS contributing an additional 50% of what the employee contributes.

Within certain business units or countries, it is not possible to operate all or part of the above share-based remuneration programmes, typically because of securities laws and regulatory issues or market driven practices.

Policy on Directors' Fees

DBS Group's policy on Directors' fees is that it should be competitive with regional competitors and should align directors' interests with the interests of the shareholders. Directors receive basic directors' fees, and fees for being the Chairmen or members of the Executive Committee, Audit Committee and Board Risk Management Committee.

Directors are encouraged, but are not obliged, to invest half of their fees in DBSH shares and to hold not less than 50% of these shares for the duration of their respective terms. Directors' fees are approved by shareholders at the annual general meeting (AGM) of DBSH.

Remuneration of Executive Directors

In determining the remuneration for executive directors, the Compensation Committee takes into account the following principles:

- the remuneration should motivate the executive directors to achieve DBS Group's performance targets, both annual and long-term;
- the performance-related elements of remuneration should form a significant part of their total remuneration package;
- the interest of the executive directors should be aligned with shareholders; and
- the remuneration is directly linked to the performance of DBS Group and individual performance.

The Compensation Committee recommends specific remuneration packages for each executive director for endorsement by the full Board.

Executive directors are recruited by DBS under employment contracts covering their services as employees.

These employment contracts have general clauses for termination of service as employees, rather than a specific provision for early termination. The contracts do not deal with directorship matters, which are approved separately by the Board. An executive director's term on the Board is determined by the Board.

Remuneration of Non-Executive Directors

Following a review of industry benchmarks, with effect from January 1, 2004, the basic annual fee paid to each director of DBSH is proposed to be increased from \$40,000 to \$50,000, while the annual fee paid to the Board Chairman is raised from \$50,000 to \$85,000. Fees paid to Audit, Board Risk Management and Executive Committee members are increased from \$6,000 to \$20,000 each per annum. Fees for the Chairmen of the Audit and Board Risk Management Committees are raised from \$15,000 to \$35,000 each per annum, while the annual fee for the Chairman of the Executive Committee is increased from \$10,000 to \$35,000 per annum.

The revised fee structure will be presented to shareholders for approval at the AGM on April 29, 2005.

Breakdown of Directors' Remuneration

The following table shows the breakdown (in percentage terms) of the remuneration of directors, including those appointed and resigned/retired during the year. They are grouped by bands of \$250,000 for the year ended December 31, 2004.

Remuneration bands	Salary	Bonus	Directors' Fees	Share Options granted ¹	Others	Total Remuneration	Share options grants ²	Exercise Price	Date of Expiry
	%	%	%	%	%	%			
\$5,000,000–\$5,249,999									
Jackson Tai	46	44	1 ³	4	5	100	38,000	\$14.73	March 2, 2014
\$5,750,000–\$5,999,999									
Frank Wong Kwong Shing	13	78	1 ³	3	5	100	38,000	\$14.73	March 2, 2014
Below \$250,000									
S Dhanabalan	0	0	77	0	23	100	–	–	–
Bernard Chen Tien Lap	–	–	100	–	–	–	–	–	–
Fock Siew Wah	–	–	100	–	–	–	–	–	–
Gail D Fosler	–	–	100	–	–	–	–	–	–
Goh Geok Ling ⁴	–	–	100	–	–	–	–	–	–
Kwa Chong Seng	–	–	100	–	–	–	–	–	–
Moses Lee Kim Poo ⁵	–	–	100	–	–	–	–	–	–
Leung Chun Ying	–	–	100	–	–	–	–	–	–
Narayana Murthy	–	–	100	–	–	–	–	–	–
Peter Ong Boon Kwee	–	–	100	–	–	–	–	–	–
John A Ross	–	–	100	–	–	–	–	–	–
Thean Lip Ping	–	–	100	–	–	–	–	–	–
Wong Ngjit Liang ⁴	–	–	100	–	–	–	–	–	–
Yeo Ning Hong ⁵	–	–	100	–	–	–	–	–	–

1) Valuation based on Black Scholes model

2) Refers to the number of unissued DBSH ordinary shares of par value S\$1 under the DBSH Share Option Plan

3) Fees are not retained by directors

4) Appointed on May 3, 2004

5) Resigned on April 30, 2004

Key Executives' Remuneration

The Code requires the remuneration of at least the top five key executives who are not also directors to be disclosed within bands of \$250,000. DBS believes that disclosure of the

remuneration of individual executives is disadvantageous to its business interests, given the highly competitive industry conditions, where poaching of executives has become commonplace in a liberalised environment.

Immediate Family Member of Director

The following table shows the breakdown (in percentage terms) of the annual remuneration of employees who are immediate family members of directors.

Remuneration Bands	Salary	Bonus	Share Options granted ¹		Total Remuneration	Share Options grants ²	Exercise Price	Date of Expiry
	%	%	%	%	%			
\$250,000–\$499,999								
Sister of Mr Peter Ong	61	20	11	8	100	9,500	\$14.73	March 2, 2014
Below \$250,000								
Daughter of the chairman	69	12	12	7	100	3,900	\$14.73	March 2, 2014

1) Valuation based on Black Scholes model

2) Refers to the number of unissued DBSH ordinary shares of par value S\$1 under the DBSH Share Option Plan

Share Plans

Details of the DBSH Performance Share Plan and the DBSH Share Option Plan (the "Plan") appear in pages 150 to 152 of the Directors' Report. In compliance with Rule 852 of the SGX Listing Manual, the following participants in the Plan received the following number of options:

Name of Participant*	Options granted# during Financial Year under Review	Aggregate Options granted since Commencement of Plan to end of Financial Year under Review	Aggregate Options exercised since commencement of Plan to end of Financial Year under Review	Aggregate Options outstanding as at end of Financial Year under Review
Jackson Tai (Director)	38,000	386,675	0	386,675
Frank Wong Kwong Shing (Director)	38,000	394,550	0	394,550

* DBSH has no controlling shareholders and no disclosure is made in this respect

The options granted were in accordance with the terms of the Plan

During the financial year:

- no options were issued to any participant totalling 5% or more of the total number of options available under the Plan;
- no options were issued to any director or employee of DBSH or its subsidiaries totalling 5% or more of the total number of options available to all directors and employees of DBSH and its subsidiaries under the Plan; and
- no options were granted at a discount.

The aggregate number of options granted to the directors and employees of the DBS Group for the financial year under review is 7,494,000.

The aggregate number of options granted to the directors and employees of the DBS Group since the commencement of the Plan to the end of the financial year under review is 46,749,383.

Approval by shareholders

Shareholders' approval was previously obtained for the implementation of the DBSH Share Option Plan and the DBSH Performance Share Plan. Directors' fees are also approved by shareholders at the AGM. The remuneration framework for executive directors and executives has also been approved by the Compensation Committee and endorsed by the Board. The Board considers that the remuneration framework does not need to be approved by shareholders.

DBS Awards and Accolades 2004 DBS garnered numerous prestigious awards last year that recognise our financial expertise, as well as our contributions to the arts and the community.

American Express

Global Network Services Marketing Awards:
Best New Credit Card – DBS Black Card

Asiamoney

Deals of the Year:
Best Loan Deal – Hanaro Telecom US\$600 million

Domestic Bank Awards:
Best Domestic Bond House in Singapore
Best Domestic Equity House in Singapore

Cash Management Poll of Polls:
Best Local Cash Management Bank – Singapore

FX Poll:
Best Local/Domestic FX Providers in Asia – Singapore
Best Overall FX Products & Services for SGD/USD
Best Trade Execution in Singapore

Trade Finance Poll:
Best Domestic Bank – Local Market Rankings in Singapore

Asian Banker Association

Asian Banking Awards:
Risk Management Program Category – Firm-wide Operational Risk Management Framework (Winner)

Asian Banker, The

Best Retail Bank – Singapore

AsiaRisk

AsiaRisk Awards: Singapore House of the Year

Asset, The

The Asset Asian Awards – Country Awards:
Best Domestic Investment Bank
Best Domestic Bank

Edge-Lipper, The

Singapore Unit Trust Fund Awards:
Best Global Bond Fund over 1 year, 3 years and 5 years – Shenton Income Fund
Best Singapore Equity Fund over 3 years, 5 years and 10 years – Shenton Thrift Fund

Euromoney

Awards for Excellence: Best Bank in Singapore

EuroWeek

Asian Review of the Year:
Best Bookrunner of Singapore Dollar Bonds
Best Asian Subordinated Bond – US\$750 million issue

FinanceAsia

Country Awards for Achievement – Singapore:
Best Bank
Best Equity House
Best Bond House
Best Broker (DBS Vickers)

Global Custodian

Review of Agent Banks in Major Markets:
Top-rated in Singapore

Global Finance

World's Best Banks 2004:
Best Foreign Exchange Providers – Country Winner
Best Sub-Custodians – Country Winner
Best Trade Finance Providers – Country Winner

World's Best Foreign Exchange Banks 2005:
Regional Winner for Southeast Asia & Country Winner

IFR Asia

Singapore Loan House

IFR

League Tables:
Ranked 2nd – China Syndicated Loans
Ranked 2nd – India Syndicated Loans

International Enterprise Singapore

Singapore Brand Awards

MasterCard

MasterCard Asia/Pacific Market Leadership Awards:
Best Overall Marketing Programme – DBS MC² MasterCard in Hong Kong
Best Youth Initiative – DBS MC² MasterCard in Hong Kong

Ministry of Information, Communications & the Arts

Distinguished Patron of the Arts

Ministry of Manpower

Singapore Family-Friendly Employer Award

Project Finance (Euromoney)

Deal of the Year:
Asia-Pacific Telecoms – Taiwan Broadband
Asia-Pacific Logistics – Vopak

Reader's Digest

Reader's Digest SuperBrands:
Gold Winner – DBS
Gold Winner – POSB

Risk Waters Group

Operational Risk Achievement Awards:
Emerging Markets Category – Highly commended

Securities Investors Association (S'pore)

SIAS Investors' Choice Awards

Most Transparent Company Award – Winner of Finance Category

Standard and Poor's

Singapore Fund Awards:
Best Performing Global Fixed Income Fund over 3 years and 5 years – Shenton Income Fund
Best Singapore Equity Fund over 3 years and 5 years – Shenton Thrift Fund



DBS Hong Kong

DBS Hong Kong has emerged as one of the leaders in the wealth management business in Hong Kong. Sales of structured deposits, unit trusts and bancassurance products reached another record last year. Fees from sale of bancassurance and unit trust products rose 47% despite uncertainties in the financial markets.



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Risk Exposures and Risk Management Approach

Approach to Risk Management

DBS embraces risk management as a core discipline to uphold the integrity of our business practices and ensure the safety and soundness of our operating environment. We consider having world-class skills in monitoring, interpreting and forecasting our risk profile a critical internal capability. Our approach to risk management has several components: comprehensive risk management processes, early identification systems, accurate risk measures, investments in people and technology to interpret and manage risk on a daily basis, stress tests and comprehensive process reviews in conjunction with internal auditors, external auditors and regulatory officials.

Risk Governance

Although business units have primary responsibility for managing specific risk exposures, Group Risk Management is the central resource for quantifying and managing the portfolio of risks taken by the Group as a whole. Group Risk Management performs the following roles:

- Develops, implements, maintains, improves and communicates a consistent risk management framework
- Recommends risk limits and concentration limits
- Develops and implements an infrastructure that will qualify DBS for risk-based regulatory capital requirements
- Provides senior management and Board with independent and timely assessment of the aggregate risk profile concerning significant risk concentrations, portfolio composition and quality
- Develops framework for economic capital
- Identifies opportunities to optimise risk-based return on capital

DBS Group has implemented policies and procedures to identify, measure, analyse and control risk across the firm. These policies and procedures rely on constant communication, judgment, knowledge of products and markets, and controls by business and support units.

To assist the Board of Directors in fulfilling its duties, the Board Risk Management Committee oversees matters relating to the management of risk. Management is accountable to the Board for maintaining an effective control environment that reflects established risk appetite and business objectives. Five senior management risk committees provide forums for discussion on specific risk areas: the Market Risk Committee, the Credit Risk Committee, the Group Asset and Liability Committee, the Group Operational Risk Committee and the Commitments, Compliance and Conflicts Committee.

Credit Risk

Credit risk is the potential earnings volatility caused by obligors' inability and/or unwillingness to fulfill their contractual debt obligations. Exposure to credit risks arises primarily from lending activities and also from sales and trading activities, derivatives activities and from participation in payment transactions and securities settlements. Credit exposure includes current as well as potential credit exposure. Current credit exposure is represented by the notional value or principal amount of on-balance sheet financial instruments and off-balance sheet direct credit substitutes, and by the positive market value of derivative instruments. DBS Group also estimates the potential credit exposure over the remaining term of transactions. At DBS Group, a disciplined credit risk management process integrates risk management into the business management processes, while preserving the independence and integrity of risk assessment.

An enterprise-wide Core Credit Risk Policy sets forth the principles by which the Bank and its subsidiaries conduct their credit risk management activities. It ensures credit risk underwriting consistency across the Group, and provides guidance to various credit management units in the formulation of supplementary credit policies specific to their businesses.

Individual corporate credit risks are analysed and approved by experienced credit officers who consider a number of factors in the identification and assessment of credit risk. Each borrower is assigned a rating under the Counterparty Risk Rating process. For large corporate borrowers, the rating is based on the assessment

DBS embraces risk management as a core discipline to uphold the integrity of our business practices and ensure the safety and soundness of our operating environment.

of all relevant factors including the borrower's financial condition and outlook, industry and economic conditions, market position, access to capital, and management strength. The Counterparty Risk Rating assigned to smaller business borrowers is primarily based on the borrower's financial position and strength, which are assessed via the use of a validated quantitative tool. All ratings are reviewed at least annually and more frequently when conditions warrant. The Counterparty Risk Rating process is further enhanced by the Facility Risk Rating System which takes into consideration facility specific considerations such as credit structuring, collateral, third party guarantees and transfer risks. These credit risk-rating tools are used to assess the credit quality of the portfolio, so that deteriorating exposures are quickly identified and appropriate remedial action can be taken.

Consumer credit risk is managed on a portfolio basis. Business-specific credit risk policies and procedures including underwriting criteria, scoring models, approving authorities, regular asset quality review and business strategy review as well as systems, processes and techniques to monitor portfolio performance against benchmarks are in place.

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

An independent Risk Review team conducts regular reviews of credit exposures and processes. These reviews provide senior Management with objective and timely assessments of the effectiveness of credit risk practices and ensure group-wide policies and guidelines are being adopted consistently across different business units including relevant subsidiaries.

In the past few years, various "shocks" in the financial market had adversely impacted the creditworthiness of borrowers. As a result, stress testing of credit risk has assumed increasing importance in the discipline of credit risk management. DBS uses a combination of "top-down" and "bottom-up" credit risk stress testing approaches to assess the vulnerability of the portfolio to "exceptional but plausible" adverse credit risk events.

DBS has developed an Economic Capital-at-Risk Framework for the measurement and management of credit concentration risk to individual borrowers, borrower groups and industry sectors. The Economic Capital-at-Risk Framework also provides the basis for economic capital attribution.

Information on credit exposures by geographical area, business line and industrial classification, and the breakdown of

investment and dealing securities are disclosed in Notes 23, 24, 25, 27 and 40.1 to the Financial Statements and the Management Discussion and Analysis chapter.

Country Risk

The management of cross-border risk is embedded in a Country Risk Management Framework, which was approved at the Board level. The Framework includes an internal country risk rating system which taps into the expertise of the Bank within the markets it operates, and where the country assessments are made independent of business decisions. Benchmark country limits are set to delineate when exposures approach levels that may imply concentration risk. Day-to-day operational country limits, called working limits, are also imposed to manage the shape and growth of the cross-border exposures as they build up. A rigorous environment scanning process is in place, with proactive action as warranted to expand or roll back country exposures.

Trading Market Risk

Trading market risk arises from changes in market rates such as interest rates, foreign exchange rates, equity prices and credit spreads, as well as in their correlation and implied volatilities. DBS Group takes trading market risk in the course of market making, structuring and packaging products for investors and issuers, as well as to benefit from market opportunities.

The trading market risk framework comprises the following elements:

- Limits to ensure that risk-takers do not exceed aggregate risk and concentration parameters set by senior management and the Board
- Independent validation of valuation and risk models and methodologies
- Independent mark-to-market valuation, reconciliation of positions and tracking of stop-loss for trading positions on a timely basis
- New product/service process whereby risk issues are identified before new products and services are launched

DBS adopts a Daily-Earnings-at-Risk (DEaR) methodology to estimate the Group's trading market risk with a 99% level of confidence. DEaR is computed using a combination of parametric (variance-covariance) and historical simulation approaches. It takes into account all pertinent risk factors and covers all financial instruments which expose the Group to market risk across all geographies. On a daily basis, DBS computes DEaR for each trading business unit and for each risk type such as foreign exchange, interest rate or equity which are then rolled up to the Group level. The DEaR figures are backtested against profit and loss of the trading book to validate its robustness.

Daily Earnings at Risk

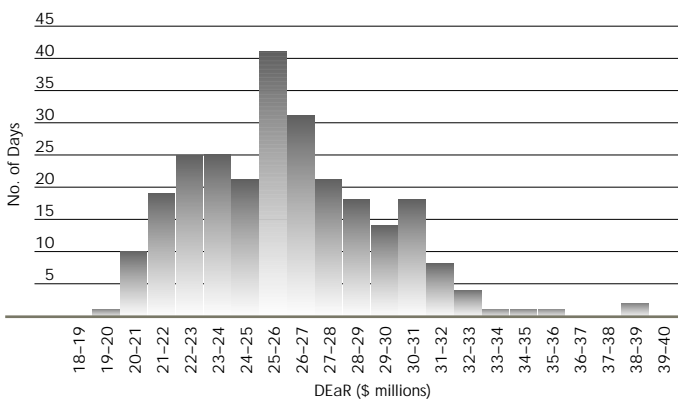
The table below provides the year-end, average, high and low DEaR for the trading risk exposure of DBS Group during the year:

	As at 31 Dec 2004	1 Jan 2004 to 31 Dec 2004		
	In \$ millions	Average	High ¹	Low ¹
Interest Rate	24.6	28.2	39.8	21.5
Foreign Exchange	3.7	6.2	14.2	2.7
Equity	5.5	5.5	8.7	3.1
Diversification Effect	(11.8)	(14.0)	-	-
Total	22.0	25.9	38.4	19.9

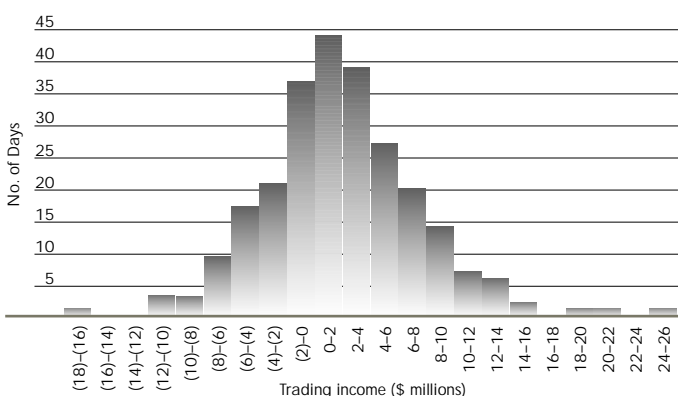
1) The high (& low) DEaR figures reported for each risk class did not necessarily occur on the same day as the high (& low) reported for total. A corresponding diversification effect cannot be calculated and is therefore omitted from the table.

The charts below provide the range of DEaR and the daily distribution of trading income in the trading portfolio for the year ended December 31 2004:

DBSH Group DEaR for Trading Book



Daily Distribution of Group Trading Income



Although DEaR provides valuable insights, no single measure can capture all aspects of trading market risk. To complement the DEaR framework, daily stress testing is carried out to monitor the Group's vulnerability to unlikely but plausible shocks to individual market factors. Stress limits are also established accordingly. On a monthly basis, a set of scenarios (historical or hypothetical) are developed and applied on the trading books to further assess the potential impact from simultaneous shocks on all market rates, prices and their implied volatilities.

The Group's Market Risk Committee meets fortnightly to review and give direction on the level of market risk taken within DBS Group; its breakdown by desk and geography risk type; trading profit and loss; stress testing results; risk model backtesting performance; and requests for limit changes. The Greater China Market Risk Committee focuses on the same market risk metrics and issues within the Greater China area.

Information on the Group's financial assets and liabilities in relation to exposures to interest rate and foreign exchange risks can be found in Notes 37.2.2 and 37.2.3 to the Financial Statements.

Structural Market Risk

The Group Asset and Liability Committee ("Group ALCO" or "GALCO") oversees the structural interest rate risk, structural foreign exchange risk and funding liquidity risk in the Group. It allocates core limits to regional/local ALCOs in the different countries and ensures that the consolidated exposures of the Group are within prudent levels. Regional/local ALCOs are responsible to manage the risks in their areas including the setting of operational limits and guidelines to fine tune risk management, consistent with the Group's Asset and Liability Management ("ALM") Policy.

Structural interest rate risk arises from mismatches in the interest rate profile of customer loans and deposits. This interest rate risk has several aspects: basis risk arising from different interest rate benchmarks, interest rate repricing risk, yield curve movements and embedded optionality.

In managing structural interest rate risk, the Bank tries to achieve a desired profile given the strategic considerations and market conditions of the various business segments. To monitor the structural interest rate risk, various tools are used including repricing gap reports, sensitivity analysis and income simulations under various scenarios. These measures take into account both economic value and earnings perspectives.

In structural foreign exchange exposures, the Group's policy is to manage the effect of exchange rate movements on its earnings and capital accounts. Foreign currency loans and

investments in fundable currencies are generally funded with the same foreign currencies. Non-fundable or illiquid currencies may be hedged with instruments such as non-deliverable forwards. For currencies with high hedging costs or lack of liquidity, alternative strategies may be used.

An Investment Framework governs the Group's investment of funds arising from the banking business. These investments are separately subject to Board and senior management limits on the portfolio size, credit quality, product and sector concentrations and market risk sensitivities under the Framework. Investment market risk is monitored by risk type using sensitivities and by valuation action triggers. Valuation as well as validation of models used in valuation and risk management are carried out by independent support units.

Liquidity Risk

Liquidity risk is the potential earnings volatility arising from being unable to fund portfolio assets at reasonable rates over required maturities. Liquidity obligations arise from withdrawals of deposits, repayments of purchased funds at maturity, extensions of credit and working capital needs. DBS seeks to manage its liquidity risk across all classes of assets and liabilities to ensure that even under adverse conditions, DBS has access to funds at a reasonable cost.

The primary tool for monitoring liquidity is the maturity mismatch analysis, which is monitored over successive time bands and across functional currencies. This analysis includes behavioural assumptions on, inter-alia, customer loans, customer deposits and reserve assets. This is tested under normal and adverse market scenario conditions. Limits are established by the Board and senior management for the maximum cumulative cash outflows over successive time bands. Various liquidity ratios, concentration and stress limits are additional tools employed by the Bank to manage funding liquidity risk.

As part of its liquidity risk management, DBS Group focuses on a number of components, including tapping available sources of liquidity, preserving necessary funding capacity and contingency planning.

Information on the Group's financial assets and liabilities in relation to exposures to interest rate risk, currency risk and liquidity risks can be found in Notes 37.2.2, 37.2.3 and 37.2.6 to the Financial Statements.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. An Operational Risk Management Framework has been developed to ensure that operational risks within the DBS Group are properly identified, monitored, managed and reported in a structured, systematic and consistent manner. Key elements of the Framework include control self-assessment, risk event management and key risk indicator monitoring. To reinforce accountability and ownership of risk and control by the business units and support units, Unit Operational Risk Managers are appointed to assist the unit heads in driving the overall risk and control agenda and programmes at the units.

The day-to-day management of operational risk exposures is through the maintenance of a comprehensive system of internal controls, supported by an infrastructure of robust systems and procedures to monitor transaction positions and documentation. A set of Core Operational Risk Standards have been established to provide guidance to business units and support units on the baseline internal controls to be put in place to ensure the safety and soundness of their operating environment. Other major operational risk mitigation programmes include Business Continuity Management and the Global Insurance Programme that apply to all DBS entities and units in all locations.

Each new product or service introduced is subject to a rigorous risk review and signoff process where all relevant risks are identified and assessed by departments independent of the risk-taking unit proposing the product. Variations of existing products, as well as outsourcing and process centralisation initiatives, are also subject to a similar process.

We consider having world-class skills in monitoring, interpreting and forecasting our risk profile a critical internal capability.

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Management Discussion and Analysis

Financial Review

DBSH Group's net profit attributable to members ("NPAM") for year 2004 increased 97% to \$2.018 billion. Excluding the one-time gains of \$187 million from sale of the Group's 10% stake in Wing Lung Bank and \$310 million gain from sale of the Group's 59% stake in DBS Thai Danu Bank Public Company Limited ("DTDB") in 2004, NPAM would show a 48% increase over the previous year to \$1.521 billion (refer to Note 29.5.1 to the financial statements on disposal of DTDB). Lower provision charge and higher net interest income contributed to the better bottom-line profit.

Income before operating expenses (excluding one-time gains) rose 6% to \$4.431 billion, largely due to higher net interest income from growth in customer loans and debt securities. Operating expenses increased 9% to \$2.006 billion. Cost-to-income ratio (excluding goodwill amortisation) was 40.7% for 2004 and 43.9% for 2003. Excluding one-time gains, cost-to-income ratio would have been 45.3% for 2004 as compared to 43.9% for 2003. Provision charge for the full year was \$47 million as compared to \$541 million a year ago.

Consolidated profit and loss account

In \$ millions	2004	2003	+ / (-)%
Interest income	4,011	3,640	10
Interest expense	(1,445)	(1,265)	14
Net interest income	2,566	2,375	8
Non-interest income	2,362	1,823	30
Income before operating expenses	4,928	4,198	17
Operating expenses	(2,006)	(1,841)	9
Operating profit before goodwill amortisation and provisions	2,922	2,357	24
Goodwill amortisation	(440)	(430)	2
Operating profit before provisions	2,482	1,927	29
Provisions	(47)	(541)	(91)
Share of profits less losses of associated and joint venture companies	77	51	51
Net profit before taxation	2,512	1,437	75
Taxation	(442)	(349)	27
Minority interests	(52)	(63)	(17)
Net profit attributable to members ("NPAM")	2,018	1,025	97
NPAM excluding goodwill amortisation	2,458	1,455	69
Financial ratios (%)			
On a GAAP basis			
Return on assets	1.20	0.66	
Return on equity	12.85	7.04	
Excluding goodwill amortisation			
Return on assets	1.47	0.94	
Return on equity	15.66	9.99	
Cost-to-income ratio (excluding goodwill amortisation)	40.7	43.9	
As a percentage of total operating income:			
Net interest income	52.1	56.6	
Non-interest income	47.9	43.4	

Excluding one-time gains of \$497 million, the following profit and loss items would have been:

In \$ millions	2004	2003	+ / (-)%
Non-interest income	1,865	1,823	2
Income before operating expenses	4,431	4,198	6
Net profit attributable to members	1,521	1,025	48

Management Discussion and Analysis

DBS Bank (Hong Kong) Limited

Net profit after taxation for DBS Bank (Hong Kong) Limited increased 27% to \$534 million in 2004, due to higher operating income and lower provisions. In the fourth quarter 2004, DBS Bank (Hong Kong) Limited divested part of its stake in Banco de Oro Universal Bank, a bank in the Philippines, recording a \$12 million gain^{1/}. The remaining stake was subsequently disposed in first quarter 2005.

Compared to 2003, net interest income for 2004 increased 5%, mainly due to the wider spread between the Prime rate and HIBOR^{2/} and growth in customer loans, partly offset by price pressures. Non-interest income for 2004 improved 3%, mainly due to increase in fee and commission income offset by lower income from sales of treasury investment products. Operating expenses were 8% higher due to ongoing investments in people and systems to capture business opportunities. Provision charge was 47% lower than 2003, reflecting the stronger economic environment and property market.

Profit and loss account (Based on Hong Kong Generally Accepted Accounting Principles)^{3/}

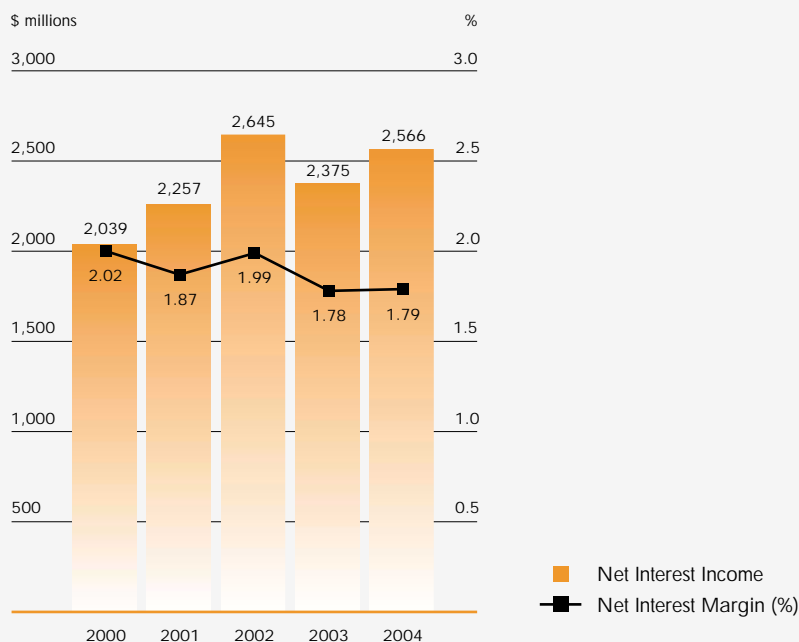
In \$ millions	2004	2003	+/(-)%
Net interest income	804	767	5
Non-interest income	380	368	3
Income before operating expenses	1,184	1,135	4
Operating expenses	(498)	(463)	8
Operating profit before provisions	686	672	2
Provisions	(91)	(172)	(47)
Operating profit	595	500	19
Net profit before taxation	620	501	24
Net profit after taxation	534	422	27

Notes:

- 1/ Net gain on disposal of non-trading securities are reported after Operating profit under Hong Kong Generally Accepted Accounting Principles.
- 2/ HIBOR: Hong Kong Interbank Offer Rate
- 3/ The exchange rate used for both periods is HK\$1 = \$0.2100565.

Net Interest Income and Net Interest Margin

Net interest income grew 8% over 2003 to \$2.566 billion. This was largely due to growth in interest bearing assets especially in customer loans which grew 7%. Net interest margin for 2004 was 1.79%, slightly higher than 1.78% in 2003.



Management Discussion and Analysis

Net interest income and net interest margin^{1/}

In \$ millions	2004			2003		
	Average balance	Interest	Average rate (%)	Average balance	Interest	Average rate (%)
Customer loans and advances	67,049	2,279	3.40	62,593	2,342	3.74
Interbank items	31,347	404	1.29	38,323	398	1.04
Securities ^{2/}	45,149	1,328	2.94	32,883	900	2.74
Total interest bearing assets	143,545	4,011	2.79	133,799	3,640	2.72
Deposits	110,114	746	0.68	106,244	718	0.68
Others	24,313	699	2.88	19,092	547	2.87
Total interest bearing liabilities	134,427	1,445	1.07	125,336	1,265	1.01
Net interest income/margin		2,566	1.79		2,375	1.78

Notes:

1/ Net interest margin is net interest income expressed as a percentage of average interest-earning assets.

2/ Refers to Singapore Government securities and treasury bills, trading and investment debt securities.

Volume and rate analysis

The following table allocates changes in interest income and interest expense between changes in volume and changes in rate for 2004 compared with 2003. Volume and rate variances have been calculated based on movements in average balances over the period indicated and changes in interest rates on monthly average interest bearing assets and liabilities. Variances caused by changes in both volume and rate have been allocated to both volume and rate based on the proportional change in either volume or rate.

Increase/(Decrease) for 2004/2003

In \$ millions	Volume	Rate	Net change
Interest income			
Customer loans and advances	167	(230)	(63)
Interbank items	(72)	78	6
Securities	335	93	428
Total interest income	430	(59)	371
Interest expense			
Deposits	27	1	28
Others	150	2	152
Total interest expense	177	3	180

Non-interest income

Non-interest income increased 30% to \$2.362 billion. Excluding the \$497 million one-time gains, non-interest income was 2% higher.

Fee and commission income in 2004 increased 15% to \$1.013 billion, contributed by higher wealth management, stockbroking, investment banking, loan related, and trade and remittance fees.

Excluding the one-time gains in 2004, other income declined 12% for the year due to lower income from sales of treasury structured investment products and lower net gain on investment securities.

Management Discussion and Analysis

In \$ millions	2004	2003	+/(%)
Fee and commission income	1,013	884	15
Stockbroking	198	169	17
Investment banking	104	83	25
Trade and remittances	128	111	15
Loan related	183	155	18
Deposit related	99	103	(4)
Credit card	87	89	(2)
Fund management	43	40	8
Wealth management (unit trust distribution and bancassurance)	132	90	47
Others	39	44	(11)
Dividend and rental income	105	87	21
Other income	1,244	852	46
Net gain on treasury related activities (including structured investment products)	590	650	(9)
Net gain on investment securities	644 ^{1/}	185	248
Net gain on fixed assets	4	3	33
Others	6	14	(57)
Total non-interest income	2,362	1,823	30
Non-interest income as a percentage of income before operating expenses (%)	47.9	43.4	

Note:

1/ Included one-time gains of \$310 million from sale of 59% stake in DTDB and \$187 million from sale of 10% stake in Wing Lung Bank.

Operating expenses

Excluding goodwill amortisation, operating expenses increased 9% to \$2.006 billion mainly due to higher staff costs, advertising and promotion expenses and technology-related expenses. The increase was mainly due to higher staff costs from bonus accrual in line with the stronger bottom-line performance in 2004 and business expansion. Spending on advertising and promotions for retail products were higher with new product launches and branding initiatives in 2004.

In \$ millions	2004	2003	+/(%)
Staff costs	970	865	12
Occupancy expenses	181	203	(11)
Technology-related expenses	312	287	9
Revenue-related expenses	202	183	10
Others	341	303	13
Total operating expenses	2,006	1,841	9
Cost-to-income ratio (%) (excluding goodwill amortisation)	45.3^{1/}	43.9	
Staff headcount number (at year-end)	11,454	12,144	

Note:

1/ Excludes one-time gains arising from sale of Wing Lung shares and disposal of DBS Thai Danu Bank Public Company Limited.

Management Discussion and Analysis

Provision charge

Total provision charge decreased 91% to \$47 million in 2004, with specific provision reduced by 88% to \$52 million. The decrease was due to better economic conditions and overall credit quality of the loan portfolio, as well as improved valuations.

General provision written-back was \$5 million in 2004 compared to an \$89 million additional provision in 2003. The write-back in general provision in 2004 followed the adoption of a transitional general provisioning framework ahead of Basel II and in line with revised MAS provisioning guidelines (MAS Notice 612).

In \$ millions	2004	2003	+/(-)%
Loans	86	352	(76)
Singapore	38	182	(79)
Hong Kong	54	169	(68)
Other countries	(6)	1	NM
Securities, properties and other assets	(34)	100	NM
Specific provision	52	452	(88)
General provision	(5)	89	NM
Total provision charge	47	541	(91)

NM: Not meaningful

Balance sheet

At December 31, 2004, total assets were \$175.6 billion. Net customer loans grew 8% to \$69.7 billion at end December 2004, mainly driven by housing loans and loans granted to manufacturing sector and financial institutions, investment & holding companies. Customer deposits grew 5% to \$113.2 billion. The Group's loan-to-deposit ratio at end December 2004 was 61.5%. Including DBSH Group's portfolio of non-trading debt securities, the ratio of loan and non-trading debt securities to deposits was 82.0%.

Selected balance sheet data

In \$ millions	At December 31	
	2004	2003
Assets		
Total assets	175,553	159,595
Total loans ^{1/}	94,832	91,807
Customer loans and advances	69,664	64,335
Interbank items	25,168	27,472
Investment in quoted and unquoted securities and shares	47,614	41,246
Liabilities		
Total liabilities	157,923	143,574
Total deposits	124,145	115,538
Customer deposits	113,206	108,041
Interbank liabilities	10,939	7,497
Borrowings and debt securities	13,897	11,297
Shareholders' funds	16,502	14,896
Financial ratios (%)		
Customer loan-to-deposit ratio	61.5	59.5
Customer loan and non-trading debt securities-to-deposit ratio	82.0	79.7

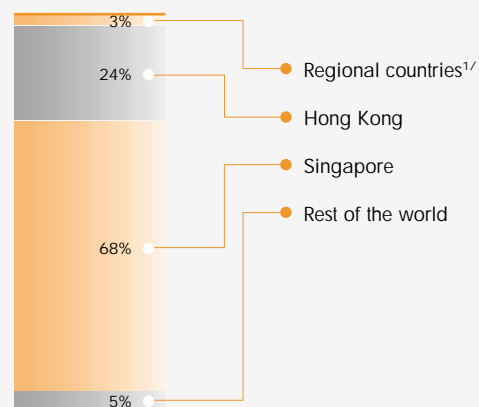
Note:

1/ After deducting cumulative provisions.

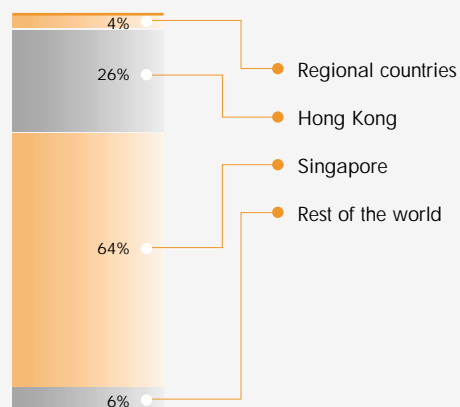
Management Discussion and Analysis

Total Assets

2004



2003

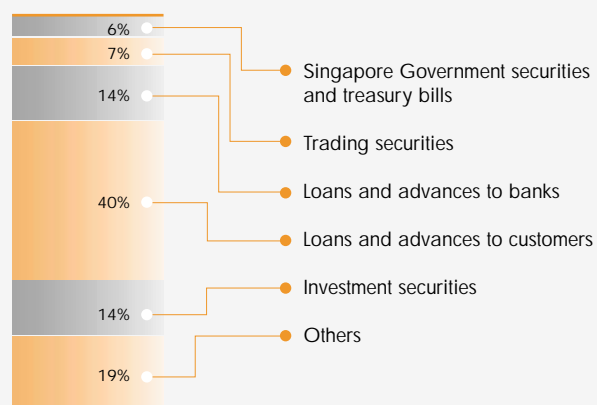


Note:

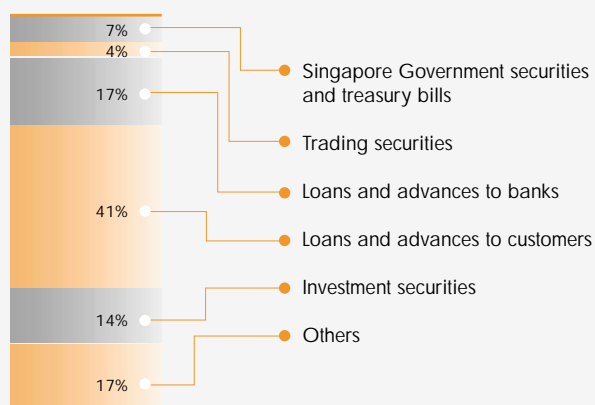
1/ Regional countries include Malaysia, Indonesia, Thailand, Korea and the Philippines.

Deployment of assets

2004



2003



Customer loans and advances

At December 31, 2004, loans booked in Singapore accounted for 58% of DBSH Group's customer loans and advances, while loans booked in Hong Kong accounted for 34% and the remaining 8% in other overseas branches and subsidiary companies.

Gross customer loans by geographical classification

	At December 31			
	2004		2003	
	\$ millions	%	\$ millions	%
Singapore	41,261	58	36,494	55
Hong Kong	24,104	34	22,214	33
Regional countries	2,373	3	4,985	8
Rest of the world	3,283	5	2,721	4
Total gross customer loans	71,021	100	66,414	100

Management Discussion and Analysis

Classification of loans

DBSH Group classifies its loans in accordance with guidelines adopted by the MAS and seeks to use international best practices in its approach where possible and applicable. MAS guidelines require banks to classify their loan portfolios which take into account the risks inherent in the portfolio. These classifications, and underlying collateral valuations, are used to determine minimum levels of loan loss reserves which banks are required to maintain.

MAS guidelines require banks to categorise their loan portfolios into five categories — two categories for performing loans (Pass and Special Mention) and three categories for classified, or non-performing, loans (Substandard, Doubtful and Loss) — and to set minimum reserves based on these categories.

Pass grades are applicable for loans that have no indication of default and when full repayment of interest and principal from normal sources is not in any doubt. Special Mention grade is appropriate when there is potential weakness in the borrower's creditworthiness, but such weakness is not to the extent that a Substandard or inferior grade is warranted. Special Mention loans generally have adequate debt service capacity but require close and active supervision, because the potential weaknesses, if not corrected, may result in deterioration of repayment prospects.

Substandard or a worse grade is appropriate when there are well defined weakness(es) in a borrower's position that jeopardise repayment of principal or interest from normal sources.

The following table sets forth the various categories for classified loans:

Grade assigned to loan	Criteria	Provision level
Substandard	<ul style="list-style-type: none">Well defined weakness(es) are present that jeopardise normal repaymentBorrower is assessed to be viable but requires prompt corrective actionAll credits > 90 days past dueRestructured loans (if performing for less than 12 months)	<p>For loans which are fully secured based on net realisable value of collateral considering current market conditions:</p> <ul style="list-style-type: none">No provision is required for the principal amountInterest provision is 100% <p>For loans with security shortfall:</p> <ul style="list-style-type: none">Principal provision is generally 10-49% of unsecured amountInterest provision is 100%
Doubtful	<ul style="list-style-type: none">Credit with severe weakness(es)Borrower viability is highly questionableFull repayment is highly questionableVigorous remedial action required	<ul style="list-style-type: none">50% to less than 100% of loan principal amount, determined on a case by case basisInterest provision is 100%
Loss	<ul style="list-style-type: none">Loss recovery is assessed to be insignificant	<ul style="list-style-type: none">100% of loan principal amount and interest

DBSH Group may also apply a split classification in appropriate cases. For instance, where a non-performing loan is partially secured, the portion covered by collateral may be classified as Substandard while the unsecured portion of the loan will be classified as Loss.

Loans are classified as restructured loans when concessions are granted to the original contractual terms for reasons related to the financial difficulties of the borrower. A restructured loan is generally graded as Substandard or worse. Such loans are not returned to non-classified status until specific conditions have been met, including a reasonable period of sustained performance under the restructured terms.

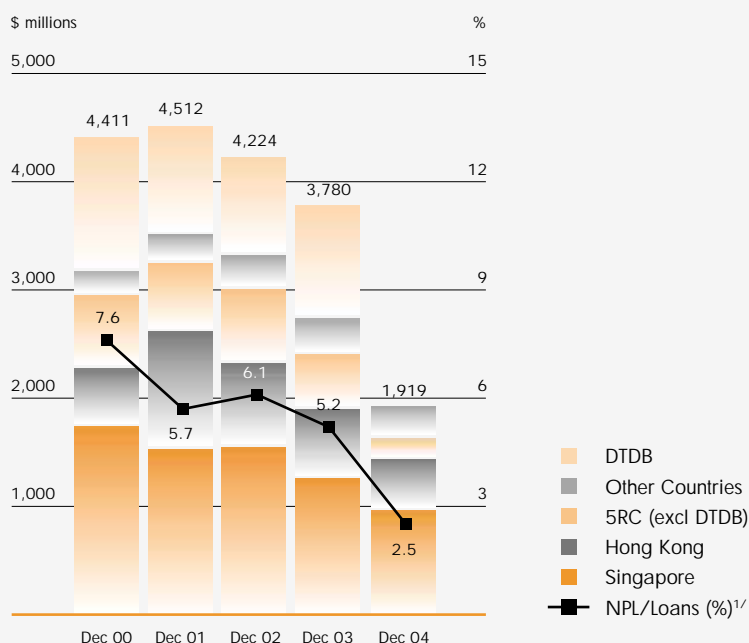
Non-performing loans

The volume of non-performing loans ("NPLs") declined to \$1.9 billion at December 31, 2004 from \$3.8 billion at December 31, 2003. Of the total \$1.9 billion NPLs, \$0.4 billion or 22% were restructured NPLs.

Singapore's NPLs were \$1 billion and accounted for 50% of the Group's NPLs, while Hong Kong's NPLs of \$0.5 billion accounted for 25%.

Management Discussion and Analysis

The ratio of NPLs to total non-bank loans ("NPL rate") improved from 5.2% in 2003 to 2.5% at December 31, 2004. The NPL rates for Singapore, Hong Kong, regional countries and other countries operations improved to 2.2%, 2.0%, 5.6% and 5.0% respectively, at end December 2004 due to a reduction in non-bank NPLs and a higher loan base.



Note:

1/ NPL rate is computed based on total non-bank customer NPLs (excluding non-performing debt securities and contingent items) divided by total gross non-bank customer loans.

	At December 31	
%	2004	2003
Customer NPLs as a % of Gross customer loans and advances	2.5	5.2
Total NPLs as a % of total assets	1.1	2.4

Regional NPLs and associated specific provision

	At December 31			
In \$ millions	2004		2003	
	NPLs	Specific Provisions	NPLs	Specific Provisions
Malaysia	136	53	233	93
Indonesia	25	5	55	17
Thailand (excluding DTDB)	34	34	188	81
Korea	-	-	17	-
The Philippines	#	#	8	2
	195	92	501	193
DTDB ^{1/}	-	-	1,044	378
Total regional countries	195	92	1,545	571
Hong Kong	471	159	643	190
China	71	41	130	59
Total	737	292	2,318	820

#: Insignificant

1/ DTDB was deconsolidated on June 25, 2004.

Management Discussion and Analysis

NPLs and associated specific provisions by business segments

In \$ millions	2004		2003	
	NPLs	Specific Provisions	NPLs	Specific Provisions
Consumer Banking	356	111	638	224
Enterprise Banking	599	233	791	276
Investment Banking	822	286	1,737	551
Others	142	56	614	272
Total	1,919	686	3,780	1,323

Loan grading

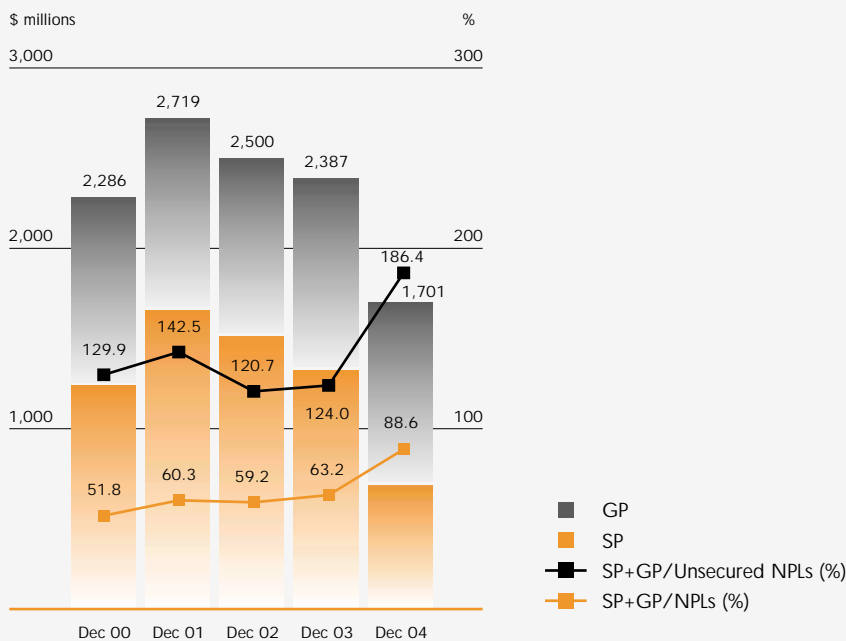
Of the total \$1.9 billion NPLs at end December 2004, 71% were classified as Substandard, 9% as Doubtful and the remaining 20% in the Loss category. 52% of the NPLs were secured by collateral.

NPLs and associated specific provision by loan grade

In \$ millions	2004		2003	
	NPLs	Specific Provisions	NPLs	Specific Provisions
Loan grade				
Substandard	1,360	156	2,777	409
Doubtful	169	140	204	143
Loss	390	390	799	771
Total	1,919	686	3,780	1,323

Cumulative specific and general provisions

Total cumulative specific and general provisions at end December 2004 were 186.4% of unsecured NPLs and 88.6% of total NPLs.



Management Discussion and Analysis

Cumulative specific and general provisions (continued)

	At December 31	
	2004	2003
%		
Total cumulative loan loss provisions as a % of:		
Total assets	1.0	1.5
Total NPLs	89	63

Approximately 52% of the total NPLs were secured by collateral.

Secured NPLs and associated collateral

In \$ millions	At December 31	
	2004	2003
Unsecured NPLs	913	1,926
Collateral type of secured NPLs	1,007	1,854
Properties	821	1,577
Shares and debentures	64	99
Vessels and aircraft	-	21
Fixed deposits	7	23
Others	115	134
Total	1,919	3,780

Customer deposits

At December 31, 2004, DBSH Group's customer deposits were \$113.2 billion, a 5% increase as compared to \$108 billion at December 31, 2003, contributed by an overall increase across all deposit types (refer to Note 18 to the financial statements for detailed breakdown).

Shareholders' funds and liabilities

In 2004, approximately 64% of its funding sources were met by deposits. Although DBSH Group's funding consists primarily of short-term deposits, customers often roll over their deposits at maturity, thus providing DBSH Group with a stable source of long-term funds.

Other major sources of funds include borrowings from offshore currency markets, domestic money markets in countries in which DBSH Group operates and has bilateral arrangements with financial institutions in various countries.

The following table sets forth a breakdown of DBSH Group's funding sources at the end of the periods indicated:

In \$ millions	At December 31	
	2004	2003
Shareholders' funds	16,502	14,896
Customer deposits	113,206	108,041
Interbank liabilities	10,939	7,497
Other borrowings and other liabilities	34,906	29,161
Total	175,553	159,595

Management Discussion and Analysis

Unrealised valuation surpluses

Unrealised valuation surpluses in properties and quoted investment securities not recognised in the accounts amounted to \$1.2 billion at end December 2004.

In \$ millions	At December 31	
	2004	2003
Properties	653	424
Quoted investments	531	436
Total	1,184	860

Capital adequacy ratio

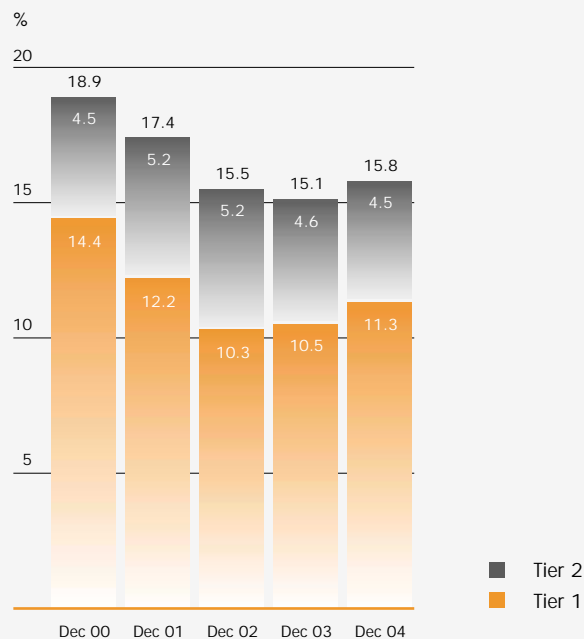
DBSH's capital management policies are to diversify its sources of capital, to allocate capital efficiently and to maintain a prudent relationship between the capital and the risks of its underlying business. DBSH Group monitors the capital adequacy position and market conditions to determine desirability and timing of raising additional capital. In determining capital requirements, DBSH Group projects business growth, capital investment plans, earnings and reserve requirements.

In \$ millions	At December 31	
	2004 ^{1/}	2003
Tier 1 capital		
Paid ordinary/preference shares	1,559	1,556
Disclosed reserves/others	17,146	15,439
Goodwill	(6,931)	(7,371)
	11,774	9,624
Tier 2 capital		
Cumulative general provisions	971	768
Subordinated debts	4,371	3,531
Others	(674)	(38)
	4,668	4,261
Total capital	16,442	13,885
Risk weighted assets including market risks	103,987	92,067

Note:
1/ Ratios for 2004 were computed based on MAS Notice 637 issued on May 28, 2004. Comparatives for 2003 were not restated and were computed using Bank for International Settlements ("BIS") guidelines.

Management Discussion and Analysis

Capital adequacy ratio



At December 31, 2004, the total Capital Adequacy Ratio ("CAR") for DBSH Group was 15.8% based on MAS capital framework (MAS Notice 637). Tier 1 CAR was 11.3%.

An additional US\$750 million subordinated debt which qualifies as Tier 2 capital was included in CAR at December 31, 2004.

Critical accounting estimates

DBSH Group's accounting policies and use of estimates are integral to understanding the results reported. The Group's accounting estimates require management's judgement to ascertain the valuation of assets and liabilities. Detailed policies and control procedures have been established to ensure that valuation methods, including any judgements made, are well controlled, independently reviewed and applied consistently. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. The Group believes its estimates for determining the valuation of its assets and liabilities are appropriate.

The following is a brief description of DBSH Group's critical accounting estimates involving management valuation judgements.

Provisioning policy

It is DBSH Group's policy to establish, through charges against profit, a provision in respect of the estimated loss inherent in the lending book. The provision consists of an element which is specific to individual counterparties and also a general element which, whilst determined as reflecting losses already within the lending book, cannot be specifically applied. The overall provision should represent the aggregate amount by which management considers necessary to be written down in the loan portfolio in order to state it in the balance sheet at its estimated ultimate net realisable value.

Specific element of the provision

In determining the specific provisions, management considers the amount of the loan and its other commitments to the borrower, the payment history of the borrower, the borrower's business prospects, the collateral value of the loan (how easily it could be realised and for how much) and the costs to obtain repayment. When a loan is classified, specific provision will be provided based on a percentage of the difference between the loan principal and its related collateral value (the unsecured portion). The actual percentage provided would depend on management's judgement and whether the loan is graded "Substandard", "Doubtful" or "Loss". The quantum of the provision is directly impacted by the collateral value and this in turn, may be discounted in certain circumstances to recognise the impact of forced sale or quick liquidation.

General element of the provision

The general element of the provision is made to cover losses which, although not specifically identified, are known from experience to exist in any loan portfolio.

Management Discussion and Analysis

Loan interest

DBSH Group stops accruing interest once a loan has been classified as non-performing. However, the fact that a loan is classified, does not remove the Group's entitlement to interest income; it merely casts doubt on whether the Group will be able to collect it.

Write-offs

For loans managed on an individual basis, DBSH Group would consider writing off a portion of the loan when recovery action has been instituted, and the loss can be determined with reasonable certainty. For loans managed on a portfolio basis, the policy is to write off loans that are overdue after 180 days. DBSH Group continues to make every effort to recover amounts owing, even after write-offs have been recorded.

Fair value of financial instruments

DBSH Group carries its debt and equity securities held for trading at fair value. Fair value is defined as the value at which positions could be closed out or sold in a transaction with a willing and knowledgeable counterparty over a period of time consistent with the group's trading or investment strategy. The majority of the firm's assets reported at fair value are based on quoted 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. The valuation process takes into consideration factors such as liquidity and concentration concerns, and for the derivative portfolio, counterparty credit risk. Management applies judgement in determining the factors used in the valuation process. Also, judgement must be applied in estimating prices for less readily observable external parameters. Finally, other factors such as model assumptions, market dislocations and unexpected correlations can affect estimates of fair value.

Impairment of goodwill

DBSH Group performs an impairment review to ensure that the carrying value of the goodwill is not below its recoverable amount. Recoverable amount is the higher of the asset's net selling price and its value in use. The value in use is the present value of the estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Therefore, in arriving at the value in use amount, management applies judgement in estimating the future cash flows.

DBS Group Holdings Ltd & its Subsidiary Companies

Consolidated Profit and Loss Account

In \$ millions	Note	Year ended December 31	
		2004	2003
Interest income		4,011	3,640
Less: Interest expense		1,445	1,265
Net interest income	5	2,566	2,375
Fee and commission income	6	1,013	884
Dividend income	7	72	51
Rental income	8	33	36
Other income	9	1,244	852
Income before operating expenses		4,928	4,198
Less: Staff costs		970	865
Other operating expenses		1,036	976
Goodwill amortisation		440	430
Operating expenses	10	2,446	2,271
Operating profit before provisions		2,482	1,927
Less: Provision for possible loan losses and diminution in value of other assets	11	47	541
Operating profit		2,435	1,386
Add: Share of profits less losses of – associated companies		66	54
– joint venture companies		11	(3)
Net profit before taxation		2,512	1,437
Less: Taxation	12	423	337
Share of taxation of associated companies		17	12
Share of taxation of joint venture companies		2	–
Net profit after taxation		2,070	1,088
Less: Minority interests		52	63
Net profit attributable to members		2,018	1,025
Earnings per ordinary share	13		
– Basic		134 Cents	68 Cents
– Diluted		130 Cents	66 Cents
Earnings per ordinary share (excluding goodwill amortisation)	13		
– Basic		164 Cents	98 Cents
– Diluted		158 Cents	94 Cents

(see notes on pages 76 to 142, which form part of these financial statements)

DBS Group Holdings Ltd & its Subsidiary Companies

Consolidated Balance Sheet

As at December 31

In \$ millions	Note	2004	2003
Share capital and reserves			
Share capital	15	1,559	1,556
Reserves			
Share premium account	16.1	2,208	2,171
Non-distributable reserves	16.2	6,585	6,499
Revenue reserve	16.3	6,150	4,670
		14,943	13,340
Shareholders' funds			
		16,502	14,896
Minority interests			
	17	1,128	1,125
Liabilities			
Deposits and balances of banks		10,939	7,497
Deposits and other accounts of non-bank customers	18	113,206	108,041
Bills payable		350	363
Current taxation		635	500
Deferred tax liabilities	19	63	104
Other liabilities	20	18,833	15,772
Other borrowings		401	424
Other debt securities in issue	21	7,132	5,180
Subordinated term debts	22	6,364	5,693
Total liabilities and shareholders' funds	37	175,553	159,595
Assets			
Cash, and balances and placements with central banks		10,479	5,007
Singapore Government securities and treasury bills	23	11,194	11,438
Trading securities	24	11,695	6,433
Balances, placements with, and loans and advances to banks		25,168	27,472
Bills receivable from non-bank customers	25	2,333	1,481
Loans and advances to non-bank customers	25	67,331	62,854
Investment securities	27	24,208	22,828
Associated and joint venture companies	30	517	547
Goodwill	31	6,931	7,371
Fixed assets	32	1,798	2,016
Deferred tax assets	19	103	129
Other assets	33	13,796	12,019
Total assets	37, 40	175,553	159,595
Off-balance sheet items			
Contingent liabilities	34	8,529	6,984
Commitments	35	70,774	60,173
Financial derivatives	36	1,518,507	1,256,240

(see notes on pages 76 to 142, which form part of these financial statements)

DBS Group Holdings Ltd & its Subsidiary Companies

Consolidated Cashflow Statement

	Year ended December 31	
In \$ millions	2004	2003
Cash flows from operating activities		
Net profit before taxation	2,512	1,437
Adjustments for non-cash items:		
Provision for possible loan losses and diminution in value of other assets	47	541
Depreciation of fixed assets	147	168
Goodwill amortisation	440	430
Share of profits of associated and joint venture companies	(77)	(51)
Net gain on disposal of fixed assets	(4)	(3)
Net gain on disposal of investment securities	(644)	(185)
Operating profit before changes in operating assets & liabilities	2,421	2,337
Increase in:		
Deposits and other accounts of non-bank customers	8,599	6,726
Deposits and balances of banks	3,590	2,620
Other liabilities including bills payable	3,086	3,082
(Increase)/Decrease in:		
Singapore Government securities and treasury bills	244	(2,431)
Trading securities	(5,286)	(2,761)
Accounts receivable and other assets	(1,619)	(2,332)
Balances, placements with, and loans and advances, to other banks	2,232	11,277
Loans and advances to non-bank customers including bills receivable	(8,603)	(4,008)
Tax paid	(284)	(272)
Net cash generated from operating activities (1)	4,380	14,238
Cash flows from investing activities		
Dividends from associated companies	33	32
Purchase of fixed assets	(100)	(85)
Net increase in investment securities	(1,285)	(7,961)
Cash of subsidiary company disposed (Note 29.7)	(69)	-
Proceeds from disposal of fixed assets	40	82
Acquisition of additional interest in subsidiary companies	-	(3,654)
Net cash used in investing activities (2)	(1,381)	(11,586)
Cash flows from financing activities		
Increase in share capital and share premium	40	9
Net increase in debt securities and borrowings	2,938	602
Dividends paid to shareholders of DBSH	(423)	(364)
Dividends paid to minority shareholders of subsidiary companies	(53)	(68)
Net cash generated from financing activities (3)	2,502	179
Exchange translation adjustments (4)	(29)	(11)
Net change in cash, and balances and placements with central banks (1)+(2)+(3)+(4)	5,472	2,820
Cash, and balances and placements with central banks as at January 1	5,007	2,187
Cash, and balances and placements with central banks as at December 31	10,479	5,007

(see notes on pages 76 to 142, which form part of these financial statements)

DBS Group Holdings Ltd & its Subsidiary Companies
 Consolidated Statement of Changes in Shareholders' Equity

Year ended December 31

In \$ millions	Note	Ordinary shares	Non-voting convertible preference shares (CPS)	Non-voting redeemable CPS	Total share capital	Share premium	Non-distributable reserve	Revenue reserve	Total reserves
2004									
Balance at January 1, 2004		1,470	20	66	1,556	2,171	6,499	4,670	13,340
Exercise of share options	15.1	3			3	37			37
Conversion of DBSH non-voting CPS to ordinary shares	15.2	20	(20)		-				-
Net exchange translation adjustments during the year							(29)		(29)
Appropriation from profit and loss account							97	(97)	-
Net profit attributable to members								2,018	2,018
Final dividends paid on ordinary and preference shares for the previous year								(199)	(199)
Interim dividends paid on ordinary and preference shares for the current year								(224)	(224)
Goodwill transferred on disposal of subsidiary company							18	(18)	-
Balance at December 31, 2004		1,493	#	66	1,559	2,208	6,585	6,150	14,943
2003									
Balance at January 1, 2003		1,469	20	66	1,555	2,163	6,324	4,195	12,682
Exercise of share options	15.1	1			1	8			8
Conversion of DBSH non-voting CPS to ordinary shares	15.2	#	#		-				-
Net exchange translation adjustments during the year							(11)		(11)
Appropriation from profit and loss account							186	(186)	-
Net profit attributable to members								1,025	1,025
Final dividends paid on ordinary and preference shares for the previous year								(194)	(194)
Interim dividends paid on ordinary and preference shares for the current year								(170)	(170)
Balance at December 31, 2003		1,470	20	66	1,556	2,171	6,499	4,670	13,340

Amount under \$500,000

(see notes on pages 76 to 142, which form part of these financial statements)

DBS Group Holdings Ltd – Holding Company

Balance Sheet

As at December 31

In \$ millions	Note	2004	2003
Share capital and reserves			
Share capital	15	1,559	1,556
Share premium account	16.1	2,208	2,171
Capital redemption reserve	16.2	28	28
Revenue reserve		3,000	3,001
Shareholders' funds		6,795	6,756
Liabilities			
Current taxation		1	#
Deferred tax liabilities		#	#
Other liabilities		4	9
Total liabilities and shareholders' funds		6,800	6,765
Assets			
Balance, placements with, and loans and advances to other banks		3	3
Subsidiary companies	29.1	6,797	6,762
Total assets		6,800	6,765

Amount under \$500,000

(see notes on pages 76 to 142, which form part of these financial statements)

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL

The consolidated financial statements of DBS Group Holdings Ltd ("DBSH") for the year ended December 31, 2004 were approved and authorised for issue by the Board of Directors on February 18, 2005.

The consolidated financial statements are expressed in Singapore dollars. DBSH is incorporated and domiciled in Singapore. It is an investment holding company. The principal activities of the subsidiary companies of DBSH are disclosed in Notes 29.2 and 29.3.

The registered office of DBSH is located at 6 Shenton Way, DBS Building Tower One, Singapore 068809.

Key details of DBS Bank Ltd ("DBS Bank")'s financial statements are included as supplementary information to these financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies applied by DBSH and its subsidiary companies ("DBSH Group") and, except where noted, are consistent with those applied in the previous financial year. The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

2.1 BASIS OF PRESENTATION

2.1.1 These financial statements of DBSH Group are prepared in accordance with the historical cost convention, modified by the revaluation of certain treasury instruments to market value.

The financial statements comply with Singapore Financial Reporting Standards ("FRS") including related Interpretations promulgated by the Council on Corporate Disclosure and Governance ("CCDG").

2.1.2 In July 2004, CCDG adopted the revised FRS 39, "Financial Instruments: Recognition and Measurement" but the Standard will be effective from January 1, 2005. The implementation of FRS 39 is expected to have a significant impact on certain financial assets and liabilities. An opening adjustment will be required, representing unrealised gains or losses on certain financial assets and financial liabilities including derivatives to be measured at fair value on January 1, 2005. The differences between carrying amount and fair value will be adjusted to retained earnings.

2.1.3 FRS 102, "Share-based Payment" has been adopted by the CCDG during the financial year but the Standard will be effective from January 1, 2005. The Standard requires an expense to be recognised where DBSH Group buys goods or services in exchange for shares or other equity instruments (equity-settled transactions), or in exchange for other assets equivalent in value to a given number of shares or other equity instruments (cash-settled transactions). The main impact of FRS 102 on DBSH Group will be the expensing of such share-based incentives awarded to employees and directors.

2.1.4 FRS 103, "Business Combinations" has been adopted by the CCDG during the financial year and it applies to business combinations for annual periods beginning on or after July 1, 2004. The effect of the adoption of FRS 103 is that upon acquisition of subsidiaries or business undertakings, DBSH Group will include items like intangible assets and contingent liabilities as part of the identifiable assets and liabilities acquired, at their fair values as at the acquisition date.

Additionally, the adoption of FRS 103 will require DBSH Group to cease charging of goodwill amortisation to the profit and loss account. DBSH Group will also need to review the goodwill balance for impairment annually (unless an event occurs during the year which requires the goodwill to be tested more frequently) in accordance with FRS 36, "Impairment of Assets" (revised in 2004), from January 1, 2005 onwards.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of DBSH and its subsidiary companies. These subsidiary companies are companies in which DBSH, directly or indirectly through its subsidiaries, has an interest of more than 50% in the issued share capital at balance sheet date or other entities (including Special Purpose Entities ("SPEs")) in which DBSH Group, directly or indirectly, has power to govern the financial and operating policies. The names of these SPEs are disclosed in Note 29.4. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether DBSH Group controls another entity.

The results of subsidiary companies acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal. All significant intercompany balances and transactions are eliminated on consolidation. Where necessary, accounting policies for subsidiary companies have been changed to ensure consistency with the policies adopted by DBSH.

2.3 SUBSIDIARY COMPANIES

Investments in subsidiary companies (as defined in Note 2.2) are stated in the financial statements of DBSH and its subsidiary companies at cost less impairment losses.

2.4 ASSOCIATED AND JOINT VENTURE COMPANIES

Associated companies are companies in which DBSH Group has an equity interest of between 20% and 50% and over whose financial decisions and operating policies DBSH Group exercises significant influence. A joint venture is a contractual arrangement whereby DBSH Group and its joint venture partners undertake an economic activity, which is subject to joint control, and none of the parties involved unilaterally have control over the economic activity.

Investments in associated and joint venture companies are stated in the financial statements of DBSH and its subsidiary companies at cost less impairment losses. At DBSH Group, these are accounted for by the equity method of accounting. DBSH Group's share of the results of its associated and joint venture companies are included in the consolidated profit and loss account. DBSH Group's share of the post acquisition reserves of its associated and joint venture companies are included in the carrying value of its investments in associated and joint venture companies in the consolidated balance sheet. The results of the associated and joint venture companies are taken from the latest audited accounts or unaudited management accounts of the associated and joint venture companies concerned, prepared at dates not more than three months prior to the end of the financial year of DBSH Group.

Unrealised gains on transactions between DBSH Group and its associated and joint venture companies are eliminated to the extent of DBSH Group's interest in these companies; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Equity accounting is discontinued when the carrying amount of the investment in an associated and joint venture company reaches zero, unless DBSH Group has incurred obligations or guaranteed obligations in respect of these companies.

2.5 GOODWILL

Goodwill may arise on the acquisition of subsidiary companies or business undertakings. It represents the excess of the cost of an acquisition over the fair value of DBSH Group's share of the identifiable net assets of the acquired subsidiary companies or business undertakings at the date of acquisition. Goodwill on the acquisition of subsidiary companies or business undertakings occurring on or after January 1, 2001 is reported in the balance sheet as an intangible asset and is amortised using a straight-line method over its estimated useful life, subject to a maximum of 20 years. Goodwill on acquisitions of subsidiary companies or business undertakings that occurred prior to January 1, 2001 was charged in full to reserve in shareholders' equity; such goodwill has not been retroactively capitalised and amortised.

On the acquisition of a foreign subsidiary company, goodwill arising is determined initially in the applicable foreign currency and is translated into Singapore dollars at the exchange rate prevailing at the date of acquisition. The goodwill in Singapore dollars determined at the date of acquisition is its carrying value, which will be subsequently amortised.

The carrying value of goodwill is reviewed periodically or when circumstances or events indicate that there may be uncertainty over the carrying amount. Goodwill is written down for impairment when the net present value of the forecast future cash flows of the business are insufficient to support the carrying value.

2.6 FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated into Singapore dollars using the closing exchange rates at balance sheet date. Income and expenses are translated using exchange rates at the transaction date. All resulting changes are recognised in the profit and loss account.

The profit and loss account of foreign entities not reporting in Singapore dollars are translated at the average rates of exchange. Balance sheets are translated at closing rates. Exchange differences arising from the retranslation of opening foreign currency net investments and the related cost of hedging as well as exchange differences arising from retranslation of the result for the year from average rates to the year end rates are accounted for in reserve.

2.7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with the central banks.

2.8 LOANS AND ADVANCES

Loans and advances are carried at recoverable amounts i.e., outstanding balances after deduction of provisions for bad and doubtful debts.

Loans are classified in accordance with the Monetary Authority of Singapore's ("MAS")' guidelines as well as internal loan grading policies. These classifications, and underlying collateral valuations, are used to determine the amount of provision required. MAS' guidelines require banks to classify their loan portfolios into five categories - two categories for performing loans (Pass and Special Mention) and three categories for classified, or non-performing loans (Substandard, Doubtful or Loss).

When concessions are granted to the original terms of the loan for reasons that related to the financial difficulties of the borrower, the loan is considered a Restructured Loan. A Restructured Loan is generally graded as Substandard or worse. Restructured Loans are not returned to performing status until specific conditions have been met, including there being no longer any reasonable doubt regarding the timely collection of principal and interest and there having been a reasonable period of sustained performance under the restructured terms.

2.9 PROVISION FOR LOAN LOSSES

Provision for loan losses comprise specific provisions against certain loans and advances and a general provision on total loans and advances.

A specific provision is made when a loan is classified as Substandard or worse and there is insufficient collateral security or other unencumbered assets available to repay the loan in full. Specific provisions are based on several factors including the loan amount, other commitments to the borrower, the borrower's payment history and business prospects, collateral value, and the estimated costs to obtain repayment. The actual percentage provided depends on management's judgement and whether the loan is graded Substandard, Doubtful, or Loss. Substandard loans will generally have a specific provision of 10% to 49% of the unsecured principal amount. Doubtful loans will typically have a specific provision of 50% to less than 100% of the unsecured principal amount, and Loss grade loans are provisioned at 100% of the unsecured principal amount. Interest on Substandard and worse loans is provisioned at 100% of the accrued amount.

General provisions are maintained for losses that can reasonably be expected to arise, based on historical experience, from the existing overall loan portfolio over its remaining life but which are not yet identifiable. In determining the level of general provision, reference is also made to country conditions, the composition of the portfolio and industry practices.

In the case of loans managed on an individual basis, bad debts are written off against provisions when recovery action has been instituted and the losses can be determined with reasonable certainty. For loans managed on a portfolio basis, unsecured bad debts are written off against provisions when amounts owing are 180 days past due while secured bad debts are written off to provisions when the collateral has been disposed of or sold. DBSH Group continues to make every effort to recover amounts owing, even after write-offs have been recorded.

2.10 DEBT SECURITIES AND EQUITIES

2.10.1 Singapore Government Securities and Treasury Bills

Singapore Government securities and treasury bills classified for trading purposes are recorded at fair value on the balance sheet, with changes in fair value recorded in "Other income" in the profit and loss account, while those classified for investment purposes are stated at cost less provision. Provision is made for the investment portfolio when there is deemed to be a permanent diminution in value and this is recognised as a charge to the profit and loss account as it arises. Interest income for Singapore Government securities and treasury bills, for both trading and investment purposes, are included in interest income.

2.10.2 Trading Securities

Trading securities are recorded at fair value on the balance sheet, with changes in fair value recorded in "Other income" in the profit and loss account. Where the market price may not be achievable as a result of operating in illiquid markets, appropriate adjustments to the market value are made. Interest earned and dividend received are included in interest and dividend income respectively.

2.10.3 Investment Securities

Investments in other government securities and treasury bills, equity securities and debt securities not classified as held for trading are classified as investment securities, and are stated at cost less provision. Specific provision is made for an individual investment when there has been a diminution in value, except where such diminution is temporary and is recognised as a charge to the profit and loss account as it arises. General provision is made for certain securities for possible losses that may arise, but which are not yet identifiable.

2.11 REPURCHASE AND REVERSE REPURCHASE AGREEMENTS (“REPOS” AND “REVERSE REPOS”)

Repos are treated as collateralised borrowing and the amount borrowed is shown as a liability. The securities sold under repos are treated as pledged assets and remain on the balance sheet as an asset, included in “Singapore Government securities and treasury bills” (Note 23), “Trading securities” (Note 24) and “Investment securities” (Note 27). Reverse repos are treated as collateralised lending and the amount lent is shown as an asset. The difference between the amount received and the amount paid under repos and reverse repos is amortised as interest expense and interest income respectively on a straight-line basis.

2.12 FORECLOSED PROPERTIES

Foreclosed properties are acquired in full or partial satisfaction of debts, and are accounted for at the lower of settlement or market value on an individual asset basis. The shortfall between the prevailing market value of the foreclosed asset and the related loan outstanding is recognised as a loss in the profit and loss account in the year the foreclosed properties are taken over in satisfaction of the debt. Market value is based on the appraised value of an independent appraiser less selling costs. The excess of the cost over the market value is recognised as a loss in the profit and loss account. Gains and losses on disposals of such properties are recognised in the profit and loss account at the date of disposal.

2.13 FIXED ASSETS, INCLUDING INVESTMENT PROPERTIES

Fixed assets are stated at historical cost less accumulated depreciation. The basis of depreciation is as follows:

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

2.13.2 Buildings, excluding equipment installed therein, are depreciated on a straight-line basis over their useful lives estimated at 50 years or over the period of the respective leases, whichever is shorter.

2.13.3 Other fixed assets are depreciated on a straight-line basis over their estimated useful lives, including:

Computer hardware and software	3 – 5 years
Office equipment	5 – 8 years
Furniture and fittings	1 – 10 years

The estimated useful lives of these fixed assets are assessed on a periodic basis to ensure that they continue to be appropriate.

Fixed assets are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposals of fixed assets are determined by reference to their carrying amount and are taken into account in determining operating profit.

2.14 TREASURY RELATED OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

The accounting treatment applied to treasury related off-balance sheet financial instruments, including forwards, swaps, futures and options, is based upon the intention for entering into the transactions as elaborated below.

2.14.1 Non-Trading Transactions

Derivatives may be used to hedge interest rate, exchange rate or other price exposures that are inherent in the assets and liabilities of DBSH Group.

The criteria required for a derivative instrument to be classified as a designated hedge are:

- (i) the derivative instrument must be reasonably expected to match or eliminate a significant proportion of the risk inherent in the assets, liabilities, other positions or cash flows being hedged; and
- (ii) there is adequate evidence of the intention to hedge. Linkage with the underlying risk inherent in the assets, liabilities, other positions or cash flows being hedged, must be established at the outset of the transaction.

Profits and losses on derivatives entered into for specifically designated hedging purposes against assets, liabilities, other positions or cash flows measured on an accrual accounting basis are included in the related category of income or expense in the profit and loss account on the same basis as that arising from the underlying hedging transactions.

Hedging transactions, which have been superseded, or ceased to be effective prior to the end of the life of the assets, liabilities, other positions or cash flows being hedged, are measured at fair value. Any profit or loss arising from the fair value measurement or on termination of hedging transaction is deferred and amortised as interest income or expense in the profit and loss account over the remaining life of the items previously being hedged.

When the underlying assets, liabilities, other positions or cash flows are terminated prior to the hedging transactions, or anticipated transactions are no longer likely to occur, the hedging transactions are measured at fair value prior to being transferred to the trading portfolio. The profit or loss arising from the fair value measurement prior to the transfer to the trading portfolio is included in the category of income and expense in the profit and loss account relating to the previously hedged transactions.

2.14.2 Trading Transactions

Transactions undertaken for trading purposes are stated at fair value. Quoted market prices, when available, are used to determine the fair values of derivatives held for trading. Where mid prices are used, a bid-offer spread adjustment will be made to ensure that all long positions are marked to bid prices and short positions to offer prices. Liquidity reserve is taken when a market price may not be achievable as a result of certain material positions held by DBSH Group. Methodology deficiency reserves address approximation uncertainties from modelling methods and numerical methods. When parameters are unobservable or stem from illiquid markets, uncertainty in their true (market implied) value arises and a parameter deficiency reserve is taken for the potential impact on mark to market valuations.

Resultant gains and losses from changes in fair value of trading transactions are recognised as "Other income" in the profit and loss account. Unrealised valuation gains or losses are included in "Other assets" or "Other liabilities" respectively.

2.15 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount 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.

2.16 INTEREST INCOME

Interest income is recognised on an accrual basis.

Interest earned but not received on non-performing loans is not recognised as income in the profit and loss account until receipt. All interest accrued previously and recognised in the profit and loss account is reversed from interest income once a loan is classified as non-performing.

Amortisation of premiums and discounts are recognised as interest expense or interest income on a straight-line basis over the life of the asset or liability.

2.17 FEE AND COMMISSION INCOME

Fee and commissions are recognised in the profit and loss account as and when the service is performed and when considered recoverable. Fee income relating to loans and guarantees is recognised over the period during which the related service is provided or credit risk is undertaken. Where a fee is charged in lieu of interest, such fee is amortised over the same period as the related income is recognised.

2.18 DIVIDEND INCOME

Dividends from equities are recognised when declared payable.

2.19 STAFF COSTS, EQUITY COMPENSATION AND SHARE OPTION PLANS

DBSH Group has adopted a total compensation package that consists of base pay, cash bonuses, other staff-related allowances and long-term incentive plans. These long-term incentives are the DBSH Share Ownership Scheme, the DBSH Share Option Plan, the DBSH Performance Share Plan and the DBSH Employee Share Plan. The details of these share schemes/plans are described in the Directors' Report and Note 14.

Remuneration expenses on base pay, cash bonuses, contributions to defined contribution plans, e.g., the Central Provident Fund, other staff-related allowances and contributions to the DBSH Share Ownership Scheme are recognised in the profit and loss account once incurred. For defined contribution plans, contributions are made to publicly or privately administered funds on a mandatory, contractual or voluntary basis. Once the contributions have been paid, DBSH Group has no further payment obligations.

For the DBSH Performance Share Plan and the DBSH Employee Share Plan, a trust has been set up for each share plan. The shares purchased are recorded as "Other assets" in the balance sheet at cost less provision for diminution in value. When the shares are awarded, remuneration expenses are computed using the average purchase price (adjusted for provision for diminution in value) and recognised in the profit and loss account on a straight-line basis over the relevant performance period.

Options granted under the DBSH Share Option Plan are not recognised as remuneration expenses. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (par value) and share premium accounts.

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.

2.20 OPERATING LEASES

Operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period when termination takes place.

2.21 TAXATION

The current taxation charged to the profit and loss account represents tax at the current rate based on taxable profits earned during the financial year. 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. Currently enacted tax rates are used in the determination of deferred income tax.

The principal temporary differences arise from depreciation of fixed assets, provision for loan losses, tax losses carried forward; and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base.

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

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

2.22 PROVISIONS AND OTHER LIABILITIES

Provisions are recognised when DBSH 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.

2.23 SHARE CAPITAL

Ordinary shares, non-voting convertible preference shares and non-voting redeemable convertible preference shares with discretionary dividends are classified as equity.

Incremental external costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes.

FRS 32, "Financial Instruments: Disclosures and Presentation", requires the issuer of a financial instrument to classify the instrument either as a liability or equity in accordance with the substance of the contractual arrangement on initial recognition. Preference shares which are highly likely to be redeemed are classified as liabilities.

2.24 DIVIDEND

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

2.25 FIDUCIARY ACTIVITIES

Assets and income arising thereon together with related undertakings to return such assets to customers are excluded from the financial statements where DBSH Group acts in a fiduciary capacity such as nominee, trustee or agent.

2.26 BORROWINGS

Borrowings are recognised initially at "cost", being their issue proceeds (fair value of consideration received) net of transaction costs incurred.

2.27 DEPOSITS AND OTHER ACCOUNTS OF CUSTOMERS

Deposits and other accounts are recognised initially at cost.

2.28 PLACEMENTS WITH AND DEPOSITS OF BANKS

The balances due from and to banks are stated at the initial amount placed or deposited. Provision, if required, is made for any placements or loans considered to be doubtful of collection.

3. COMPARATIVES

Where necessary, certain comparative figures were adjusted in order to provide proper comparison with current year's presentation.

4. SEGMENTAL PRESENTATION

The business segment results are prepared based on information and data generated from DBSH Group's internal financial reporting systems and adjusted to reflect the organisation's management reporting structure. The activities of DBSH 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 proper 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.

Unless otherwise stated, the analyses of geographical segments are generally based on the location of the office recording the transactions.

Descriptions of business and geographical segments are set out in Note 40.

5. NET INTEREST INCOME

Interest income comprises interest arising from various types of lending activities and includes interest on trading and investment debt securities.

Interest expense comprises interest incurred on deposits and borrowings from financial institutions and other sources, including interest on trading debt securities.

6. FEE AND COMMISSION INCOME

Fee and commission income comprises the following:

In \$ millions	DBSH Group	
	2004	2003
Stockbroking	198	169
Loan-related (include guarantee fees)	183	155
Wealth management (unit trust distribution and bancassurance)	132	90
Trade and remittances	128	111
Investment banking	104	83
Deposit-related	99	103
Credit card	87	89
Fund management	43	40
Others	39	44
Total	1,013	884

7. DIVIDEND INCOME

Dividend income includes gross dividend from trading and investment equity holdings.

DBS Group Holdings Ltd & its Subsidiary Companies

Notes to the Consolidated Financial Statements

8. RENTAL INCOME

Rental income represents income on the tenanted areas of the buildings owned by DBSH's subsidiary companies.

9. OTHER INCOME

Other income comprises the following:

In \$ millions	DBSH Group	
	2004	2003
Net gain on treasury related activities, including structured investment products ^(a)	590	650
Net gain on investment securities ^(b)	644	185
Net gain on fixed assets	4	3
Others	6	14
Total	1,244	852

(a) Net gain on treasury related activities include gains and losses from market making, structuring and trading of financial products including foreign exchange, securities, and interest rate/credit/equity/foreign exchange derivatives, from proprietary and customer driven activities.

(b) Net gain on investment securities includes net gains and losses on debt securities, including Singapore Government securities, and equities in the investment portfolio. Included in 2004 were one-time gains of \$310 million from sale of a 59% stake in DBS Thai Danu Public Company Limited ("DTDB") and \$187 million from sale of a 10% stake in Wing Lung Bank.

10. OPERATING EXPENSES

Operating expenses comprises the following:

In \$ millions	DBSH Group	
	2004	2003
Staff costs	970	865
Other operating expenses	1,036	976
– Technology-related expenses	312	287
– Occupancy expenses	181	203
– Revenue-related expenses	202	183
– Other expenses	341	303
Goodwill amortisation (Note 31)	440	430
Total	2,446	2,271

10.1 Staff costs include salaries, bonuses, contributions to defined contribution plans, e.g., the Central Provident Fund, and all other staff-related expenses (Note 2.19). Contributions to defined contribution plans were \$52 million for 2004 (2003: \$58 million). At December 31, 2004, DBSH and its subsidiary companies employed 11,454 (2003: 12,144) staff.

10.2 Technology-related expenses include depreciation, hire and maintenance of computer hardware and software, fees for outsourcing certain technology-related functions, and other computer-related expenses.

Occupancy expenses include amounts incurred in the maintenance and service of buildings owned by DBSH's subsidiary companies, rental and depreciation expenses of office and branch premises, and other occupancy expenses.

Revenue-related expenses include commission and brokerage expenses, and other expenses directly related to revenue generation.

Other expenses include postage, printing & stationery, telecommunication, office equipment expenses, advertising, professional and consultancy fees, security guard expenses and other general expenses.

DBS Group Holdings Ltd & its Subsidiary Companies

Notes to the Consolidated Financial Statements

10.3 Operating expenses include the following:

In \$ millions	DBSH Group	
	2004	2003
(1) Auditors' remuneration	6	6
Audit fees		
– E&Y Singapore ^(a)	3	2
– Other auditors, including associated firms of E&Y Singapore ^(a)	3	3
Fees for non-audit services ^(b)		
– E&Y Singapore ^(a)	#	1
– Other auditors, including associated firms of E&Y Singapore ^(a)	#	#
(2) Hire and maintenance of fixed assets, including building-related expenses	108	120
(3) Rental of premises	65	73
(4) Depreciation of fixed assets	147	168

Amount under \$500,000

(a) E&Y = Ernst & Young

(b) Fees are mainly for services provided for specific projects closely related to audit activities such as due diligence on merger and acquisition projects.

11. PROVISION FOR POSSIBLE LOAN LOSSES AND DIMINUTION IN VALUE OF OTHER ASSETS

The charge to the profit and loss account is analysed as follows:

In \$ millions	DBSH Group	
	2004	2003
Loans (Note 26)	(1)	382
– Specific provision	86	352
– General provision	(87)	30
Investment securities (Note 28)	133	99
– Specific provision	128	65
– General provision	5	34
Fixed assets and others (Note 28)	(85)	60
– Specific provision	(162)	35
– General provision	77	25
Total	47	541

12. TAXATION

Taxation charge in respect of profit for the financial year is analysed as follows:

In \$ millions	DBSH Group	
	2004	2003
Current taxation		
– current year	421	358
– prior years' over provision	#	(1)
Deferred taxation		
– origination and reversal of temporary differences	(14)	(18)
– reduction in tax rate	2	–
– prior years' overprovision	14	(2)
Total	423	337

Amount under \$500,000

12.1 The deferred charge/(credit) in the profit and loss account comprises the following temporary differences:

In \$ millions	DBSH Group	
	2004	2003
Accelerated tax depreciation	(19)	(39)
Provision for loan losses	22	27
Other temporary differences	(1)	(8)
Deferred taxation charged/(credited) to profit and loss account	2	(20)

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

In \$ millions	DBSH Group	
	2004	2003
Operating profit	2,435	1,386
Prima facie tax calculated at a tax rate of 20% (2003: 22%)	487	305
Effect of different tax rates in other countries	(26)	(29)
Effect of change in tax rate	2	#
Income not subject to tax	(121)	(14)
Income taxed at concessionary rate	(29)	(72)
Non-tax deductible provisions	23	13
Goodwill amortisation	88	94
Others	(1)	40
Taxation charged to profit and loss account	423	337

Amount under \$500,000

Further information on deferred taxation is presented in Note 19.

13. EARNINGS PER ORDINARY SHARE

13.1 Basic earnings per ordinary share ("EPS") is calculated by dividing the DBSH Group's net profit attributable to members and after preference dividends by the weighted average number of ordinary shares in issue during the year.

In millions	DBSH Group	
	2004	2003
Weighted average number of ordinary shares in issue (a)	1,489	1,470
<hr/>		
In \$ millions	DBSH Group	
	2004	2003
Net profit attributable to members	2,018	1,025
Less: Preference dividends	16	20
Net profit attributable to members after adjustment of preference dividends (b)	2,002	1,005
Add: Goodwill amortisation	440	430
Net profit attributable to members after adjustment of preference dividends and goodwill amortisation (c)	2,442	1,435
Basic Earnings Per Ordinary Share (Cents) (b)/(a)	134	68
Basic Earnings Per Ordinary Share (excluding goodwill amortisation) (Cents) (c)/(a)	164	98

13.2 For the purpose of calculating the diluted earnings per ordinary share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the full conversion of DBSH non-voting convertible preference shares ("CPS") and DBSH non-voting redeemable CPS to ordinary shares. In addition, where applicable, the calculation would take into account the exercise of all outstanding share options granted to employees where such shares would be issued at a price lower than the average share price during the financial year.

The effect of the exercise of DBSH share options and conversion of DBSH non-voting CPS and DBSH non-voting redeemable CPS on the weighted average number of ordinary shares in issue is as follows:

In millions	DBSH Group	
	2004	2003
Weighted average number of ordinary shares in issue	1,489	1,470
Full conversion of DBSH non-voting CPS	1	20
Full conversion of DBSH non-voting redeemable CPS	66	66
Weighted average number of ordinary shares in issue assuming dilution (a)	1,556	1,556

The effect of the exercise of DBSH share options and conversion of DBSH non-voting CPS and DBSH non-voting redeemable CPS on DBSH Group's net profit attributable to members is as follows:

In \$ millions	DBSH Group	
	2004	2003
Net profit attributable to members	2,018	1,025
Less: Preference dividends	16	20
Net profit attributable to members after adjustment of preference dividends	2,002	1,005
Adjustment to net profit arising from:		
(i) Full conversion of DBSH non-voting CPS	-	5
(ii) Full conversion of DBSH non-voting redeemable CPS	16	15
Adjusted net profit attributable to members (b)	2,018	1,025
Add: Goodwill amortisation	440	430
Adjusted net profit attributable to members (excluding goodwill amortisation) (c)	2,458	1,455
Diluted Earnings Per Ordinary Share (Cents) (b)/(a)	130	66
Diluted Earnings Per Ordinary Share (excluding goodwill amortisation) (Cents) (c)/(a)	158	94

14. SHARE OPTIONS AND SHARE PLANS

14.1 DBSH SHARE OWNERSHIP SCHEME

The DBSH Share Ownership Scheme is a fund set up to hold units of DBSH ordinary shares and is administered by DBS Trustee Ltd, a wholly-owned subsidiary company of DBS Bank. All confirmed employees with at least one year of service and who are not participating in the DBSH Share Option Plan are eligible to contribute up to 10% of their monthly base pay to buy units of DBSH ordinary shares. DBSH Group will top up 50% of the employee's contribution as additional incentive to the employee.

Details of the DBSH ordinary shares held by DBS Trustee Ltd pursuant to the DBSH Share Ownership Scheme are as follows:

	Number of DBSH ordinary shares		Market value of DBSH ordinary shares (\$ millions)	
	2004	2003	2004	2003
At beginning of the year	3,580,829	3,281,329	53	36
At end of the year	3,477,829	3,580,829	56	53

14.2 DBSH SHARE OPTION PLAN

Under the DBSH Share Option Plan (the "Option Plan"), options to subscribe for DBSH ordinary shares could be granted to 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 movements of the unissued ordinary shares of DBSH of par value \$1.00 each comprised in outstanding DBSH options granted under the Option Plan were as follows:

DBSH options	Number of unissued ordinary shares January 1, 2004	During the year			Number of unissued ordinary shares December 31, 2004	Subscription price per ordinary share	Date of expiration
		Granted	Exercised	Lapsed			
1999	3,801,036	-	319,902	124,351	3,356,783	\$15.30	July 27, 2009
March 2000	1,586,200	-	-	89,200	1,497,000	\$20.87	March 5, 2010
July 2000	1,114,600	-	-	52,600	1,062,000	\$22.33	July 26, 2010
March 2001	11,625,000	-	-	952,000	10,673,000	\$17.70	March 14, 2011
June 2001	21,000	-	-	-	21,000	\$14.76	May 31, 2011
August 2001	1,414,000	-	422,000	56,000	936,000	\$12.93	July 31, 2011
January 2002	50,500	-	-	-	50,500	\$13.70	January 1, 2012
March 2002	11,776,240 ^(a)	-	788,030	736,000	10,252,210	\$14.73	March 27, 2012
August 2002	1,215,000	-	178,200	140,100	896,700	\$12.27	August 15, 2012
October 2002	9,260	-	-	-	9,260	\$11.73	October 9, 2012
December 2002	20,000	-	-	-	20,000	\$11.47	December 17, 2012
February 2003	13,526,200 ^(a)	-	1,581,540	947,230	10,997,430	\$10.40	February 23, 2013
March 2003	15,000	-	-	-	15,000	\$9.18	March 9, 2013
March 2004	-	7,494,000	-	531,500	6,962,500	\$14.73	March 1, 2014
	46,174,036 ^(a)	7,494,000	3,289,672	3,628,981	46,749,383		

(a) Restated since last reported at December 31, 2003 due to withdrawal of staff resignation in 2004.

Ordinary shares of DBSH of par value \$1.00 issued upon exercise of share options during the year yielded the following proceeds, at the following market value:

In \$ millions	2004	2003
Ordinary share capital – at par	3	#
Share premium	37	2
Proceeds	40	2
Market value, at exercise date, of shares issued	50	3

Amount under \$500,000

14.3 DBSH PERFORMANCE SHARE PLAN

The DBSH Performance Share Plan (the "PSP") is a stock-based plan where DBSH ordinary shares are given free to eligible employees. Eligible employees currently are similar to the DBSH Share Option Plan (Note 14.2).

During the financial year, awards in respect of an aggregate of 727,400 (2003: 768,360) DBSH ordinary shares were granted to selected employees pursuant to the PSP. When the shares are awarded, remuneration expenses are computed using the average purchase price (adjusted for provision for diminution in value) and recognised in the profit and loss account on a straight-line basis over the relevant performance period.

14.4 DBSH EMPLOYEE SHARE PLAN

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

During the current and previous financial years, there were no DBSH ordinary shares granted to eligible employees pursuant to the ESP. When the shares are awarded, remuneration expenses are computed using the average purchase price (adjusted for provision for diminution in value) and recognised in the profit and loss account on a straight-line basis over the relevant performance period.

15. SHARE CAPITAL

The share capital of DBSH at December 31, 2004, is as follows:

In \$ millions	2004	DBSH	2003
Authorised			
4,000,000,000 ordinary shares of \$1 each	4,000		4,000
500,000,000 non-voting convertible preference shares ("CPS") of \$1 each	500		500
500,000,000 non-voting redeemable CPS of \$1 each	500		500
	1,000		1,000
Issued and fully paid-up			
1,492,730,436 (2003: 1,469,965,595) ordinary shares of \$1 each	1,493		1,470
120,436 (2003: 19,595,605) non-voting CPS of \$1 each	#		20
66,475,374 (2003: 66,475,374) non-voting redeemable CPS of \$1 each	66		66
Total Issued and Paid-up Share Capital of DBSH	1,559		1,556

Amount under \$500,000

15.1 During the financial year, pursuant to the DBSH Share Option Plan, DBSH issued 3,289,672 ordinary shares (2003: 1,117,200 ordinary shares of which 906,745 ordinary shares were issued under the DBSH Share Option Scheme which expired in 2003) of par value \$1.00 each, fully paid in cash upon the exercise of the options granted.

15.2 During the financial year, DBSH issued 19,475,169 (2003: 13,236) ordinary shares of par value \$1.00 each, fully paid in cash upon the conversion of the non-voting convertible preference shares.

The newly issued shares rank pari passu in all respects with the previously issued shares.

16. RESERVES

16.1 SHARE PREMIUM ACCOUNT

In \$ millions	DBSH Group	
	2004	2003
Balance at January 1	2,171	2,163
Exercise of share options (Note 15.1)	37	8
Balance at December 31	2,208	2,171

16.2 NON-DISTRIBUTABLE RESERVES

Non-distributable reserves comprise the following:

In \$ millions	General reserve (a)	Capital reserve (b)	DBSH Group 2004 Capital redemption reserve (c)	Other reserve (d)	Total
Balance at January 1, 2004	2,230	(30)	28	4,271	6,499
Appropriation from profit and loss account (Note 16.3)	97	-	-	-	97
Net exchange translation adjustments during the year	-	(29)	-	-	(29)
Goodwill transferred to revenue reserve on disposal of subsidiary company	-	18	-	-	18
Balance at December 31, 2004	2,327	(41)	28	4,271	6,585

In \$ millions	General reserve (a)	Capital reserve (b)	DBSH Group 2003 Capital redemption reserve (c)	Other reserve (d)	Total
Balance at January 1, 2003	2,044	(19)	28	4,271	6,324
Appropriation from profit and loss account (Note 16.3)	186	-	-	-	186
Net exchange translation adjustments during the year	-	(11)	-	-	(11)
Balance at December 31, 2003	2,230	(30)	28	4,271	6,499

(a) The movement in General reserve relates to the amounts transferred to the Reserve Fund to comply with the Banking Act, and the other statutory regulations.

(b) The Capital reserve included net exchange translation adjustments arising from translation differences on opening net investments in foreign subsidiaries, associated companies and branches, and the related foreign currency borrowings designated as a hedge.

(c) The Capital redemption reserve arises out of the redemption of non-voting redeemable convertible preference shares by way of capital reduction in the financial year ended December 31, 2000.

(d) Other reserve relates to the share premium of DBS Bank prior to the restructuring of DBS Bank under a financial services holding company, DBSH, pursuant to a scheme of arrangement under Section 210 of the Singapore Companies Act on June 26, 1999.

16.3 REVENUE RESERVE

In \$ millions	DBSH Group	
	2004	2003
Balance at January 1	4,670	4,195
Net profit attributable to members	2,018	1,025
Transfer to general reserve (Note 16.2)	(97)	(186)
Goodwill transferred from capital reserve on disposal of subsidiary company	(18)	–
Amount available for distribution	6,573	5,034
Less: Final dividend on ordinary shares of 16% net of 20% (2003: 22%) tax paid for the previous financial year	191	183
Final dividend on DBSH non-voting CPS and non-voting redeemable CPS of 16% net of 20% (2003: 22%) tax paid for the previous financial year	8	11
Interim dividend on ordinary shares of 18% net of 20% tax (2003: 14% net of 22% tax) paid for the current financial year	215	161
Interim dividend on DBSH non-voting CPS and non-voting redeemable CPS of 18% net of 20% tax (2003: 14% net of 22% tax) paid for the current financial year	9	9
Balance at December 31	6,150	4,670

16.4 DIVIDEND PROPOSED

Final dividends are not accounted for until they have been ratified at the Annual General Meeting. At the meeting on April 29, 2005, the following dividends will be proposed. The financial statements for the year ended December 31, 2004 do not reflect this resolution, which will be accounted for in shareholders' funds as an appropriation of revenue reserves in the year ending December 31, 2005.

In \$ millions	DBSH Group 2004
Proposed final dividend on ordinary shares of 22% net of 20% tax	263
Proposed final dividend on DBSH non-voting CPS and non-voting redeemable CPS of 12% net of 20% tax	6
Total	269

17. MINORITY INTERESTS

The minority interests of DBSH Group represent the interest of third parties in the equity shares of DBSH Group's subsidiary companies and are as follows:

In \$ millions	DBSH Group	
	2004	2003
Preference shares issued by DBS Bank (Note 17.1)	1,100	1,100
Other subsidiaries	28	25
Total	1,128	1,125

- 17.1** \$1,100 million 6% non-cumulative non-convertible perpetual preference shares, of par value of \$0.01 and a liquidation preference of \$100 each, was issued on May 28, 2001 by DBS Bank, a subsidiary company of DBSH, to third parties. This qualifies as Tier I capital for the calculation of DBSH Group's capital adequacy ratios. Dividends, if declared by the Board of Directors of DBS Bank, are payable semi-annually on May 15 and November 15 at a fixed rate of 6% gross of the liquidation preference per annum, ending on or prior to May 15, 2011, and thereafter on February 15, May 15, August 15 and November 15 in each year at a floating rate per annum equal to the three-month Singapore Swap Offer Rate plus 2.28%.

DBS Group Holdings Ltd & its Subsidiary Companies

Notes to the Consolidated Financial Statements

18. DEPOSITS AND OTHER ACCOUNTS OF NON-BANK CUSTOMERS

In \$ millions	DBSH Group	
	2004	2003
Analysed by Currency		
Singapore dollar	62,052	56,641
US dollar	23,709	23,309
Hong Kong dollar	17,900	17,241
Thai baht	29	3,539
Others	9,516	7,311
Total	113,206	108,041
Analysed by Product		
Savings accounts (include Autosave)	49,697	48,028
Current accounts	11,694	10,486
Fixed deposits	45,767	45,130
Other deposits	6,048	4,397
Total	113,206	108,041

19. DEFERRED TAXATION

The movement in deferred tax is as follows:

In \$ millions	DBSH Group	
	2004	2003
Balance at January 1	(25)	(5)
Provision/(Release) during the year	5	(19)
Disposal of subsidiary company	(17)	-
Exchange differences	(3)	(1)
Balance at December 31	(40)	(25)

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

In \$ millions	DBSH Group	
	2004	2003
Deferred income tax liabilities		
Accelerated tax depreciation	127	165
Other temporary differences	2	4
	129	169
Deferred income tax assets		
Provision for loan losses	(145)	(168)
Other temporary differences	(24)	(26)
	(169)	(194)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

In \$ millions	DBSH Group	
	2004	2003
Deferred tax assets	(103)	(129)
Deferred tax liabilities	63	104
	(40)	(25)

Deferred income tax liabilities have not been established for the withholding tax and other taxes that would be payable on the unremitted revenue reserves of certain subsidiary companies, as such amounts are permanently reinvested. The unremitted revenue reserves amounted to \$1,454 million at December 31, 2004 (2003: \$976 million).

20. OTHER LIABILITIES

In \$ millions	DBSH Group	
	2004	2003
Balances arising from revaluation of financial instruments (Note 36)	10,116	8,245
Payable in respect of short sale of debt securities	4,789	2,973
Sundry creditors	1,527	1,819
Interest payable	565	473
Other payables (Note 20.1)	1,836	2,262
Total	18,833	15,772

20.1 Other payables includes \$399 million (2003: \$721 million) of collateral received from external counterparties to cover a temporary shortfall in the valuation of a specific portfolio of derivative instruments over a pre-determined threshold. This is governed by a collateral support agreement.

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21. OTHER DEBT SECURITIES IN ISSUE

The following is a summary of the other debt securities in issue (unsecured unless otherwise stated) at December 31:

21.1 NEGOTIABLE CERTIFICATES OF DEPOSITS

In \$ millions				DBSH Group	
				2004	2003
Face value	Interest rate and repayment terms	Issue date	Maturity date		
Issued by DBS Bank					
TWD20m	1.150%, payable on maturity	Dec 10, 2004	Jan 10, 2005	1	–
TWD120m	0.985%, payable on maturity	Dec 2, 2003	Jan 2, 2004	–	6
TWD200m	1.030%, payable on maturity	Dec 31, 2003	Jan 31, 2004	–	10
TWD300m	0.985%, payable on maturity	Dec 8, 2003	Jan 8, 2004	–	15
TWD300m	1.030%, payable on maturity	Dec 25, 2003	Mar 25, 2004	–	15
TWD300m	1.030%, payable on maturity	Sep 7, 2004	Jan 7, 2005	15	–
TWD500m	1.025%, payable on maturity	Dec 31, 2003	Mar 31, 2004	–	25
TWD500m	1.160%, payable on maturity	Dec 21, 2004	Mar 21, 2005	26	–
TWD500m	1.165%, payable on maturity	Dec 28, 2004	Mar 28, 2005	26	–
TWD500m	1.163%, payable on maturity	Dec 30, 2004	Mar 30, 2005	26	–
TWD500m	1.140%, payable on maturity	Oct 7, 2004	Apr 7, 2005	26	–
TWD600m	1.150%, payable on maturity	Dec 28, 2004	Jan 28, 2005	30	–
Issued by DBS Bank (Hong Kong) Limited					
HK\$5m	4.49%, payable quarterly	Sep 10, 2001	Sep 10, 2004	–	1
HK\$5m	3.74%, payable quarterly	Sep 28, 2001	Sep 28, 2004	–	1
HK\$5m	3.30%, payable quarterly	Oct 12, 2001	Oct 12, 2004	–	1
HK\$6.5m	4.45%, payable quarterly	Oct 10, 2001	Oct 10, 2006	1	1
HK\$10m	3.72%, payable quarterly	Mar 23, 2002	Mar 12, 2004	–	2
HK\$22m	4.61%, payable quarterly	Jun 10, 2002	Jun 13, 2006	4	5
HK\$50m	8.00%, payable quarterly	Mar 8, 2000	Mar 8, 2005	11	11
HK\$50m	3.016%, payable quarterly	May 18, 2004	Jan 5, 2007	11	–
HK\$50m	3.22%, payable quarterly	Jul 23, 2004	Jul 30, 2007	11	–
HK\$100m	2.185%, payable quarterly	Aug 7, 2002	Feb 16, 2004	–	22
HK\$100m	4.66%, payable quarterly	Mar 23, 2002	Jan 10, 2005	21	22
HK\$100m	4.45%, payable quarterly	Mar 23, 2002	Feb 7, 2005	21	22
HK\$100m	8.336%, payable quarterly	May 10, 2000	Nov 12, 2007	21	22
HK\$100m	1.50%, payable quarterly	Aug 26, 2003	Sep 2, 2004	–	22
HK\$100m	0.55%, payable quarterly	Feb 26, 2004	Mar 2, 2005	21	–
HK\$100m	2.00%, payable quarterly	May 14, 2003	May 23, 2005	21	22
HK\$100m	1.88%, payable quarterly	May 15, 2003	May 30, 2005	21	22
HK\$100m	1.32%, payable quarterly	Apr 20, 2004	Oct 24, 2005	21	–
HK\$100m	1.91%, payable quarterly	Jul 20, 2004	Jan 23, 2006	21	–
HK\$100m	1.50%, payable quarterly	Apr 7, 2004	Apr 18, 2006	21	–
HK\$100m	2.33%, payable quarterly	Aug 23, 2004	Sep 6, 2006	21	–
HK\$150m	7.85%, payable quarterly	Mar 7, 2000	Mar 7, 2005	32	33
HK\$190m	1.645%, payable quarterly	Aug 18, 2004	Aug 25, 2005	40	–
HK\$200m	8.30%, payable quarterly	Sep 14, 1999	Sep 14, 2004	–	44
HK\$200m	1.33%, payable quarterly	Feb 12, 2004	Feb 20, 2006	42	–
HK\$200m	2.38%, payable quarterly	May 15, 2003	May 29, 2006	42	44

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In \$ millions				DBSH Group	
				2004	2003
Face value	Interest rate and repayment terms	Issue date	Maturity date		
HK\$200m	2.13%, payable quarterly	Feb 12, 2004	Feb 21, 2007	42	–
HK\$300m	2.70%, payable quarterly	Jul 24, 2002	Jul 30, 2004	–	65
HK\$50m	2.555%, payable half yearly	Jul 30, 2002	Mar 15, 2004	–	11
HK\$50m	2.71%, payable half yearly	Jul 28, 2004	Aug 4, 2006	11	–
HK\$6.5m	0.75%, payable yearly	Dec 3, 2004	Dec 8, 2005	1	–
HK\$10m	2.41%, payable yearly	Aug, 7, 2002	Aug 12, 2004	–	2
HK\$20m	3.78%, payable yearly	May 10, 2002	May 14, 2004	–	4
HK\$50m	0.585%, payable yearly	Mar 22, 2004	Mar 21, 2005	11	–
HK\$50m	1.08%, payable yearly	Apr 26, 2004	May 3, 2005	11	–
HK\$50m	1.86%, payable yearly ^(a)	May 19, 2003	May 26, 2005	–	11
HK\$50m	2.705%, payable yearly	Sep 25, 2003	Oct 2, 2006	11	11
HK\$70m	0.91%, payable yearly	Oct 6, 2003	Oct 12, 2004	–	15
HK\$82m	1.70%, payable yearly	Aug 27, 2004	Sep 1, 2005	17	–
HK\$100m	8.65%, payable yearly	Nov 3, 1999	Nov 3, 2004	–	22
HK\$100m	1.385%, payable yearly	Nov 6, 2003	Nov 15, 2004	–	22
HK\$100m	1.43%, payable yearly	Jun 12, 2003	Dec 20, 2004	–	22
HK\$100m	1.40%, payable yearly	Oct 7, 2003	May 30, 2005	21	22
HK\$100m	1.59%, payable yearly	Nov 28, 2003	Jun 6, 2005	21	22
HK\$100m	2.09%, payable yearly	Jun 10, 2003	Jun 17, 2006	21	22
HK\$100m	2.28%, payable yearly	Jun 26, 2003	Jul 3, 2006	21	22
HK\$110m	0.53%, payable yearly	Feb 24, 2004	Mar 8, 2005	23	–
HK\$110m	2.25%, payable yearly	Dec 17, 2004	Dec 24, 2007	23	–
HK\$115m	1.80%, payable yearly	Jul 9, 2003	Jul 25, 2005	24	25
HK\$115m	1.00%, payable yearly	Nov 12, 2004	Nov 21, 2005	24	–
HK\$125m	1.185%, payable yearly	Oct 23, 2003	Oct 21, 2004	–	27
HK\$130m	1.131%, payable yearly	Jun 27, 2003	Jul 7, 2004	–	28
HK\$130m	8.40%, payable yearly	Nov 30, 1999	Nov 30, 2004	–	28
HK\$150m	1.275%, payable yearly	Oct 30, 2003	Nov 6, 2004	–	33
HK\$150m	0.715%, payable yearly	Jan 5, 2004	Jan 4, 2005	32	–
HK\$150m	2.035%, payable yearly	Oct 15, 2003	Oct 24, 2005	32	33
HK\$150m	1.89%, payable yearly	Nov 25, 2004	Dec 4, 2006	32	–
HK\$150m	3.13%, payable yearly	Sep 6, 2004	Sep 13, 2007	32	–
HK\$150m	2.42%, payable yearly	Nov 10, 2004	Nov 16, 2007	32	–
HK\$150m	2.51%, payable yearly	Nov 23, 2004	Nov 23, 2007	32	–
HK\$150m	2.58%, payable yearly	Dec 3, 2004	Dec 3, 2007	32	–
HK\$160m	2.175%, payable yearly	Dec 23, 2004	Dec 28, 2007	33	–
HK\$170m	0.88%, payable yearly	Nov 20, 2003	Nov 19, 2004	–	37
HK\$180m	0.90%, payable yearly	Nov 20, 2003	Nov 19, 2004	–	39
HK\$186m	0.91%, payable yearly	Nov 21, 2003	Dec 2, 2004	–	41
HK\$200m	1.03%, payable yearly	Nov 17, 2003	Jan 17, 2005	42	44
HK\$200m	1.545%, payable yearly	Oct 10, 2003	Apr 17, 2005	42	44
HK\$200m	1.88%, payable yearly	Jul 28, 2004	Aug 4, 2005	42	–
HK\$200m	2.45%, payable yearly	Aug 27, 2004	Sep 3, 2006	42	–
HK\$250m	1.36%, payable yearly	Nov 4, 2003	Nov 9, 2004	–	55
HK\$250m	Payable yearly ^(b)	Jul 14, 2004	Jul 22, 2005	52	–

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In \$ millions				DBSH Group	
				2004	2003
Face value	Interest rate and repayment terms	Issue date	Maturity date		
HK\$250m	1.34%, payable yearly	Dec 21, 2004	Jun 29, 2006	52	–
HK\$300m	1.56%, payable yearly	Aug 6, 2003	Aug 16, 2004	–	66
HK\$350m	1.32%, payable yearly	Nov 10, 2003	Nov 15, 2004	–	77
HK\$1,000m	1.05%, payable yearly	Nov 12, 2004	Nov 21, 2005	210	–
HK\$40m	3-mth Hibor* – 0.10%, payable quarterly	Feb 3, 2004	Feb 26, 2007	8	–
HK\$78m	3-mth Hibor* + 0.12%, payable quarterly	Jul 2, 2003	Jul 7, 2006	16	17
HK\$100m	3-mth Hibor* + 0.18%, payable quarterly	Feb 17, 2002	Jul 22, 2005	21	22
HK\$140m	3-mth Hibor* - 0.03%, payable quarterly ^(a)	Nov 13, 2003	Nov 27, 2013	–	31
HK\$175m	3-mth Hibor* + 0.09%, payable quarterly	Jul 28, 2003	Aug 1, 2006	36	38
HK\$200m	3-mth Hibor* + 0.09%, payable quarterly	May 13, 2003	May 19, 2005	42	44
HK\$200m	3-mth Hibor*, payable quarterly	Jan 16, 2004	Jan 21, 2008	42	–
HK\$200m	3-mth Hibor* + 0.03%, payable quarterly ^(a)	Jan 8, 2003	Jan 21, 2008	–	44
HK\$200m	3-mth Hibor* - 0.03%, payable quarterly ^(a)	Aug 19, 2003	Sep 3, 2008	–	44
HK\$230m	3-mth Hibor* + 0.12%, payable quarterly	Jun 19, 2003	Jun 23, 2006	48	50
HK\$230m	3-mth Hibor* + 0.07%, payable quarterly	Nov 30, 2004	Dec 7, 2007	48	–
HK\$240m	3-mth Hibor* + 0.18%, payable quarterly	Jul 23, 2002	Jul 29, 2005	50	52
HK\$250m	3-mth Hibor* + 0.03%, payable quarterly	Apr 23, 2003	Apr 28, 2005	52	55
HK\$350m	3-mth Hibor* + 0.18%, payable quarterly	Jul 26, 2002	Jul 29, 2005	73	77
HK\$400m	3-mth Hibor* + 0.10%, payable quarterly	Feb 5, 2002	Feb 7, 2005	84	88
HK\$450m	3-mth Hibor* + 0.02%, payable quarterly	Aug 12, 2004	Aug 18, 2005	94	–
CAD\$10m	6-mth CAD CCDOR** – 0.10%, payable half yearly	Nov 14, 2002	Nov 21, 2007	14	14
Total				2,203	1,794
Repayable:					
– Less than one year				1,380	758
– Over one year				823	1,036
Total Negotiable Certificates of Deposits				2,203	1,794

* Hibor: Hong Kong Interbank Offer Rate

** CAD CCDOR: Canada Interbank Offer Rate

(a) These notes were redeemed during the financial year ended December 31, 2004.

(b) A discounted fixed rate certificate of deposit with zero coupon rate.

21.2 OTHER DEBT SECURITIES

In \$ millions	Note	2004	2003
Issued by DBS Bank			
Equity linked notes	21.2.1	938	640
Credit linked notes	21.2.2	1,748	1,356
Interest rate linked notes	21.2.3	453	314
Exchange linked notes	21.2.4	6	1
Issued by DBS China Square Ltd			
Collateralised notes	21.2.5	71	93
Issued by ALCO 1 Limited			
Collateralised notes	21.2.6	224	224
Issued by Tampines Assets Limited			
Senior secured bonds	21.2.7	103	108
Issued by New Heights Investment Limited			
Secured asset backed medium term notes	21.2.8	57	57
Issued by Singa Secured Assets Limited			
Asset-backed short-term notes programme (Money Plus)	21.2.9	-	245
Issued by Red Orchid Secured Assets Limited			
Asset-backed short-term notes programme	21.2.10	696	213
Issued by Constellation Investment Ltd			
Credit linked notes	21.2.11	610	135
Equity linked notes	21.2.12	23	-
Total		4,929	3,386
Repayable:			
- Less than one year		1,516	972
- Over one year		3,413	2,414
Total other debt securities		4,929	3,386
Total other debt securities in issue		7,132	5,180

21.2.1 The outstanding notes at December 31, 2004, with an embedded equity option, were issued between December 13, 2000 and December 31, 2004 and mature between January 3, 2005 and June 4, 2014. The payouts at maturity are linked to the closing value of certain underlying equities listed on various stock exchanges or the closing value of certain underlying stock exchange indices or the net asset value of certain underlying equity funds.

21.2.2 The outstanding notes at December 31, 2004, with an embedded credit default swap, were issued between February 9, 2001 and December 29, 2004 and mature between January 17, 2005 and December 18, 2013. The notes will be redeemed at face value on maturity date provided there is no occurrence of a credit event. If there is an occurrence of a credit event, the underlying asset or the market value of the underlying asset in cash term, depending on the terms of the contract, would be delivered to the holders of the notes.

21.2.3 The outstanding notes at December 31, 2004, with an embedded interest rate derivative, were issued between January 23, 2002 and December 28, 2004 and mature between January 27, 2005 and December 3, 2019. The payouts at maturity are linked to the market interest rate of certain indices.

- 21.2.4** The outstanding notes at December 31, 2004, with an embedded foreign exchange rate derivative, were issued between September 17, 2004 and November 5, 2004 and mature between March 21, 2005 and May 9, 2005. The payouts at maturity are linked to the market foreign exchange rate of the underlying foreign currencies.
- 21.2.5** The floating rate notes were issued by DBS China Square Ltd on November 30, 2001 and mature on November 30, 2006. At December 31, 2004, \$22 million (2003: \$4 million) of the floating rate notes were repurchased by DBS China Square Ltd by the exercise of the option by the noteholders. Interest is payable quarterly, determined at the three-month interbank offer rate for Singapore dollar deposits plus a variable margin, which ranges from 2.000% to 2.125% per annum (2003: 1.875% to 2.000% per annum). The notes are secured by an assignment of the rights, title and interest of the issuer on the property at China Square Land Parcel 486 together with a mortgage over the same property.
- 21.2.6** ALCO 1 Limited (a special purpose entity) issued \$224 million of floating rate notes on December 21, 2001 that mature in 2009. The Notes were issued in connection with a program to reduce DBS Bank's risk weighted assets through credit derivatives and synthetic securitisation. These notes comprise:
- (i) US\$30 million Class A1 notes with interest determined at the three-month US dollar London interbank offer rate plus a mark-up of 0.50%;
 - (ii) \$30 million Class A2 notes with interest determined at the three-month Singapore dollar interbank swap offer rate plus a mark-up of 0.45%;
 - (iii) US\$12 million Class B1 notes with interest determined at the three-month US dollar London interbank offer rate plus a mark-up of 0.85%;
 - (iv) \$20 million Class B2 notes with interest determined at the three-month Singapore dollar interbank swap offer rate plus a mark-up of 0.80%;
 - (v) \$56 million Class C notes at a fixed rate of 5.20%; and
 - (vi) \$42 million Class D notes at a fixed rate of 6.70%.
- The notes are secured on the issuer's investment in securities together with the derivative contracts that the issuer has entered into.
- 21.2.7** In connection with the securitisation of Tampines Centre ("the Property"), \$180 million seven-year, fixed rate bonds were issued on December 7, 1999 together with 18,000 preference shares, and mature in 2006. The bonds were issued in 2 classes - (a) \$108 million Senior Bonds; and (b) \$72 million Junior Bonds. The Junior Bonds and \$5 million Senior Bonds are held by DBS Bank, and are eliminated at DBSH Group level. Interest is payable semi-annually on June 7 and December 7, at a fixed rate of 5.625% for the Senior Bonds and 6% for the Junior Bonds.
- The bonds are secured, inter alia, by an assignment of the rights, title and interest of the issuer in and to the Sale and Purchase Agreement, the Option Agreement, proceeds from the sale and lease of the Property, the insurances effected over the Property (all as defined in the Trust Deed), a first fixed charge over the shares held by the issuer, and a debenture creating fixed and floating charges over the assets of the issuer (including a mortgage over the Property).
- 21.2.8** These SGD notes will mature between April 25, 2006 and April 25, 2008. The notes would be redeemed at a fixed interest rate on maturity date provided there is no occurrence of a credit event. If there is an occurrence of a credit event, the issuer of the note would deliver bonds or loans or their market value in cash term, depending on the terms of the contract, to the holders 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.
- 21.2.9** These were short-dated notes issued by Singa Secured Assets Limited, secured by a debenture creating a first fixed and floating charge over the property, assets, rights and undertakings of the issuer, which have matured during 2004.

21.2.10 These are short-dated notes issued by Red Orchid Secured Assets Limited with a maturity of not more than three months and details of amounts outstanding at December 31, 2004 are as follows:

<i>Face Value</i>	<i>Interest Rate and Series Number</i>	<i>Issue Date</i>	<i>Maturity Date</i>
AUD 88 million	5.49% Series E1-02	December 8, 2004	January 10, 2005
AUD 62 million	5.50% Series D1-08	December 20, 2004	January 20, 2005
AUD 34 million	5.50% Series E2-03	December 20, 2004	January 20, 2005
AUD 78 million	5.50% Series E3-03	December 30, 2004	January 31, 2005
\$36 million	1.36% Series A2-18	December 13, 2004	January 13, 2005
\$96 million	1.54% Series C1-05	December 21, 2004	March 21, 2005
\$76 million	1.36% Series A1-19	December 27, 2004	January 27, 2005
\$147 million	1.42% Series B1-12	December 29, 2004	January 31, 2005
\$7 million	1.42% Series C2-12	December 29, 2004	January 31, 2005

These notes are secured by a debenture creating a first fixed and floating charge over the property, assets, rights and undertakings of the issuer.

21.2.11 The outstanding notes at December 31, 2004, with an embedded credit default swap, were issued between October 9, 2003 and November 26, 2004 and will mature between October 9, 2008 and November 26, 2009. The notes would be redeemed at face value on maturity date provided there is no occurrence of a credit event. If there is an occurrence of a credit event, the underlying asset or the market value of the underlying asset in cash term, depending on the terms of the contract, would be delivered to the holders of the notes.

21.2.12 The outstanding note at December 31, 2004, with an embedded equity option, was issued on May 17, 2004 and will mature on May 17, 2006. The payouts at maturity are linked to the closing value of certain underlying equities listed on the Stock Exchange of Hong Kong.

22. SUBORDINATED TERM DEBTS

Subordinated term debts issued by subsidiary companies of DBSH Group are classified as liabilities in accordance with FRS 32. Certain of these instruments qualify as Tier I or Tier II capital for capital adequacy purposes.

Subordinated term debts are junior or secondary long-term debts that have a lower priority claim on DBSH Group's assets in the case of a default or liquidation.

22.1 UNDATED SUBORDINATED TERM DEBTS

The following is a summary of the undated unsecured subordinated term debts outstanding at December 31:

In \$ millions	Note	DBSH Group			
		2004	2003		
<i>Face value</i>	<i>Issue date</i>				
Issued by DBS Capital Funding Corporation					
US\$725m	7.657% Non-Cumulative Guaranteed Preference Shares, Series A	Mar 21, 2001	22.1.1	1,183	1,231
\$100m	5.35% Non-Cumulative Guaranteed Preference Shares, Series B	Mar 21, 2001	22.1.1	100	100
Issued by DBS Thai Danu Bank Public Company Limited ^(a)					
THB5,000m	Fixed Rate Perpetual Subordinated Debentures No.1	Jun 3, 1999		-	215
Total Undated Subordinated Term Debts				1,283	1,546

(a) DBS Thai Danu Bank Public Company Limited was de-consolidated on June 25, 2004.

22.1.1 These preference shares have two series; Series A and Series B each has a liquidation preference of US\$1,000 and \$10,000 respectively. Dividends, when declared by the Board of Directors of DBS Capital Funding Corporation, are payable in arrears on March 15 and September 15 each year at a fixed rate of 7.657% per annum (Series A) and 5.35% per annum (Series B), up to March 15, 2011. Thereafter, dividends are payable quarterly in arrears on March 15, June 15, September 15 and December 15 each year at a floating rate of three-month London Interbank Offer Rate ("LIBOR") + 3.2% per annum (Series A) and three-month Singapore Swap Offer Rate + 2.52% per annum (Series B). The fixed rate funding for Series A has been converted to floating rate at three-month LIBOR + 1.9364%. In computing DBSH Group's capital adequacy ratio, these guaranteed preference shares qualify as Tier I capital.

FRS 32 requires the issuer of a financial instrument to classify the instrument either as a liability or equity in accordance with the substance of the contractual arrangement on initial recognition. As the coupon on these preference shares will step-up at the end of 10 years to a level that is considered to be sufficiently higher than market rate, DBSH Group is deemed likely to redeem these preference shares at that time. As such, they have been accounted for as long-term liabilities. The dividends on these preference shares are recognised in the profit and loss account as interest expense.

22.2 DATED SUBORDINATED TERM DEBTS

The following is a summary of the dated unsecured subordinated term debts outstanding at December 31:

In \$ millions					DBSH Group	
					2004	2003
<i>Face value</i>		<i>Issue date</i>	<i>Maturity date</i>			
Issued by DBS Bank						
US\$750m	7 7/8% Subordinated Notes	Aug 10, 1999	Aug 10, 2009	22.2.1	1,225	1,275
US\$500m	7 7/8% Subordinated Notes	Apr 15, 2000	Apr 15, 2010	22.2.2	816	850
US\$850m	7 1/8% Subordinated Notes	May 15, 2001	May 15, 2011	22.2.3	1,388	1,446
US\$750m	5.00% Subordinated Notes callable with step-up in 2014	Oct 1, 2004	Nov 15, 2019	22.2.4	1,225	-
Issued by DBS Thai Danu Bank Public Company Limited ^(a)						
THB6,791m	Subordinated Debentures No.2	Jun 3, 1999	May 28, 2006		-	74
THB1,077m	4.25% Fixed Rate Subordinated term debt	Jan 18, 2000	Jan 17, 2010		-	46
THB260m	3.50% Fixed Rate Subordinated term debt	Dec 28, 2000	Dec 27, 2010		-	11
Issued by DBS Bank (Hong Kong) Limited						
US\$350m	7.75% Fixed Rate Subordinated Notes	Jan 24, 1997	Jan 24, 2007	22.2.5	427	445
Total					5,081	4,147
Repayable:						
- Less than one year					-	25
- Over one year					5,081	4,122
Total Dated Subordinated Term Debts					5,081	4,147
Total Subordinated Term Debts					6,364	5,693

(a) DBS Thai Danu Bank Public Company Limited was de-consolidated on June 25, 2004.

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

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

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Notes to the Consolidated Financial Statements

- 22.2.3** Interest is payable semi-annually on May 15 and November 15 commencing November 15, 2001. The fixed rate funding has been converted to floating rate at three-month LIBOR + 1.252% via interest rate swaps. In computing DBSH Group's capital adequacy ratio, these notes qualify as Tier II capital.
- 22.2.4** Interest is payable semi-annually on May 15 and November 15 commencing May 15, 2005. Part of the fixed rate funding has been converted to floating rate at three-month LIBOR + 0.611% via interest rate swaps. If the notes are not called at the tenth year, the interest rate steps up and will be reset at six-month LIBOR + 1.61% on the call date. In computing DBSH Group's capital adequacy ratio, these notes qualify as Tier II capital.
- 22.2.5** Interest is payable semi-annually on January 24 and July 24, commencing July 24, 1997. Subsequent to the issue, DBS Bank (Hong Kong) Limited repurchased and cancelled part of the Fixed Rate Subordinated Notes.

23. SINGAPORE GOVERNMENT SECURITIES AND TREASURY BILLS

Singapore Government securities and treasury bills are classified into trading book and investment book according to the investment intention. The trading book is recorded at fair value, while the investment book is stated at cost less permanent diminution in value, on the balance sheet.

In \$ millions	DBSH Group	
	2004	2003
Trading book	4,219	2,432
Investment book	6,975	9,006
Total	11,194	11,438
Investment book		
Cost, adjusted for unamortised premium and discount	6,975	9,017
Less: Provision for diminution in value (Note 28)	-	11
Net book value of investment book	6,975	9,006
Market value of investment book	7,026	9,006

24. TRADING SECURITIES

Trading securities include other Government securities and treasury bills, corporate debt and equity securities held principally for the purpose of generating profits from short-term fluctuations in price or dealer's margin. A security is also classified as held for trading if it is part of a portfolio for which there is evidence of a recent actual pattern of short-term profit-taking, regardless of why it was acquired.

In \$ millions	DBSH Group	
	2004	2003
Quoted		
Other Government securities and treasury bills	3,753	1,580
Corporate debt securities	7,026	4,443
Equity securities	916	410
Total	11,695	6,433
Industry Breakdown		
Manufacturing	922	530
Building and Construction	102	121
General Commerce	164	21
Transportation, Storage and Communications	781	476
Financial Institutions, Investment and Holding Companies	4,897	2,354
Others (includes other Government securities and treasury bills)	4,829	2,931
Total net book value	11,695	6,433

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25. LOANS TO, AND BILLS RECEIVABLE FROM NON-BANK CUSTOMERS

In \$ millions	DBSH Group	
	2004	2003
Gross	71,021	66,414
Less:		
Specific provisions (Note 26)	554	1,151
General provisions (Note 26)	803	928
Net total	69,664	64,335
Including:		
Bills receivable	2,333	1,481
Loans	67,331	62,854
Net total	69,664	64,335
Industry Breakdown		
Manufacturing	7,268	6,434
Building and Construction	6,902	7,907
Housing Loans	24,091	22,918
General Commerce	7,297	6,634
Transportation, Storage and Communications	5,259	4,821
Financial Institutions, Investment and Holding Companies	7,467	5,020
Professionals and Private Individuals (except Housing Loans)	7,038	7,078
Others	5,699	5,602
Gross total	71,021	66,414
Analysed by Currency and Fixed/ Variable Rates		
<u>Fixed rate</u> ^(a)		
Singapore dollar	10,046	8,867
Hong Kong dollar	458	262
US dollar	82	4
Thai baht	-	945
Others	342	96
Sub-total	10,928	10,174
<u>Variable rate</u> ^(b)		
Singapore dollar	23,899	21,026
Hong Kong dollar	21,432	20,089
US dollar	10,464	8,658
Thai baht	29	2,393
Others	4,269	4,074
Sub-total	60,093	56,240
Total (Gross)	71,021	66,414

(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.

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26. PROVISION FOR POSSIBLE LOAN LOSSES AND INTEREST-IN-SUSPENSE

In \$ millions	DBSH Group			Interest-in-suspense
	Specific	General	Total	
2004				
Balance at January 1	1,151	928	2,079	357
Amounts written off during the year	(324)	-	(324)	(52)
Charge/(write-back) to profit and loss account	86	(87)	(1)	-
Interest (written off)/suspended during the year	(2)	-	(2)	37
Disposal of a subsidiary company	(365)	(35)	(400)	(243)
Exchange and other movements	8	(3)	5	(8)
Balance at December 31	554	803	1,357	91
2003				
Balance at January 1	1,288	904	2,192	340
Amounts written off during the year	(511)	-	(511)	(93)
Charge to profit and loss account	352	30	382	-
Interest suspended during the year	3	-	3	94
Exchange and other movements	19	(6)	13	16
Balance at December 31	1,151	928	2,079	357

27. INVESTMENT SECURITIES

In \$ millions	DBSH Group	
	2004	2003
Quoted		
Other Government securities & treasury bills	5,163	4,953
Corporate debt securities	18,198	16,919
Equity securities	828	789
Unquoted equity securities	360	453
	24,549	23,114
Less: Provision for diminution in value (Note 28)	341	286
Total net book value	24,208	22,828
Market value of quoted securities	24,440	22,921
Industry Breakdown		
Manufacturing	1,126	823
Building and Construction	629	875
General Commerce	242	213
Transportation, Storage and Communications	1,081	1,134
Financial Institutions, Investment and Holding Companies	12,305	11,624
Others (includes other Government securities and treasury bills)	8,825	8,159
Total net book value	24,208	22,828

28. PROVISION FOR DIMINUTION IN VALUE OF INVESTMENT SECURITIES AND OTHER ASSETS

In \$ millions	Investment securities		DBSH Group Fixed assets and Others		Total
	Specific	General	Specific	General	
2004					
Balance at January 1	217	80	698	75	1,070
Amounts written off during the year	(52)	-	(5)	-	(57)
Charge/(write back) to profit and loss account	128	5	(162)	77	48
Disposal of a subsidiary company	(23)	-	(70)	-	(93)
Exchange and other movements	(8)	4	(5)	-	(9)
Balance at December 31	262	89	456	152	959
Specific and general provisions are in respect of the following:					
Investment securities (Note 27)	252	89	-	-	341
Associated companies (Note 30)	10	-	-	-	10
Fixed assets (Note 32)	-	-	355	-	355
Other banking risks ^(a)	-	-	23	148	171
Other assets	-	-	78	4	82
	262	89	456	152	959
2003					
Balance at January 1	220	46	637	50	953
Amounts written off during the year	(59)	-	(4)	-	(63)
Charge to profit and loss account	65	34	35	25	159
Exchange and other movements	(9)	-	30	-	21
Balance at December 31	217	80	698	75	1,070
Specific and general provisions are in respect of the following:					
Singapore Government securities and treasury bills (Note 23)	-	11	-	-	11
Investment securities (Note 27)	217	69	-	-	286
Fixed assets (Note 32)	-	-	374	-	374
Other banking risks ^(a)	-	-	71	71	142
Other assets ^(b)	-	-	253	4	257
	217	80	698	75	1,070

(a) Provision for other banking risks include specific provisions and general provisions made against inter-bank loans and off balance sheet items.

(b) Includes provisions set aside in respect of foreclosed properties in DBS Thai Danu Bank Public Company Limited.

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29. SUBSIDIARY COMPANIES

29.1 At December 31, directly owned subsidiary companies of DBSH are as follows:

In \$ millions	2004	2003
Unquoted equity shares, at cost	6,731	6,731
Amounts due from subsidiary company (Note 29.6)	66	31
Total	6,797	6,762

29.2 Details of directly owned subsidiary companies of DBSH at December 31, are as follows:

Subsidiary companies	Country of incorporation/ business	Principal activities	Interest held by DBSH				Cost of investment held by DBSH	
			Directly 2004	2003	Indirectly 2004	2003	2004	2003
			%	%	%	%	\$ millions	\$ millions
Unquoted								
DBS Bank Ltd	Singapore	Commercial banking and financial services	100	100	-	-	6,726	6,726
ICS Reinsurance Pte Ltd ("ICS Re") ^(b)	Singapore	Dormant	41.3	41.3	10.2	10.2	— ^(a)	— ^(a)
Reinsurance Management Corporation of Asia (Pte) Ltd	Singapore	Management of reinsurance companies	20	20	60	60	— ^(a)	— ^(a)
RMCA Holdings Pte Ltd	Singapore	Investment holding and management of reinsurance companies	100	100	-	-	5	5
The Insurance Corporation of Singapore (UK) Limited ("ICS UK") ^(b) (Under liquidation)	United Kingdom	Dormant	98	98	-	-	— ^(a)	— ^(a)
Total							6,731	6,731

(a) Amount under \$500,000

(b) The results of these subsidiary companies are not consolidated into DBSH Group's consolidated financial statements as the reinsurance portfolios of ICS Re are under a court-approved scheme of arrangement and ICS UK is in provisional liquidation.

DBS Group Holdings Ltd & its Subsidiary Companies

Notes to the Consolidated Financial Statements

29.3 At December 31, indirectly owned subsidiary companies of DBSH are as follows:

Subsidiary companies	Country of incorporation/ business	Principal activities	Interest held by				Cost of investment held by DBSH's subsidiaries	
			DBS Bank		Other DBSH's subsidiaries		2004	2003
			2004	2003	2004	2003	2004	2003
			%	%	%	%	\$ millions	\$ millions
Quoted								
DBS Thai Danu Bank Public Company Limited ^(b) (Market value: 2003: \$243 million)	Thailand	Commercial banking and financial services	– ^(g)	51.7	–	–	– ^(g)	– ^(a)
Unquoted								
DBS Asia Ltd ^(b)	Hong Kong	Financial services and investment holding	100	100	–	–	– ^(c)	– ^(c)
DBS Asia Capital Limited ^(b)	Hong Kong	Corporate finance and advisory services	100	100	–	–	21	22
DBSAM Funds	Luxembourg	Collective investment scheme	77	–	–	100	16	–
DBS Asset Management Ltd	Singapore	Investment management services and unit trusts	100	100	–	–	4	4
DBS Asset Management (Hong Kong) Ltd ^(b)	Hong Kong	Investment management services	–	–	100	100	3	3
DBS Asset Management (United States) Pte Ltd	Singapore	Investment management services	–	–	100	100	– ^(c)	– ^(c)
DBS Card Centre Pte Ltd (Under liquidation)	Singapore	Dormant	100	100	–	–	8	8
DBS Capital Funding Corporation	Cayman Islands	Special purpose vehicle for capital raising	100	100	–	–	– ^(c)	– ^(c)
DBS Capital Investments Ltd	Singapore	Venture capital investments	100	100	–	–	18 ^(d)	18 ^(d)
DBS China Square Ltd	Singapore	Property investment holding	70	70	–	–	160 ^(e)	160 ^(e)
DBS Computer Services Pte Ltd	Singapore	Dormant	100	100	–	–	– ^(a)	– ^(a)
DBS Diamond Holdings Ltd	Bermuda	Investment holding	100	100	–	–	9,919	9,919
Benchmark Farm Finance (Four) Limited (Under liquidation)	United Kingdom	Dormant	–	–	100	100	– ^(a)	– ^(a)
DBS Group (Hong Kong) Limited (formerly "Dao Heng Bank Group Limited") ^(b)	Bermuda/ Hong Kong	Investment holding	–	–	100	100	9,043	9,430

DBS Group Holdings Ltd & its Subsidiary Companies

Notes to the Consolidated Financial Statements

Subsidiary companies	Country of incorporation/ business	Principal activities	Interest held by				Cost of investment held by DBSH's subsidiaries	
			DBS Bank		Other DBSH's subsidiaries		2004	2003
			2004	2003	2004	2003	2004	2003
			%	%	%	%	\$ millions	\$ millions
Dao Heng Bank Trustee (BVI) Limited (Liquidated)	British Virgin Islands	Dormant	-	-	-	100	-	-(c)
Dao Heng Bullion Limited (Liquidated)	Hong Kong	Dormant	-	-	-	100	-	-(c)
Dao Heng Bank Trustee Limited ^(b)	Hong Kong	Trustee services	-	-	100	100	1	1
Dao Heng Finance Limited ^(b)	Hong Kong	Finance company	-	-	100	100	7	7
Dao Heng London plc (Under liquidation)	United Kingdom	Dormant	-	-	100	100	-(a)	-(a)
Dao Heng Nominees Limited (Under liquidation)	United Kingdom	Dormant	-	-	100	100	-(a)	-(a)
DBS Bank (Hong Kong) Limited ^(b)	Hong Kong	Commercial banking and financial securities	-	-	100	100	1,215	1,267
DBS Corporate Services (Hong Kong) Limited ^(b)	Hong Kong	Investment holding and corporate services	-	-	100	100	-(c)	-(c)
DBS H.K. Capital (BVI) Limited ^(b)	British Virgin Islands	Dormant	-	-	100	100	-(c)	-(c)
DBS Kwong On Finance Limited ^(b)	Hong Kong	Deposit-taking finance company	-	-	100	100	5	5
DBS Kwong On Futures Limited (Under liquidation)	Hong Kong	Dormant	-	-	100	100	1	1
DBS Kwong On (Nominees) Limited ^(b)	Hong Kong	Nominee services	-	-	100	100	-(c)	-(c)
DBS Kwong On Securities Limited (Liquidated)	Hong Kong	Dormant	-	-	-	100	-	3
DBS Overseas Limited ^(b)	Hong Kong	Dormant	-	-	100	100	-(c)	-(c)
DBS Trustee H.K. (Jersey) Limited ^(b)	Jersey/ Hong Kong	Corporate services	-	-	100	100	-(c)	-(c)
DHB Limited ^(b)	Hong Kong	Investment holding	-	-	100	100	17	18
DHJ Management Limited ^(b)	British Virgin Islands/ Hong Kong	Dormant	-	-	100	100	-(c)	-(c)

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Subsidiary companies	Country of incorporation/ business	Principal activities	Interest held by DBS Bank		Other DBSH's subsidiaries		Cost of investment held by DBSH's subsidiaries	
			2004	2003	2004	2003	2004	2003
			%	%	%	%	\$ millions	\$ millions
Dransfield Resources Limited (Liquidated)	British Virgin Islands/ United Kingdom	Dormant	-	-	-	100	-	-(c)
EFI Nominees Limited (Under liquidation)	Hong Kong	Dormant	-	-	100	100	-(c)	-(c)
Hang Lung Bank (Nominee) Limited ^(b)	Hong Kong	Nominee services	-	-	100	100	-(c)	-(c)
Hang Lung Godown Company Limited (Under liquidation)	Hong Kong	Dormant	-	-	100	100	1	1
JT Administration Limited ^(b)	British Virgin Islands/ Hong Kong	Dormant	-	-	100	100	-(c)	-(c)
Kenson Asia Ltd ^(b)	Hong Kong	Dormant	-	-	100	100	-(c)	-(c)
Kingly Management Ltd ^(b)	Hong Kong	Dormant	-	-	100	100	-(c)	-(c)
Market Success Limited ^(b)	British Virgin Islands/ Hong Kong	Dormant	-	-	100	100	-(c)	-(c)
Omega One Limited (Liquidated)	Hong Kong	Dormant	-	-	-	100	-	-(c)
Omega Two Limited (Liquidated)	Hong Kong	Dormant	-	-	-	100	-	-(c)
OTB Card Company Limited ^(b)	Hong Kong	Property investment	-	-	100	100	16	17
OTB International Factors Limited ^(b)	Hong Kong	Dormant	-	-	100	100	2	2
O.T.B. Investment Limited (Liquidated)	Hong Kong	Dormant	-	-	-	100	-	-(c)
OTB Property Management Limited (Liquidated)	Hong Kong	Dormant	-	-	-	100	-	-(c)
OTB Services Limited (Under liquidation)	Hong Kong	Dormant	-	-	100	100	1	1
Overseas Trust Bank Nominees Limited ^(b)	Hong Kong	Nominee services	-	-	100	100	-(c)	-(c)
Ting Hong Nominees Limited ^(b)	Hong Kong	Nominee services	-	-	100	100	-(c)	-(c)
Worldson Services Ltd ^(b)	Hong Kong	Dormant	-	-	100	100	-(c)	-(c)

DBS Group Holdings Ltd & its Subsidiary Companies

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Subsidiary companies	Country of incorporation/ business	Principal activities	Interest held by				Cost of investment held by DBSH's subsidiaries	
			DBS Bank		Other DBSH's subsidiaries		2004	2003
			2004	2003	2004	2003	2004	2003
			%	%	%	%	\$ millions	\$ millions
DBS Factors Pte Ltd (Under liquidation)	Singapore	Dormant	100	100	-	-	5	5
DBSF Ltd (Under liquidation)	Singapore	Dormant	100	100	-	-	7	7
DBSF Investments Pte Ltd (Under liquidation)	Singapore	Dormant	-	-	100	100	17	17
DBS Finance Nominees Pte Ltd (Under liquidation)	Singapore	Dormant	100	100	-	-	-(c)	-(c)
DBS Group Holdings (Hong Kong) Ltd	Bermuda	Investment holding	100	100	-	-	683	683
DBS Kwong On Limited ^(b)	Hong Kong	Dormant	-	-	100	100	-	-
DBS Nominees Pte Ltd	Singapore	Nominee services	100	100	-	-	-(c)	-(c)
Kendrick Services Limited	British Virgin Islands	Corporate directorship services	-	-	100	100	-(c)	-(c)
Lushington Investment Limited	British Virgin Islands	Corporate shareholding services	-	-	100	100	-(c)	-(c)
DBS Trustee Ltd ^(f)	Singapore	Trustee services	20	20	80	80	3	3
DBS Vickers Securities Holdings Pte Ltd	Singapore	Investment holding	100	100	-	-	538	538
Ballas Nominees (Private) Limited (Under liquidation)	Singapore	Dormant	-	-	100	100	-(c)	-(c)
DBS Securities Holding Pte Ltd (Under liquidation)	Singapore	Dormant	-	-	100	100	277	277
DBS Vickers Securities Online Holdings Pte Ltd (formerly "DBS TD Waterhouse Holdings Pte Ltd")	Singapore	Investment holding	-	-	73	73	24	24
DBS Vickers Securities Online (HK) Limited [formerly "DBS TD Waterhouse (Hong Kong) Ltd"] ^(b)	Hong Kong	Securities broker and margin financing	-	-	100	100	19	17
DBS Vickers Securities Online Trading (HK) Limited [formerly "DBS TD Waterhouse Securities (Hong Kong) Ltd"] (Under liquidation)	Hong Kong	Dormant	-	-	100	100	6	6

DBS Group Holdings Ltd & its Subsidiary Companies

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Subsidiary companies	Country of incorporation/ business	Principal activities	Interest held by				Cost of investment held by DBSH's subsidiaries	
			DBS Bank		Other DBSH's subsidiaries		2004	2003
			2004	2003	2004	2003	2004	2003
			%	%	%	%	\$ millions	\$ millions
DBS Vickers Securities Online (Singapore) Pte Ltd (formerly "DBS TD Waterhouse (Singapore) Pte Ltd")	Singapore	Securities broker	-	-	100	100	10	10
DBS Trading Pte Ltd (Under liquidation)	Singapore	Dormant	-	-	100	100	-(e)	-(e)
DBS Vickers Futures (Hong Kong) Limited (Under liquidation)	Hong Kong	Dormant	-	-	100	100	8	8
DBS Vickers (Hong Kong) Limited ^(b)	Hong Kong	Securities broker	-	-	100	100	36	51
DBS Vickers Research Singapore Pte Ltd	Singapore	Investment advisory services	-	-	100	100	1	1
DBS Vickers Securities (Hong Kong) Ltd ^(b)	Hong Kong	Securities broker	-	-	100	100	2	2
DBS Vickers Securities Malaysia Pte Ltd (Under liquidation)	Singapore	Dormant	-	-	100	100	17	17
DBS Vickers Securities Nominees (Hong Kong) Limited ^(b)	Hong Kong	Nominee services	-	-	100	100	-(e)	-(e)
DBS Vickers Securities Nominees (Singapore) Pte Ltd	Singapore	Nominee services	-	-	100	100	-(e)	-(e)
DBS Vickers Securities (Phils.), Inc. (Under liquidation)	The Philippines	Dormant	-	-	100	100	10	10
DBS Vickers Securities (Singapore) Pte Ltd	Singapore	Securities and futures broker	-	-	100	100	25	25
DBS Vickers Securities (Thailand) Co. Ltd ^(b)	Thailand	Securities broker	-	-	100	100	39	50
DBS Vickers Securities (UK) Ltd ^(b)	United Kingdom	Securities broker	-	-	100	100	-(e)	-(e)
DBS Vickers Securities (USA), Inc ^(b)	United States	Securities broker	-	-	100	100	4	4
First Independent Insurance Brokerage Pte Ltd (Under liquidation)	Singapore	Dormant	-	-	100	100	-(e)	-(e)

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Subsidiary companies	Country of incorporation/ business	Principal activities	Interest held by DBS Bank		Other DBSH's subsidiaries		Cost of investment held by DBSH's subsidiaries	
			2004	2003	2004	2003	2004	2003
			%	%	%	%	\$ millions	\$ millions
PT DBS Securities Indonesia (Under liquidation)	Indonesia	Dormant	-	-	75	75	9	5
PT DBS Vickers Securities (Indonesia) ^(b)	Indonesia	Securities broker	-	-	75	75	9	8
Vickers Ballas & Co. Pte Ltd (Under liquidation)	Singapore	Dormant	-	-	100	100	65	65
Vickers Ballas Asset Management Pte Ltd	Singapore	Fund management	-	-	100	100	1	1
Vickers Ballas Consultancy Services Limited ^(b)	Hong Kong	Dormant	-	-	100	100	— ^(c)	— ^(c)
Vickers Ballas Futures Pte Ltd (Under liquidation)	Singapore	Dormant	-	-	100	100	1	1
Vickers Ballas Investment Management Limited ^(b)	Hong Kong	Direct investment and investment advisory services	-	-	100	100	— ^(c)	— ^(c)
Vickers Ballas Investment Research Pte Ltd (Under liquidation)	Singapore	Dormant	-	-	100	100	— ^(c)	— ^(c)
Vickers Ballas Nominees Pte Ltd (Under liquidation)	Singapore	Dormant	-	-	100	100	— ^(c)	— ^(c)
Vickers Ballas (UK) PLC (Under liquidation)	United Kingdom	Dormant	-	-	100	100	1	1
NDC Capital Holdings Pte Ltd (Under liquidation)	Singapore	Dormant	100	100	-	-	— ^(c)	56
POSB Computer Services Pte Ltd (Liquidated)	Singapore	Dormant	-	100	-	-	-	9
PT Bank DBS Indonesia ^(b)	Indonesia	Commercial banking and financial services	99	99	-	-	54	62
Singapore Factory Development Ltd (Liquidated)	Singapore	Dormant	-	100	-	-	-	5

(a) Written down to zero value.

(b) Audited by associated firms of Ernst & Young, Singapore.

(c) Amount under \$500,000.

(d) Included cost of investment in preference shares held amounting to \$18 million.

(e) Included cost of investment in preference shares held amounting to \$74 million.

(f) Included 20% held by DBSH in trust for DBS Bank.

(g) Ceased to be a subsidiary company during the financial year (Note 29.5).

29.4 CONSOLIDATION OF SPECIAL PURPOSE ENTITIES

DBSH Group consolidated certain entities in accordance with the Interpretation of Financial Reporting Standard ("INT FRS") 12, "Consolidation – Special Purpose Entities ("SPEs")" although these entities are not legally owned by DBSH Group.

This is due to the fact that:

- (a) DBSH or its subsidiary companies retain the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities; or
- (b) the activities of the SPE are being conducted on behalf of DBSH or its subsidiary companies according to its specific business needs.

The consolidated SPEs, together with the share of total assets at December 31 are as follows:

Name of Entity	Country of Entity	DBSH Group share of total assets	
		2004	2003
		\$ millions	\$ millions
Singa Secured Assets Limited	Singapore	404	445
ALCO 1 Limited	Cayman Islands	223	223
Tampines Assets Limited	Singapore	134	134
New Heights Investment Limited	Cayman Islands	57	57
Red Orchid Secured Assets Limited	Cayman Islands	445	112
Constellation Investment Ltd	Cayman Islands	657	150
Skyer I & II Limited	Cayman Islands	248	248
The Development I Partnership ^(a)	Hong Kong	-	165
The Preferred Shares – Subordinated Debentures of DBS Thai Danu Plc. Fund ^(b)	Thailand	-	Not significant
Vanda Secured Assets Limited	Singapore	Not significant	Not significant
Contract Collections Inc ^(a)	United States of America	-	Not significant

(a) Exit/liquidated in 2004

(b) DBS Thai Danu Bank Public Company Limited was de-consolidated on June 25, 2004.

None of the above entities are material to DBSH Group's profit and loss account.

29.5 ACQUISITION AND DISPOSAL OF SUBSIDIARY COMPANIES

29.5.1 On April 16, 2004, DBS Bank converted its 13,943 preferred shares and 13,943 convertible subordinated debentures in DTDB into a total of 348,588,943 ordinary shares in DTDB. DBS Bank's shareholding in DTDB increased from 52% to 59% after the conversion. On June 25, 2004, DBS Bank disposed its 59% equity stake in DTDB in consideration of 16% interest in the Thai Military Bank Public Company Limited ("TMB"). The 16% interest represents 2,460,078,607 ordinary shares of THB10 (S\$0.42) each. Profit on disposal of DTDB amounted to \$310 million after adjusting for net attributable assets disposed and transaction costs. The carrying values of assets and liabilities of DTDB in DBSH Group's accounts at the date of disposal are shown in Note 29.7.

29.5.2 During the financial year, the following subsidiaries were liquidated: Dao Heng Bank Trustee (BVI) Limited, Dao Heng Bullion Limited, DBS Kwong On Securities Limited, Dransfield Resources Limited, Omega One Limited, Omega Two Limited, O.T.B. Investment Limited, OTB Property Management Limited, POSB Computer Services Pte Ltd and Singapore Factory Development Ltd.

29.6 AMOUNTS DUE FROM SUBSIDIARY COMPANY

These amounts comprise deposits with a subsidiary company.

29.7 FAIR VALUES OF ASSETS AND LIABILITIES OF SUBSIDIARY COMPANIES DISPOSED

The fair values of assets and liabilities of subsidiary companies disposed in 2004 were as follows:

In \$ millions	DBSH Group 2004
Cash, and balances and placements with central banks	69
Securities	476
Balances, placements with, and loans and advances to banks	116
Loans and advances to non-bank customers (net of provision)	3,275
Fixed assets	99
Other assets	208
Deposits and balances of banks	(148)
Deposits and other accounts of non-bank customers	(3,434)
Other liabilities	(292)
Subordinated term debts	(338)
	<hr/> 31
Less: Minority interests ^(a)	-
Adjusted net attributable assets	<hr/> 31
Add: Transaction costs	8
Add: Profit on disposal of a subsidiary company	310
	<hr/> 349
Proceeds from disposal, representing 16% equity stake in TMB	349
Less: Non-cash proceeds	(349)
Less: Cash and bank balances in a subsidiary company disposed	69
	<hr/> 69
Net cash outflow from disposal of a subsidiary company	<hr/> <hr/> (69)

(a) At the point of disposal, carrying amount of minority interest was zero, as the losses applicable to the DTDB minority shareholders that were in excess of their interest in the equity of DTDB were absorbed by DBS Bank.

The fair values of assets and liabilities, and net cash flow arising from disposal of subsidiary companies in the previous financial year were not significant.

29.8 FAIR VALUES OF ASSETS AND LIABILITIES OF SUBSIDIARY COMPANIES ACQUIRED

No new subsidiary company was acquired during the financial year.

Details of the fair values of assets and liabilities of a subsidiary company acquired in the previous financial year were as follows:

In \$ millions	DBSH Group 2003
Cash, balances, placements with, and loans and advances to banks	21
Other assets, including fixed assets	112
Deposits and other accounts of non-bank customers	(87)
Other liabilities	(31)
	<hr/> 15
Less: Minority interests	4
Adjusted net attributable assets	<hr/> 11
Less: Investment cost for the 50% interest in DBS Vickers Securities Online ^(a)	8
	<hr/> 3
Cost of acquisition for the additional 23% interest in DBS Vickers Securities Online	3
Less: Cash and bank balances in subsidiary companies acquired	12
	<hr/> 9
Net cash inflow for acquisition of subsidiary companies	<hr/> <hr/> 9

(a) Refers to original investment cost (\$21 million) less share of losses arising from equity accounting (\$13 million)

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30. ASSOCIATED AND JOINT VENTURE COMPANIES

30.1 The investments in associated and joint venture companies at December 31 are as follows:

In \$ millions	DBSH Group	
	2004	2003
Quoted equity securities at cost	1,256	1,281
Unquoted equity securities at cost	78	75
	1,334	1,356
Less: Provision for diminution in value (Note 28)	10	–
Goodwill arising from equity accounting	837	837
	487	519
Add: Net exchange translation adjustments	(69)	(52)
Share of post acquisition reserves	99	80
Total	517	547

30.2 At December 31, the net tangible asset values (“NTA”) and market values of the quoted equity investments in associated companies of DBSH Group for which equity accounting was applied are as follows:

In \$ millions	DBSH Group			
	2004		2003	
	NTA	Market value	NTA	Market value
<i>Held by subsidiary companies</i>				
Bank of the Philippine Islands	326	692	339	544
Hwang – DBS (Malaysia) Bhd	64	39	64	46
Total	390	731	403	590

30.3 The associated companies held by DBSH and its subsidiary companies at December 31 are as follows:

Associated companies	Country of incorporation/ business	Principal activities	Interest held by DBSH/DBSH's subsidiaries (%)	
			2004	2003
Quoted				
<i>Held by DBS Bank</i>				
Bank of the Philippine Islands	The Philippines	Commercial banking and financial services	20.4	20.4
Vanda Systems & Communications Holding Limited ^(c)	Hong Kong	System integration and related services	–	25.7
<i>Held by other subsidiary companies</i>				
Hwang – DBS (Malaysia) Bhd	Malaysia	Investment holding	22.9	22.8
Thailand Carpet Manufacturing Public Company Limited ^(b)	Thailand	Carpet manufacturer	–	35.9

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Associated companies	Country of incorporation/ business	Principal activities	Interest held by DBSH/DBSH's subsidiaries (%)	
			2004	2003
Unquoted				
<i>Held by DBSH</i>				
RMCA Reinsurance Limited ^(a)	Singapore	Investment holding	30.0	30.0
<i>Held by DBS Bank</i>				
Clearing and Payment Services Pte Ltd	Singapore	Provides service infrastructure for clearing payment and settlement of financial transactions	33.3	33.3
Network for Electronic Transfers (Singapore) Pte Ltd	Singapore	Electronic funds transfer	33.3	33.3
Orix Leasing Singapore Ltd	Singapore	Lease and hire-purchase financing of equipment	30.0	30.0
Investment and Capital Corporation of the Philippines	The Philippines	Financial services	20.0	20.0
Nextmall Holdings Corporation ^(c)	Cayman Islands	Supermarket	33.7	27.3
Merlion CDO 1 Limited ^(d)	Cayman Islands	Special purpose entity for note issuance programme	29.3	29.3
Capital OK Company Limited	Thailand	Consumer finance	40.0	40.0
<i>Held By Other Subsidiary Companies</i>				
Asia Converge Pte Ltd	Singapore	Securities transaction processing	–	39.0
Singapore Africa Investment Management Pte Ltd	Singapore	Investment management	30.0	30.0
Southern Africa Investment Pte Ltd	Singapore	Venture capital investment	25.0	25.0
Singapore Consortium Investment Management Ltd	Singapore	Investment management services	33.3	33.3
Venture Investment Management II Ltd	Singapore	Investment manager for venture capital	30.0	30.0
Transtech Venture Management Pte Ltd	Singapore	Investment manager for venture capital	–	40.0
Hwang-DBS Unit Trust Berhad	Malaysia	Investment management services	42.1	42.0
Hwang-DBS Vickers Research (Malaysia) Sdn Bhd ^(e)	Malaysia	Investment advisory services	49.0	49.0

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Associated companies	Country of incorporation/ business	Principal activities	Interest held by DBSH/DBSH's subsidiaries (%)	
			2004	2003
Hwang-DBS Asset Management (Malaysia) Sdn Bhd	Malaysia	Asset and fund management services	37.5	37.4
Olympia Thailand ^(b)	Thailand	Wholesale and retail	-	26.9
Prosperity Industrial Estate Co., Ltd ^(b)	Thailand	Land Bank	-	20.0

(a) The associated company is under a court-approved scheme of arrangement. Consequently, equity accounting was not applied.

(b) The investment in the associated company was acquired as a result of debt restructuring, and is not intended to be a long-term investment. Consequently, equity accounting was not applied.

(c) This is a private equity investment and is not intended to be a long-term investment. Consequently, equity accounting was not applied.

(d) The interest held refers to DBS Bank's proportionate holding of the subordinate debts issued by the company, and is included as an investment in associated companies in accordance with INT FRS 12 although it is not legally owned by DBS Bank.

(e) Effective shareholding is 60.7% (2003: 60.6%) due to indirect shareholding of 11.7% (2003: 11.6%) through Hwang-DBS (Malaysia) Bhd. There is no control over indirect shareholding, thus consolidation was not applied.

30.4 The joint venture companies indirectly held by DBSH at December 31 are as follows:

Joint venture companies	Country of incorporation/ business	Principal activities	Interest held by DBSH/DBSH's subsidiaries (%)	
			2004	2003
<i>Held by DBS Bank</i>				
Ayala DBS Holdings Inc.	The Philippines	Investment holding	40.0	40.0
Integrated Payment Venture Pte Ltd	Singapore	Dormant	50.0	50.0
<i>Held by other subsidiary companies</i>				
Hutchison DBS Card Limited	British Virgin Islands	Provision of credit card services	50.0	50.0

30.5 DBSH Group's share of the income and expenses, assets employed and liabilities incurred by the joint venture companies at December 31 are as follows:

In \$ millions	DBSH Group	
	2004	2003
Profit and Loss		
Share of income	30	37
Share of expenses	(21)	(40)
Balance Sheet		
Non-current assets	-	1
Current assets	260	247
Current liabilities	27	23
Non-current liabilities	181	189

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Notes to the Consolidated Financial Statements

31. GOODWILL

Set out below is the carrying value after an assessment for impairment of goodwill has been performed:

In \$ millions	DBSH Group	
	2004	2003
Unamortised balance at January 1	7,371	7,693
Acquisition of subsidiary companies	-	108 ^(a)
Amortisation for the year (Note 10)	(440)	(430)
Unamortised balance at December 31	6,931	7,371

(a) Refers to the goodwill on acquisition of DBS Vickers Securities Holdings Pte Ltd.

The unamortised balance at December 31 is analysed below:

In \$ millions	Date of acquisition	Amortisation period	Unamortised balance at December 31		Charge to Profit and Loss Account	
			2004	2003	2004	2003
At DBS Bank level:						
DBS Diamond Holdings Ltd			6,707	7,114	407	407
	June 29, 2001	20 years	4,313	4,575	262	262
	January 10, 2003	19 years	2,394	2,539	145	145
DBS Vickers Securities Holdings Pte Ltd			154	182	28	18
	September 12, 2001	5/10 years	64	78	14	14
	September 11, 2003 ^(a)	8 years	90	104	14	4
DBS Group Holdings (Hong Kong) Ltd	May 7, 2002	17 years	70	75	5	5
			6,931	7,371	440	430
Included in DBS Vickers Securities Holding Pte Ltd:						
Lum Chang Securities Pte Ltd		5 years	3	5	2	2
DBS Securities Holding Pte Ltd ^(b)		5 years	5	8	3	3
			8	13	5	5

(a) Refers to the goodwill arising from the purchase of minority shareholding in DBS Vickers Securities Holdings Pte Ltd.

(b) Eliminated at DBSH Group's level.

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Notes to the Consolidated Financial Statements

32. FIXED ASSETS

32.1 Net book values at December 31, at cost less accumulated depreciation, and movements during the year are as follows:

In \$ millions	Leasehold properties ^(a)	Freehold properties	Total properties	Other assets ^(b)	Total
Cost					
Balance at January 1, 2004	2,251	167	2,418	571	2,989
Additions	10	#	10	90	100
Disposals	(67)	(5)	(72)	(127)	(199)
Disposal of a subsidiary company	(8)	(121)	(129)	(60)	(189)
Exchange differences	(42)	(3)	(45)	(13)	(58)
Balance at December 31, 2004	2,144	38	2,182	461	2,643
Less: Accumulated depreciation					
Balance at January 1, 2004	286	33	319	280	599
Depreciation charge	54	2	56	91	147
Disposals	(63)	(2)	(65)	(99)	(164)
Disposal of a subsidiary company	(4)	(21)	(25)	(52)	(77)
Exchange differences	(5)	(1)	(6)	(9)	(15)
Balance at December 31, 2004	268	11	279	211	490
Less: Provision for diminution in value (Note 28)					
	353	2	355	-	355
Net book value at December 31, 2004	1,523	25	1,548	250	1,798
Market value at December 31, 2004	2,170	31	2,201	-	2,201
Cost					
Balance at January 1, 2003	2,370	160	2,530	581	3,111
Additions	20	8	28	57	85
Disposals	(121)	(8)	(129)	(68)	(197)
Exchange differences	(18)	7	(11)	1	(10)
Balance at December 31, 2003	2,251	167	2,418	571	2,989
Less: Accumulated depreciation					
Balance at January 1, 2003	294	30	324	223	547
Depreciation charge	61	3	64	104	168
Disposals	(69)	(1)	(70)	(48)	(118)
Exchange differences	-	1	1	1	2
Balance at December 31, 2003	286	33	319	280	599
Less: Provision for diminution in value (Note 28)					
	360	14	374	#	374
Net book value at December 31, 2003	1,605	120	1,725	291	2,016
Market value at December 31, 2003	2,022	126	2,148	-	2,148

Amount under \$500,000

(a) Includes collaterals of secured borrowings. Please refer to Notes 21.2.5 and 21.2.7.

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

32.2 The net book values of DBS Building Tower Two, PWC Building and DBS Tampines Centre, being investment properties held for the purpose of generating rental income, at December 31, 2004 are \$186 million, \$316 million and \$114 million (2003: \$197 million, \$325 million and \$132 million) respectively. Their market values are independently appraised at \$364 million, \$347 million and \$114 million (2003: \$374 million, \$325 million and \$132 million) respectively.

33. OTHER ASSETS

In \$ millions	2004	DBSH Group	2003
Accrued interest receivable ^(a)	976		792
Balances arising from revaluation of financial instruments (Note 36)	10,542	8,865	
Less: Valuation adjustments (Note 33.1)	233	250	8,615
Deposits and prepayments (Note 33.2)	288		355
Foreclosed properties (net of provision)	#		148
Clients' monies receivable from securities business	503		722
Sundry debtors and others	1,720		1,387
Total	13,796		12,019

Amount under \$500,000

(a) Accrued interest receivable is net of interest-in-suspense (Note 26).

33.1 Valuation adjustments includes bid-offer spread adjustments made to mark all long positions to bid prices and short positions to offer prices; liquidity reserves to reflect possible price adjustments to the market values to liquidate certain material positions held by DBSH Group; and model risk reserves for positions where the models used may be a proxy or there may be numerical uncertainty within certain ranges. (Note 2.14.2).

33.2 Included in "Deposits and prepayments" at December 31, 2004, was an amount of \$84 million (2003: \$78 million) relating to an advance placed in a trust. The trust is for the purchase of shares in connection with the DBSH Performance Share Plan and the DBSH Employee Share Plan (Note 14). The advance at December 31, 2004 had been written down to its recoverable amount at reporting date. The cumulative provision at December 31, 2004 amounting to \$35 million (2003: \$44 million) represents the shortfall in the value of shares held in the trust when compared against the purchase cost of the shares.

34. CONTINGENT LIABILITIES

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

Nature of instruments

Guarantees and performance bonds are generally written by a bank to support the performance of a customer to third parties. As DBSH 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 DBSH Group in respect of bills of exchange, which have been paid and subsequently rediscounted.

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34.1 The amounts outstanding at December 31 comprise the following:

In \$ millions	DBSH Group	
	2004	2003
Guarantees on account of customers	4,582	3,734
Endorsements and other obligations on account of customers		
Letters of credit	3,500	2,637
Others	360	524
Other contingent items	87	89
Total	8,529	6,984
Industry Breakdown		
Manufacturing	1,842	1,297
Building and Construction	402	422
General Commerce	2,346	2,005
Transportation, Storage and Communications	703	369
Financial Institutions, Investment and Holding Companies	1,082	698
Professionals and Private Individuals (except Housing Loans)	765	800
Others	1,389	1,393
Total	8,529	6,984

34.2 DBS Bank, a wholly owned subsidiary company of DBSH, has an existing outsourcing agreement with IBM with respect to the provision of information technology and related support to DBSH Group's operations in Singapore and Hong Kong. As with all similar market standard arrangements, there are various termination clauses contained within the agreement that under certain circumstances could require DBSH Group to pay a penalty on early termination of the contract. The exact amount of any penalty amount cannot be reliably determined, as it is dependent upon business volumes over the period of the contract and on the timing of the termination.

34.3 Included in "Other contingent items" at December 31, 2004, is an amount of \$87 million (2003: \$89 million), representing the termination fee payable by DBS Bank should it terminate its Life Insurance Bancassurance Distribution Agreement with Aviva Ltd prematurely before the expiry date.

34.4 Included in "Guarantees on account of customers" at December 31, 2004, was a guarantee of \$507 million (2003: \$590 million) which was given by DBS Bank to holders of DBS UP Guaranteed Fund 5.0/1, DBS UP Guaranteed Fund 5.0/2, DBS UP Guaranteed Fund 5.0/3, DBS UP Guaranteed Fund 7.0/2, and DBS UP Guaranteed Fund 7.0/3". The guaranteed value is payable on December 23, 2005, April 30, 2006, June 30, 2006, April 30, 2008 and June 30, 2008 respectively.

35. COMMITMENTS

35.1 Undrawn Commitments

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

In \$ millions	DBSH Group	
	2004	2003
Loans and other facilities		
Undrawn credit facilities	66,112	56,548
Undisbursed commitments in debt securities and equities	108	124
Underwriting commitments in debt securities and equities	–	50
Spot foreign exchange contracts	4,313	3,180
Sub-total	70,533	59,902
Capital Commitments		
Total	57	48
Industry Breakdown		
Manufacturing	7,676	9,755
Building and Construction	3,414	4,160
Housing Loans	1,934	1,442
General Commerce	6,695	8,415
Transportation, Storage and Communications	4,546	5,215
Financial Institutions, Investment and Holding Companies	28,048	9,829
Professionals and Private Individuals (except Housing Loans)	12,029	12,884
Others	6,248	8,250
Total	70,590	59,950

35.2 Operating Lease Commitments

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

In \$ millions	DBSH Group	
	2004	2003
Not later than 1 year	70	93
Later than 1 year but not later than 5 years	102	116
Later than 5 years	12	14
Total	184	223
Total commitments (Note 35.1 and Note 35.2)	70,774	60,173

36. FINANCIAL DERIVATIVES

36.1 Financial derivatives are financial instruments whose characteristics are derived from the underlying assets, or from interest and exchange rates or indices. These include forwards, swaps, futures and options. The following outlines the nature and terms of the most common types of derivatives used by DBSH Group:

36.1.1 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 calculated by reference to 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 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.

36.1.2 Exchange rate contracts

Forward foreign exchange contracts are agreements to buy or sell fixed amounts of currency at agreed rates of exchange on a specified future date.

Cross currency swaps are agreements to exchange, and on termination of the swap, re-exchange principal amounts denominated in different currencies. Cross currency swaps may involve the exchange of interest payments in one specified currency for interest payments in another specified currency for a specified period.

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

36.1.3 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.

36.1.4 Credit related contracts

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

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

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In the financial statements, trading derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected in "Other assets" or "Other liabilities" respectively. Non-trading derivative financial instruments are accounted for on an accrual basis.

In \$ millions	2004					
	Trading			Non-Trading		
	Underlying Notional	Year-end Positive Fair Value	Year-end Negative Fair Value	Underlying Notional	Year-end Positive Fair Value	Year-end Negative Fair Value
Interest Rate Derivatives						
Forward rate agreements bought	34,210	20	17	-	-	-
Forward rate agreements sold	32,857	18	19	-	-	-
Interest rate swaps	924,723	6,575	6,325	16,812	658 ^(b)	220
Financial futures bought	23,035	4	6	32	#	-
Financial futures sold	26,429	10	8	230	1	#
Interest rate options bought	9,944	136	-	224	#	-
Interest rate options sold	12,220	-	110	419	-	#
Interest rate futures options bought	17,529	7	-	-	-	-
Interest rate futures options sold	8,339	-	#	-	-	-
Interest rate caps/floors bought	21,206	112	6	-	-	-
Interest rate caps/floors sold	17,699	18	115	-	-	-
Sub-total	1,128,191	6,900	6,606	17,717	659	220
Foreign Exchange Derivatives						
FX forwards	47,628	898	787	25	1	#
FX swaps	190,295	1,282	1,086	11,788	74	277
Currency swaps	39,413	836	822	917	-	73
Currency options bought	26,066	415	#	-	-	-
Currency options sold	24,843	-	352	-	-	-
Sub-total	328,245	3,431	3,047	12,730	75	350
Equity Derivatives						
Equity options bought	2,972	124	#	-	-	-
Equity options sold	10,542	#	342	-	-	-
Sub-total	13,514	124	342	-	-	-
Credit Derivatives						
Credit default swaps	15,697	87	121	2,413	12	-
Sub-total	15,697	87	121	2,413	12	-
Total	1,485,647	10,542	10,116	32,860	746	570
Balances arising from off-balance sheet financial instruments (see Other liabilities/Other assets Notes 20/33)		10,542 ^(a)	10,116			

Amount under \$500,000

(a) These gross position fair value are subject to certain valuation adjustments to reflect possible price adjustments to the market value (Note 2.14.2).

(b) Include fair value of interest rate swaps used to hedge the subordinated debts issued by DBS Bank and DBS Capital Funding Corporation (Note 38).

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The following table shows an analysis of DBSH Group's derivatives financial instruments at December 31, 2003:

In \$ millions	2003					
	Trading			Non-Trading		
	Underlying Notional	Year-end Positive Fair Value	Year-end Negative Fair Value	Underlying Notional	Year-end Positive Fair Value	Year-end Negative Fair Value
Interest Rate Derivatives						
Forward rate agreements bought	72,746	23	98	-	-	-
Forward rate agreements sold	82,827	107	32	-	-	-
Interest rate swaps	726,878	6,337	5,737	14,366	851 ^(b)	218
Financial futures bought	32,708	30	#	-	-	-
Financial futures sold	17,480	1	21	9,398	#	17
Interest rate options bought	5,048	97	-	268	1	-
Interest rate options sold	6,287	-	63	626	-	2
Interest rate futures options bought	12,227	6	-	-	-	-
Interest rate futures options sold	20,912	-	5	-	-	-
Interest rate caps/floors bought	9,633	79	11	-	-	-
Interest rate caps/floors sold	7,291	53	151	-	-	-
Sub-total	994,037	6,733	6,118	24,658	852	237
Foreign Exchange Derivatives						
FX forwards	43,913	449	465	113	-	2
FX swaps	112,901	895	681	4,599	34	86
Currency swaps	23,705	385	346	952	-	49
Currency options bought	15,777	285	-	-	-	-
Currency options sold	15,427	-	330	-	-	-
Sub-total	211,723	2,014	1,822	5,664	34	137
Equity Derivatives						
Equity options bought	1,609	36	-	-	-	-
Equity options sold	6,835	-	196	-	-	-
Sub-total	8,444	36	196	-	-	-
Credit Derivatives						
Credit default swaps	9,292	82	109	2,422	77	-
Sub-total	9,292	82	109	2,422	77	-
Total	1,223,496	8,865	8,245	32,744	963	374
Balances arising from off-balance sheet financial instruments (see Other liabilities/Other assets Notes 20/33)		8,865 ^(a)	8,245			

Amount under \$500,000

(a) These gross position fair value are subject to certain valuation adjustments to reflect possible price adjustments to the market value (Note 2.14.2).

(b) Include fair value of interest rate swaps used to hedge the subordinated debts issued by DBS Bank and DBS Capital Funding Corporation (Note 38).

The contractual or underlying principal amounts of derivative financial instruments of bank and non-bank counterparties amounted to \$1,261 billion (2003: \$1,033 billion) and \$258 billion (2003: \$223 billion) respectively.

37. FINANCIAL INSTRUMENTS – USAGE AND RISK MANAGEMENT

37.1 USE OF FINANCIAL INSTRUMENTS

DBSH Group's activities include the use of financial instruments. The Group accepts deposits from customers at both fixed and floating rates and for varying periods and seeks to earn above average interest margins by investing these funds in high quality assets. DBSH Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates while maintaining interest rate risk within targets as well as sufficient liquidity to meet all due obligations.

DBSH 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 commodity rates and prices. These positions can be for its own dealing purposes or as part of its services to meet customers' needs. Trading limits on the daily level of market risk exposure that can be taken are set by the Board of Directors and monitored by DBS Bank's Group Risk Department. With the exception of specific hedging arrangements, exposures associated with these derivatives are normally offset by entering into counter balancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions and the net amount of market risk taken. DBSH Group's investment portfolio comprises mainly highly rated 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.

37.2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

DBSH Group has set up objectives and policies to manage the risks that arise in connection with the use of financial instruments. Business units have primary responsibility for managing specific risk exposures while Group Risk exercises independent oversight on risk management for DBSH Group as a whole.

37.2.1 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. DBSH Group's trading and investment market risk appetite is determined by the Board of Directors, with detailed limit frameworks governing the different activities approved by the Board Risk Management Committee of DBSH. The principal risk measures and controls on market risk are Value at Risk ("VaR") and stress loss. VaR expresses the potential loss on the current portfolio assuming a specified time horizon before positions can be adjusted (holding period), and measured to a specified level of confidence, based on historical market movements. Stress loss is assessed against a set of forward-looking scenarios using stress moves in the market variables. At the business unit operations level, trading exposures are measured and controlled by various market risk limits (such as stop loss and time bucket concentration limits). 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. The Group Asset and Liability Management Committee oversees structural interest rate risk arising from mismatches in DBSH Group's customer loans and deposits, and structural foreign exchange risk.

37.2.2 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. It results primarily from the timing mismatch in re-pricing of interest-bearing assets and liabilities. DBSH Group manages its interest rate risk by changing 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 DBSH Group's assets and liabilities at carrying amounts, 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 DBSH 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	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Non- interest bearing	Total
December 31, 2004								
Cash, and balances and placements with central banks and banks	3,398	9,463	12,433	7,188	77	136	2,952	35,647
Securities ^(a)	980	2,253	6,476	5,290	10,889	19,289	1,920	47,097
Loans to, and bills receivable from, non-bank customers	14,972	29,171	9,821	11,637	1,880	1,746	437	69,664
Other assets ^(b)	-	-	-	-	-	-	23,145	23,145
Total assets	19,350	40,887	28,730	24,115	12,846	21,171	28,454	175,553
Subordinated term debts	-	-	-	-	427	5,937	-	6,364
Deposits and balances of banks	3,968	2,661	2,535	1,614	85	7	69	10,939
Deposits and other accounts of non-bank customers	73,786	19,161	5,936	5,505	2,498	6,320	-	113,206
Other liabilities ^(c)	618	1,345	1,586	1,389	1,377	1,721	19,378	27,414
Total liabilities	78,372	23,167	10,057	8,508	4,387	13,985	19,447	157,923
Minority interests	-	-	-	-	-	-	1,128	1,128
Equity	-	-	-	-	-	-	16,502	16,502
Total liabilities and equity	78,372	23,167	10,057	8,508	4,387	13,985	37,077	175,553
On-balance sheet interest rate gap	(59,022)	17,720	18,673	15,607	8,459	7,186	(8,623)	-
Off-balance sheet interest rate gap								
- Financial derivatives	5,771	6,763	11,633	(10,622)	(13,136)	(409)	-	-

(a) Securities include Singapore Government securities and treasury bills, trading securities and investment securities.

(b) Other assets include associated and joint venture companies, goodwill, fixed assets and other assets.

(c) Other liabilities include debt securities issued, other borrowings, bills payable, current and deferred taxation and other liabilities.

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In \$ millions	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Non- interest bearing	Total
December 31, 2003								
Cash, and balances and placements								
with central banks and banks	5,763	10,768	8,026	6,209	–	–	1,713	32,479
Securities ^(a)	943	1,726	3,989	4,842	8,669	19,019	1,511	40,699
Loans to, and bills receivable								
from, non-bank customers	15,198	27,871	8,069	9,677	1,676	1,006	838	64,335
Other assets ^(b)	–	–	–	–	–	–	22,082	22,082
Total assets	21,904	40,365	20,084	20,728	10,345	20,025	26,144	159,595
Subordinated term debts	–	–	6	19	49	5,404	215	5,693
Deposits and balances of banks	1,834	2,179	1,467	1,167	850	–	–	7,497
Deposits and other accounts								
of non-bank customers	68,215	17,559	8,068	5,489	2,707	6,003	–	108,041
Other liabilities ^(c)	78	918	1,368	1,104	1,212	918	16,745	22,343
Total liabilities	70,127	20,656	10,909	7,779	4,818	12,325	16,960	143,574
Minority interests	–	–	–	–	–	–	1,125	1,125
Equity	–	–	–	–	–	–	14,896	14,896
Total liabilities and equity	70,127	20,656	10,909	7,779	4,818	12,325	32,981	159,595
On-balance sheet interest rate gap	(48,223)	19,709	9,175	12,949	5,527	7,700	(6,837)	–
Off-balance sheet interest rate gap								
– Financial derivatives	8,272	588	(5,656)	(1,263)	635	(2,576)	–	–

(a) Securities include Singapore Government securities and treasury bills, trading securities and investment securities.

(b) Other assets include associated and joint venture companies, goodwill, fixed assets and other assets.

(c) Other liabilities include debt securities issued, other borrowings, bills payable, current and deferred taxation and other liabilities.

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

	Singapore Dollar %	US Dollar %	Hong Kong Dollar %
December 31, 2004			
Assets			
Cash, and balances and placements with central banks	0	0	0
Securities ^(a)	1.24 – 3.94	2.62 – 4.04	1.23 – 5.14
Balances, placements with, and loans to banks	1.26 – 1.34	2.06 – 2.31	0.46
Loans to, and bills receivable from, non-bank customers	2.77 – 4.07	2.70 – 5.11	2.87 – 11.84
Liabilities			
Subordinated term debts	5.35	5.00 – 7.88	Not applicable
Deposits and balances of banks	1.02 – 1.06	2.15 – 2.18	0.43
Deposits and other accounts of non-bank customers	0 – 0.33	0.58 – 1.60	0.09 – 0.73
December 31, 2003			
Assets			
Cash, and balances and placements with central banks	0	0	0
Securities ^(a)	0.56 – 3.72	2.65 – 3.52	1.15 – 5.57
Balances, placements with, and loans to banks	0.59 – 0.76	1.00 – 1.20	0.35
Loans to, and bills receivable from, non-bank customers	2.98 – 3.34	2.67 – 3.92	3.34 – 11.85
Liabilities			
Subordinated term debts	5.35	7.13 – 7.88	Not applicable
Deposits and balances of banks	0.21 – 0.53	1.08 – 1.21	0.14
Deposits and other accounts of non-bank customers	0 – 0.49	0.01 – 0.79	0.01 – 0.78

(a) Securities include Singapore Government securities and treasury bills, trading debt securities and investment securities. Excludes trading and investment equities.

37.2.3 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 DBSH Group's assets and liabilities at carrying amounts, categorised by currency.

In \$ millions	Singapore Dollar	US Dollar	Hong Kong Dollar	Thai Baht	Others	Total
December 31, 2004						
Cash, and balances and placements						
with central banks and banks	13,582	15,087	2,125	40	4,813	35,647
Securities ^(a)	13,285	19,069	3,751	18	10,974	47,097
Loans to, and bills receivable						
from, non-bank customers	31,829	11,809	21,438	29	4,559	69,664
Other assets ^(b)	12,560	6,280	3,232	59	1,014	23,145
Total assets	71,256	52,245	30,546	146	21,360	175,553
Subordinated term debts	100	6,264	-	-	-	6,364
Deposits and balances of banks	727	7,781	821	1	1,609	10,939
Deposits and other accounts of non-bank customers	62,052	23,709	17,900	29	9,516	113,206
Other liabilities ^(c)	5,740	7,225	9,030	73	5,346	27,414
Total liabilities	68,619	44,979	27,751	103	16,471	157,923
Minority interests	1,128	-	-	-	-	1,128
Equity	16,502	-	-	-	-	16,502
Total liabilities and equity	86,249	44,979	27,751	103	16,471	175,553
Net on-balance sheet position	(14,993)	7,266	2,795	43	4,889	-
Net off-balance sheet position	15,203	(9,272)	(1,958)	(487)	(3,486)	-

(a) Securities include Singapore Government securities and treasury bills, trading securities and investment securities.

(b) Other assets include associated and joint venture companies, goodwill, fixed assets and other assets.

(c) Other liabilities include debt securities issued, other borrowings, bills payable, current and deferred taxation and other liabilities.

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In \$ millions	Singapore Dollar	US Dollar	Hong Kong Dollar	Thai Baht	Others	Total
December 31, 2003						
Cash, and balances and placements						
with central banks and banks	7,427	18,641	1,263	184	4,964	32,479
Securities ^(a)	14,031	15,467	3,383	436	7,382	40,699
Loans to, and bills receivable						
from, non-bank customers	28,232	8,660	19,941	2,958	4,544	64,335
Other assets ^(b)	11,589	4,992	4,060	602	839	22,082
Total assets	61,279	47,760	28,647	4,180	17,729	159,595
Subordinated term debts	100	5,247	–	346	–	5,693
Deposits and balances of banks	334	4,854	210	13	2,086	7,497
Deposits and other accounts of non-bank customers	56,641	23,309	17,241	3,539	7,311	108,041
Other liabilities ^(c)	5,784	7,531	6,058	95	2,875	22,343
Total liabilities	62,859	40,941	23,509	3,993	12,272	143,574
Minority interests	1,125	–	–	–	–	1,125
Equity	14,896	–	–	–	–	14,896
Total liabilities and equity	78,880	40,941	23,509	3,993	12,272	159,595
Net on-balance sheet position	(17,601)	6,819	5,138	187	5,457	–
Net off-balance sheet position	15,556	(6,126)	(5,320)	29	(4,139)	–

(a) Securities include Singapore Government securities and treasury bills, trading securities and investment securities.

(b) Other assets include associated and joint venture companies, goodwill, fixed assets and other assets.

(c) Other liabilities include debt securities issued, other borrowings, bills payable, current and deferred taxation and other liabilities.

The table below analyses DBSH Group's net structural currency exposure at December 31:

In \$ millions	Net investments in overseas operations ^(a)	Borrowings which hedge the net investments ^(b)	Remaining structural currency exposures
Functional currency of the operation involved			
December 31, 2004			
US dollar	295	285	10
Hong Kong dollar	4,104	4,017	87
Thai baht	65	17	48
Others	1,027	508	519
Total	5,491	4,827	664
Functional currency of the operation involved			
December 31, 2003			
US dollar	203	195	8
Hong Kong dollar	3,621	3,531	90
Thai baht	(4)	(48)	44
Others	782	313	469
Total	4,602	3,991	611

(a) Refer to net tangible assets of subsidiary/associated companies and capital funds/retained earnings of overseas branches operations.

(b) Include forwards and non-deliverable forwards used to hedge the investments.

37.2.4 Credit Risk

Credit risk represents the loss which DBSH 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. DBSH Group is guided by a set of credit principles and policies embodied in its Core Credit Risk Policy, to which all extensions of credit must adhere. These principles and policies 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. DBSH Group also uses credit derivative instruments to manage its credit risk exposures through risk transfer to third parties.

37.2.4.1 Derivatives

At any one time, the credit exposure of derivatives transactions is limited to the positive mark-to-market value to DBSH Group, which in general is only a fraction of the derivative contract or notional amount used to express the volume of instruments. This credit exposure, together with potential exposures from market movements, is managed as part of the overall lending limits to the counterparties. Credit exposures on these instruments are usually unsecured, except where DBSH Group enters into collateralised margin transactions with counterparties.

37.2.4.2 Master Netting Arrangements

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

37.2.4.3 Credit Related Commitments

Guarantees and standby letters of credit, which represent undertakings that DBSH 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 DBSH 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. With respect to credit risk on commitments to extend credit, DBSH Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is usually less than the total unused commitments since most commitments to extend credit are contingent upon customers observing or meeting certain credit terms and conditions.

37.2.4.4 Non-performing Loans and Provisions

DBSH Group's policy is to establish, through charges against profit, a provision in respect of the estimated loss inherent in the lending book. The overall provision represent the aggregate amount by which management considers it necessary to write down its loan portfolio in order to state it in the balance sheet at its estimated ultimate net realisable value. Non-performing loans ("NPLs") are loans, contingent facilities and debt instruments classified as Substandard, Doubtful or Loss in accordance with MAS Notice 612, which determines the level of provisioning.

At December 31, 2004, DBSH Group's total non-performing loans amounted to \$1,919 million (2003: \$3,780 million). Out of the total NPLs, \$1,007 million (52%) [2003: \$1,854 million (49%)] were secured by collateral.

Details of DBSH Group's NPLs and provisions at December 31, 2004 are as follows:

In \$ millions	Singapore	Hong Kong	Regional Countries ^(b)	Other Countries	Total
December 31, 2004					
Non-Performing Loans (NPLs)	958	471	195	295	1,919
– Substandard	674	341	107	238	1,360
– Doubtful	80	51	–	38	169
– Loss	204	79	88	19	390
NPLs as a % of Group total assets	0.5%	0.3%	0.1%	0.2%	1.1%
Non-bank NPLs as a % of non-bank loans in the respective countries^(a)	2.2%	2.0%	5.6%	5.0%	2.5%
Total Cumulative Provisions	905	443	155	198	1,701
– Specific provisions	359	159	92	76	686
– General provisions	546	284	63	122	1,015
Total Cumulative Provisions as a % of:					
– Group total assets	0.5%	0.3%	0.1%	0.1%	1.0%
– NPLs in the respective countries	94%	94%	80%	67%	89%
– Unsecured NPLs in the respective countries	221%	257%	149%	87%	186%

(a) Computed based on total non-bank customer NPLs (excluding non-performing debt securities and contingent items) divided by total gross non-bank customer loans.

(b) Regional countries include Malaysia, Indonesia, Thailand, Korea and the Philippines.

Details of DBSH Group's NPLs and provisions at December 31, 2003 are as follows:

In \$ millions	Regional Countries ^(b)					Total
	Singapore	Hong Kong	DTDB ^(c)	Others	Other Countries	
December 31, 2003						
Non-Performing Loans (NPLs)	1,255	643	1,044	501	337	3,780
– Substandard	842	475	839	352	269	2,777
– Doubtful	42	66	20	49	27	204
– Loss	371	102	185	100	41	799
NPLs as a % of Group total assets	0.8%	0.4%	0.7%	0.3%	0.2%	2.4%
Non-bank NPLs as a % of non-bank loans in the respective countries ^(a)	3.3%	2.9%	28.8%	19.0%	8.5%	5.2%
Total Cumulative Provisions	851	418	561	389	168	2,387
– Specific provisions	475	190	378	193	87	1,323
– General provisions	376	228	183	196	81	1,064
Total Cumulative Provisions as a % of:						
– Group total assets	0.5%	0.3%	0.4%	0.2%	0.1%	1.5%
– NPLs in the respective countries	68%	65%	54%	78%	50%	63%
– Unsecured NPLs in the respective countries	173%	180%	105%	111%	53%	124%

(a) Computed based on total non-bank customer NPLs (excluding non-performing debt securities and contingent items) divided by total gross non-bank customer loans.

(b) Regional countries include Malaysia, Indonesia, Thailand, Korea and the Philippines.

(c) Includes special general provisions for regional exposures and additional specific provisions for DTDB's loans, which are booked in Singapore. DTDB was de-consolidated on June 25, 2004.

37.2.4.5 Ageing of Non-performing Loans

The following table shows the ageing of the non-performing loans of DBSH Group at December 31:

In \$ millions	DBSH Group	
	2004	2003
Non-default	744	1,695
Default loans	1,175	2,085
Less than 3 months	339	448
Over 3 months and less than 6 months	157	255
Over 6 months	679	1,382
Total	1,919	3,780

37.2.5 Concentration Risk

DBSH Group's risk management processes also ensure that an acceptable level of risk diversification is maintained across DBSH 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 action is taken if limits are breached.

37.2.5.1 Exposures to Malaysia, Indonesia, Thailand, Korea and the Philippines (Regional Countries), Hong Kong and China

At December 31, 2004, DBSH Group has exposures to certain countries in the Asia Pacific region. The exposures are determined based on the location of the credit risk of the customers and counterparties regardless of where the transactions are booked.

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The DBSH Group's exposures (assets and non-performing loans) to the Regional Countries, Hong Kong and China at December 31, 2004 are as follows:

In \$ millions	Loans and debt securities				Less:	Net exposure		
	Bank	Central Banks & Govt. Securities	Non-Bank ^(a)	Investments	Intercompany Loans/ Investments in Financial Subsidiaries/ Overseas Branches	Amount	As a % of Total Assets	NPLs ^(b)
Assets in	(1)	(2)	(3)	(4)	(5)	(6)=(1+2+3+4-5)	(7)	
Total Regional Countries	6,092	1,999	3,808	1,307	2,137	11,069	6.3%	195
Malaysia	2,064	255	1,794	81	1,357	2,837	1.6%	136
Indonesia	464	285	673	68	165	1,325	0.7%	25
Thailand (excluding DTDB)	184	49	81	406	39	681	0.4%	34
Korea	3,194	1,230	1,144	18	575	5,011	2.9%	-
The Philippines	186	180	116	734	1	1,215	0.7%	#
Hong Kong	3,628	2,500	24,842	11,323	13,431	28,862	16.5%	471
China	2,114	73	1,137	66	821	2,569	1.5%	71
Total	11,834	4,572	29,787	12,696	16,389	42,500	24.3%	737

Amount under \$500,000.

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

(b) NPLs include classified bank loans, debt securities and contingent items.

The DBSH Group's exposures (assets and non-performing loans) to the Regional Countries, Hong Kong and China at December 31, 2003 are as follows:

In \$ millions	Loans and debt securities				Less:	Net exposure		
	Bank	Central Banks & Govt. Securities	Non-Bank ^(a)	Investments	Intercompany Loans/ Investments in Financial Subsidiaries/ Overseas Branches	Amount	As a % of Total Assets	NPLs ^(b)
Assets in	(1)	(2)	(3)	(4)	(5)	(6)=(1+2+3+4-5)	(7)	
Total Regional Countries	5,016	1,104	6,395	955	1,954	11,516	7.3%	1,545
Malaysia	1,280	13	1,356	90	1,034	1,705	1.1%	233
Indonesia	126	56	365	73	128	492	0.3%	55
Thailand (excluding DTDB)	231	9	221	63	214	310	0.2%	188
Korea	3,326	531	885	1	577	4,166	2.6%	17
The Philippines	46	149	103	604	1	901	0.6%	8
DTDB ^(c)	7	346	3,465	124	-	3,942	2.5%	1,044
Hong Kong	2,457	2,013	23,235	11,935	13,238	26,402	16.5%	643
China	965	24	692	21	393	1,309	0.8%	130
Total	8,438	3,141	30,322	12,911	15,585	39,227	24.6%	2,318

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

(b) NPLs include classified bank loans, contingent facilities and debt instruments.

(c) DTDB was de-consolidated on June 25, 2004.

37.2.5.2 Industry Analysis of Non-performing Loans

The following table shows the industry breakdown of the non-performing loans of DBSH Group at December 31:

In \$ millions	DBSH Group			
	2004 Outstanding	2004 Specific Provisions	2003 Outstanding	2003 Specific Provisions
Non-performing customer loans				
Manufacturing	365	175	894	360
Building and Construction	237	58	414	98
Housing Loans	253	67	333	90
General Commerce	186	75	573	287
Transportation, Storage and Communications	27	10	98	25
Financial Institutions, Investment and Holding Companies	201	58	199	65
Professionals and Private Individuals (except Housing Loans)	239	105	276	133
Others	255	78	695	165
Sub-total	1,763	626	3,482	1,223
Non-performing debt securities	138	52	184	73
Non-performing contingent items	18	8	114	27
Total	1,919	686	3,780	1,323

37.2.6 Liquidity Risk

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting its financial obligations. DBSH Group's objective in liquidity management is to ensure that there is sufficient liquidity to meet obligations under normal as well as adverse circumstances and take advantage of lending and investment opportunities as they arise. As part of its liquidity risk management, DBSH Group focuses on a number of components, including limits on behavioural maturity mismatches, key ratios, diversification of funding sources, liquid assets, funding capacity and contingency planning.

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The table below analyses assets and liabilities of DBSH Group based on the remaining period at balance sheet date to the contractual maturity date. However, contractual terms are not representative of the behaviour 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
December 31, 2004								
Cash, and balances and placements with central banks and banks	5,452	9,455	12,111	7,003	523	333	770	35,647
Securities ^(a)	14,040	766	1,893	4,735	12,270	11,474	1,919	47,097
Loans to, and bills receivable from, non-bank customers	7,881	6,288	7,764	7,672	10,712	29,326	21	69,664
Other assets ^(b)	486	26	6	21	31	34	22,541	23,145
Total assets	27,859	16,535	21,774	19,431	23,536	41,167	25,251	175,553
Subordinated term debts	-	-	-	-	427	5,937	-	6,364
Deposits and balances of banks	4,063	2,246	2,272	1,563	486	309	-	10,939
Deposits and other accounts of non-bank customers	73,786	19,161	5,936	5,505	2,498	6,320	-	113,206
Other liabilities ^(c)	1,441	1,906	1,364	1,889	2,926	6,026	11,862	27,414
Total liabilities	79,290	23,313	9,572	8,957	6,337	18,592	11,862	157,923
Minority interests	-	-	-	-	-	-	1,128	1,128
Equity	-	-	-	-	-	-	16,502	16,502
Total liabilities and equity	79,290	23,313	9,572	8,957	6,337	18,592	29,492	175,553
Net liquidity gap	(51,431)	(6,778)	12,202	10,474	17,199	22,575	(4,241)	-

(a) Securities include Singapore Government securities and treasury bills, trading securities and investment securities.

(b) Other assets include associated and joint venture companies, goodwill, fixed assets and other assets.

(c) Other liabilities include debt securities issued, other borrowings, bills payable, current and deferred taxation and other liabilities.

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In \$ millions	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	No specific maturity	Total
December 31, 2003								
Cash, and balances and placements with central banks and banks	7,338	10,737	7,068	6,828	394	19	95	32,479
Securities ^(a)	6,589	664	1,142	4,242	9,181	17,780	1,101	40,699
Loans to, and bills receivable from, non-bank customers	7,005	5,151	5,223	7,384	10,657	28,915	-	64,335
Other assets ^(b)	251	-	-	-	-	-	21,831	22,082
Total assets	21,183	16,552	13,433	18,454	20,232	46,714	23,027	159,595
Subordinated term debts	-	-	6	19	49	5,404	215	5,693
Deposits and balances of banks	1,894	2,125	1,464	1,158	850	6	-	7,497
Deposits and other accounts of non-bank customers	68,215	17,559	8,068	5,489	2,707	6,003	-	108,041
Other liabilities ^(c)	293	472	376	1,492	1,940	1,775	15,995	22,343
Total liabilities	70,402	20,156	9,914	8,158	5,546	13,188	16,210	143,574
Minority interests	-	-	-	-	-	-	1,125	1,125
Equity	-	-	-	-	-	-	14,896	14,896
Total liabilities and equity	70,402	20,156	9,914	8,158	5,546	13,188	32,231	159,595
Net liquidity gap	(49,219)	(3,604)	3,519	10,296	14,686	33,526	(9,204)	-

(a) Securities include Singapore Government securities and treasury bills, trading securities and investment securities.

(b) Other assets include associated and joint venture companies, goodwill, fixed assets and other assets.

(c) Other liabilities include debt securities issued, other borrowings, bills payable, current and deferred taxation and other liabilities.

38. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Financial instruments comprise financial assets, financial liabilities and also off-balance sheet financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents estimates of fair values as at the balance sheet date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

In addition, fair value information for non-financial assets and liabilities is excluded as they do not fall within the scope of FRS 32, which requires the fair value information to be disclosed. These include fixed assets and intangibles.

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Except for loans to and bills receivable from customers, the following table summarises the carrying amounts and fair values of DBSH Group's financial assets and liabilities. DBSH Group has computed the fair values of loans to and bills receivable from customers, taking into account the relevant market interest rates and credit spread by product types and noted that the total fair value is not materially different from the total carrying amount at year-end.

In \$ millions	DBSH Group			
	2004		2003	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash, and balances and placements with central banks and banks	35,647	35,639	32,479	32,500
Securities	47,097	47,676	40,699	41,167
Financial liabilities				
Deposits and balances of banks	10,939	10,946	7,497	7,499
Deposits and other accounts of non-bank customers	113,206	113,172	108,041	108,045
Other borrowings, debt securities issued and bills payable	7,883	7,883	5,967	5,967
Subordinated term debts	6,364	6,902	5,693	6,384

Cash, and balances and placements with central banks and 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.

Securities

Securities include Singapore Government securities and treasury bills, trading securities and investment securities. Fair value is based on the market prices or broker/dealer price quotations. Where market prices are not available, fair values are estimated based on validated internal valuation models. 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.

Deposits, and balances of banks and 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.

Other borrowings, debt securities and bills payable

The fair value approximates their carrying amounts.

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. A substantial portion of the fixed rate USD subordinated term debts issued by DBS Bank and DBS Capital Funding Corporation have been converted to floating rate via interest rate swaps. The difference between fair value and carrying amount will be largely offset by the corresponding fair value of hedging interest rate swaps (Note 36.2).

39. ASSETS PLEDGED

The aggregate carrying amounts of assets that have been mortgaged or pledged in the normal course of business to secure the liabilities of DBSH Group have been disclosed under Notes 21.2.5 to 21.2.10. In addition, securities sold under repurchase agreements at December 31, 2004 was \$4,639 million (2003: \$3,329 million).

40. SEGMENTAL ANALYSIS

40.1 BUSINESS SEGMENT ANALYSIS

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 the customer/other segments.

The various customer segments are described below:

- Consumer Banking

Consumer Banking focuses on providing products and services to individual customers. The products and services offered to customers include credit facilities (mortgage, personal loans, etc.), credit cards, deposit collection, remittance services, and asset management products.

- Enterprise Banking

Enterprise Banking focuses on providing products and services to small and medium enterprises. The products and services offered to customers include credit facilities (overdraft, factoring/accounts receivable purchase, trade financing, commercial/industrial property financing, hire purchase and government financing and assistance schemes), deposit, payment and collection services and treasury products.

- Investment Banking

Investment Banking caters to the business needs of large corporate customers and financial institutions. The products and services offered to customers include direct lending, advisory banking services, bond issuance, equity financing, syndicated financing, mergers and acquisitions advisory services, debt restructuring advisory services, private equity, nominee and trustee services and cash management services.

- Treasury and Markets

Treasury and Markets is primarily involved in market making, structuring and trading of financial products including foreign exchange, securities and interest rate/credit/equity/foreign exchange derivatives. Income from treasury products and services relating to customers of other segments is reflected in the respective customer segments.

The other segments of the analysis are:

- Funding Portfolio

The Funding Portfolio managed by Treasury and Markets is the net aggregate of the Group's interest earning assets and interest bearing liabilities. The income generated from this portfolio is predominantly interest in nature.

- 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 the central treasury unit, funding costs of DBSH Group's associated and subsidiary companies and gains/losses on properties as well as certain subsidiaries including stock brokerage and asset management.

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The following tables analyse the results, total assets and total liabilities by business segments:

In \$ millions	DBSH Group						Total
	Consumer Banking	Enterprise Banking	Investment Banking	Treasury and Markets ^(a)	Funding Portfolio ^(a)	Central Operations	
2004							
Income before operating expenses	1,566	735	703	394	346	1,184	4,928
Operating profit before provisions, taxation and goodwill amortisation	653	484	450	288	212	835	2,922
Net profit before taxation and goodwill amortisation	571	366	500	288	232	995	2,952
Taxation	(105)	(67)	(86)	(47)	(37)	(100)	(442)
Net profit after taxation and before goodwill amortisation	462	304	415	241	194	842	2,458
Goodwill amortisation							(440)
Net profit attributable to members							2,018
<u>Other Information</u>							
Total assets before goodwill	28,156	15,957	30,698	29,506	37,001	27,304	168,622
Goodwill							6,931
Total assets							175,553
Total liabilities	65,156	15,164	14,453	19,094	19,411	24,645	157,923
Capital expenditure	13	7	4	5	4	67	100
Depreciation	30	14	4	7	7	85	147
2003							
Income before operating expenses	1,441	631	668	496	332	630	4,198
Operating profit before provisions, taxation and goodwill amortisation	601	397	452	367	233	307	2,357
Net profit before taxation and goodwill amortisation	422	286	364	367	248	180	1,867
Taxation	(87)	(56)	(48)	(63)	(41)	(54)	(349)
Net profit after taxation and before goodwill amortisation	336	231	317	302	203	66	1,455
Goodwill amortisation							(430)
Net profit attributable to members							1,025
<u>Other Information</u>							
Total assets before goodwill	27,569	13,871	27,790	19,738	35,088	28,168	152,224
Goodwill							7,371
Total assets							159,595
Total liabilities	65,853	13,987	13,164	13,561	13,228	23,781	143,574
Capital expenditure	13	7	9	4	3	49	85
Depreciation	37	13	6	8	6	98	168

(a) Operating expenses and provisions have been determined by pro-rating between Treasury and Markets and the Funding Portfolio based on the share of income before operating expenses.

40.2 GEOGRAPHICAL SEGMENT ANALYSIS

DBSH Group operates in four main geographical areas:

- "Singapore", which includes the operations of the Asian Currency Unit.
- "Hong Kong", which includes branch and subsidiary operations in Hong Kong.
- "Regional countries", which includes branch and subsidiary operations in Malaysia, Indonesia, Thailand, Korea and the Philippines.
- "Rest of the world", which are mainly branch operations in China, India, Taiwan, United States and United Kingdom.

Singapore and Hong Kong contributed 66% and 28% (2003: 60% and 32%) of the consolidated income before operating expenses, and 68% and 24% (2003: 64% and 24%) of total assets (excluding goodwill), respectively.

Income before operating expenses and net profit attributable to members 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 before operating expenses and net profit attributable to members are stated after elimination of inter-group assets and revenues.

The following tables analyse total assets, income before operating expenses and net profit attributable to members by geographical segments:

In \$ millions	Total assets	Income before operating expenses	Net profit attributable to members
2004			
Singapore	115,516	3,270	1,728
Hong Kong	40,046	1,361	625
Regional countries	4,362	178	77
Rest of the world	8,698	119	28
Sub-total	168,622	4,928	2,458
Goodwill	6,931	-	(440)
Total	175,553	4,928	2,018
2003			
Singapore ^(a)	97,655	2,520	863
Hong Kong	39,101	1,337	486
Regional countries ^(a)	6,813	249	68
Rest of the world	8,655	92	38
Sub-total	152,224	4,198	1,455
Goodwill	7,371	-	(430)
Total	159,595	4,198	1,025

(a) Special general provisions for regional exposures and additional provisions for DTDB's loans are booked in Singapore.

41. RELATED PARTY TRANSACTIONS

41.1 During the financial year, DBSH Group has banking transactions with related parties, consisting of associated companies, joint ventures, directors and key management personnel of the DBSH Group. These include deposit taking, loans and credit card facilities. These transactions are 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 in respect of their services rendered during the financial year. Non-cash benefits which include share options and performance shares were also granted.

41.2 DIRECTORS AND KEY MANAGEMENT PERSONNEL REMUNERATION AND FEES

Total remuneration and fees paid to DBSH Directors and directors of subsidiary companies, as well as key management personnel were as follows:

In \$ millions	DBSH Group	
	2004	2003
Remuneration of DBSH directors	11	8
Remuneration of directors of subsidiary companies	13	19
Fees of DBSH directors	1	1
Fees of directors of subsidiary companies	#	#
Total directors' remuneration and fees	25	28
Remuneration of key management personnel ^(a)	11	8
Total remuneration and fees	36	36

Amount under \$500,000

(a) Refers to members of the Management Committee, excluding members who are also DBSH/DBS Bank Directors.

41.3 SHARE OPTIONS GRANTED TO DBSH DIRECTORS AND KEY MANAGEMENT PERSONNEL

The aggregate number of share options granted to DBSH Directors and key management personnel during the financial year were 76,000 and 190,000 (2003: 143,100 and 340,500) respectively. The share options were granted on the same terms and conditions as those offered to other employees of DBSH Group. The outstanding number of share options granted to DBSH Directors and key management personnel at the end of the financial year were 781,225 and 1,454,150 (2003: 705,225 and 1,269,150) respectively.

41.4 PERFORMANCE SHARES GRANTED TO DBSH DIRECTORS AND KEY MANAGEMENT PERSONNEL

During the financial year, 33,940 and 66,190 (2003: 76,930 and 35,250) awards in respect of DBSH ordinary shares were granted to DBSH Directors and key management personnel respectively. The award numbers represent a 100% payout. The payout at the end of the performance period could range from a minimum of 50% of the shares awarded to 200%, dependent on the DBSH Group's performance vis-a-vis target performance levels measured by return on equity.

Profit and Loss Account

In \$ millions	Note	Year ended December 31	
		2004	2003
Interest income		2,712	2,228
Less: Interest expense		1,051	775
Net interest income		1,661	1,453
Fee and commission income		523	457
Dividend income	2	121	109
Rental income		21	20
Other income		1,179	651
Income before operating expenses		3,505	2,690
Less: Staff costs		606	500
Other operating expenses		629	550
Operating expenses		1,235	1,050
Operating profit before provisions		2,270	1,640
Less: Provision for possible loan losses and diminution in value of other assets		1	643
Net profit before taxation		2,269	997
Less: Taxation		332	255
Net profit after taxation		1,937	742

(see notes on pages 145 to 147, which form part of these financial statements)

Balance Sheet

As at December 31

In \$ millions	Note	2004	2003
Share capital and reserves			
Share capital	3	1,962	1,962
Reserves			
Share premium account	4.1	10,134	10,134
Non-distributable reserves	4.2	2,454	2,313
Revenue reserve	5	3,205	1,841
		15,793	14,288
Shareholders' funds		17,755	16,250
Liabilities			
Deposits and balances of banks		10,120	7,199
Deposits and other accounts of non-bank customers		84,891	77,293
Bills payable		265	275
Current taxation		552	433
Other liabilities		15,439	12,015
Other borrowings		362	376
Other debt securities in issue		3,295	2,382
Due to holding company		65	30
Due to subsidiary companies	6	2,420	2,227
Due to related companies		5	5
Subordinated term debts		4,654	3,571
Total liabilities and shareholders' funds		139,823	122,056
Assets			
Cash, and balances and placements with central banks		10,218	4,861
Singapore Government securities and treasury bills		11,194	11,438
Trading securities		10,533	5,548
Balances, placements with, and loans and advances to banks		19,658	21,768
Bills receivable from non-bank customers		2,073	1,051
Loans and advances to non-bank customers		44,948	39,382
Investment securities		15,241	14,469
Subsidiary companies		12,147	12,276
Associated and joint venture companies	7	595	613
Fixed assets		614	645
Deferred tax assets		94	115
Other assets		12,508	9,890
Total assets		139,823	122,056
Off-balance sheet items			
Contingent liabilities		7,095	5,494
Commitments		58,203	47,661
Financial derivatives		1,512,169	1,225,945

(see notes on pages 145 to 147, which form part of these financial statements)

Notes to the Supplementary Financial Statements

The supplementary financial statements of DBS Bank Ltd ("DBS Bank") are extracted from the Audited Statutory Accounts of DBS Bank for the financial year ended December 31, 2004. The statutory accounts of DBS Bank, which contained an unqualified audit report, will be delivered to the Accounting & Corporate Regulatory Authority in accordance with the Singapore Companies Act.

1. PRINCIPAL ACCOUNTING POLICIES

The accounting policies applied by DBS Bank are consistent with those applied on DBSH Group as disclosed in Note 2 of the "Notes to the consolidated financial statements" ("DBSH Notes") in DBSH Consolidated Financial Statements.

2. DIVIDEND INCOME

In \$ millions	2004	2003
Dividends (gross) from subsidiary companies	26	34
Dividends (gross) from associated companies	32	33
Dividends (gross) from other investments	63	42
Total	121	109

3. SHARE CAPITAL

In \$ millions	2004	2003
Authorised		
2,000,000,000 ordinary shares of S\$1 each	2,000	2,000
600,000,000 non-redeemable convertible preference shares of S\$2 each	1,200	1,200
300,000,000 non-voting convertible preference shares of S\$1 each	300	300
800,000 non-cumulative redeemable non-convertible perpetual preference shares of US\$0.01 each and each with a liquidation preference of US\$1,000	#	#
17,500 non-cumulative redeemable non-convertible perpetual preference shares of S\$0.01 each and each with a liquidation preference of S\$10,000	#	#
1,100,000,000 non-cumulative non-convertible perpetual preference shares of S\$0.01 each and each with a liquidation preference of S\$100	11	11
	1,511	1,511
Total Issued and Paid-up Capital		
1,962,302,697 (2003: 1,962,302,697) ordinary shares of S\$1 each	1,962	1,962
11,000,000 (2003: 11,000,000) non-cumulative non-convertible perpetual preference shares S\$0.01each	#	#
Total	1,962	1,962
# Amount under \$500,000		

4. RESERVES

4.1 SHARE PREMIUM ACCOUNT

In \$ millions	2004	2003
Balance at January 1 and December 31	10,134	10,134

4.2 NON-DISTRIBUTABLE RESERVES

Non-distributable reserves comprise the following:

In \$ millions	DBS Bank 2004		Total
	General reserve ^(a)	Capital reserve ^(b)	
Balance at January 1, 2004	2,136	177	2,313
Appropriation from profit and loss account (Note 5)	97	-	97
Net exchange translation adjustments during the year	-	44	44
Balance at December 31, 2004	2,233	221	2,454

In \$ millions	DBS Bank 2003		Total
	General reserve ^(a)	Capital reserve ^(b)	
Balance at January 1, 2003	1,951	110	2,061
Appropriation from profit and loss account (Note 5)	185	-	185
Net exchange translation adjustments during the year	-	67	67
Balance at December 31, 2003	2,136	177	2,313

(a) The appropriation from profit and loss account relates to the amounts transferred to the Reserve Fund to comply with the Banking Act.

(b) The Capital reserve included net exchange translation adjustments arising from translation differences on opening net investments in foreign subsidiary companies, associated companies and branches, and the related foreign currency borrowings designated as a hedge.

5. REVENUE RESERVE

In \$ millions	2004	2003
Balance at January 1	1,841	1,506
Net profit after taxation	1,937	742
Transfer to general reserve (Note 4.2)	(97)	(185)
Amount available for distribution	3,681	2,063
Less: 21.58% (2003: 8.66%) tax exempt ordinary dividends	423	170
6% on preference dividends of net of 20% (2003: 22%) tax paid	53	52
Balance at December 31	3,205	1,841

6. DUE TO SUBSIDIARY COMPANIES

In \$ millions	2004	2003
Subordinated term debts	1,283	1,331
Amounts due to subsidiary companies	1,137	896
Total	2,420	2,227

The subordinated term debts issued on March 21, 2001 comprised the Series A Subordinated Note of US\$725 million and the Series B Subordinated Note of S\$100 million, and mature on March 15, 2051. The notes were issued by DBS Bank to DBS Capital Funding Corporation, both wholly-owned subsidiary companies of DBSH. Interest is payable in arrears on March 15 and September 15 each year at a fixed rate of 7.657% per annum (Series A) and 5.35% per annum (Series B), up to March 15, 2011. Thereafter, interest is payable quarterly in arrears on March 15, June 15, September 15 and December 15 each year at a floating rate of three-month London Interbank Offer Rate ("LIBOR") + 3.2% per annum (Series A) and three-month Singapore Swap Offer Rate + 2.52% per annum (Series B).

7. ASSOCIATED AND JOINT VENTURE COMPANIES

The investment in the Bank of Philippine Islands ("BPI") was purchased by DBS Bank in December 1999. In accordance to FRS 36, the Board and Management have made appropriate assessment of the investment value in BPI, using the higher of net selling price and value in use. In 2004, no impairment loss was recorded in the profit and loss account (2003: S\$309 million).

DBS Group Holdings Ltd & its Subsidiary Companies

Directors' Report

The Directors are pleased to submit their report to the Members together with the audited consolidated financial statements of DBS Group Holdings Ltd ("DBSH") for the financial year ended December 31, 2004, which have been prepared in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards.

BOARD OF DIRECTORS

The Directors in office at the date of this report are:

S Dhanabalan	-	Chairman
Jackson Tai	-	Vice Chairman & Chief Executive Officer
Frank Wong Kwong Shing	-	Chief Operating Officer
Bernard Chen Tien Lap		
Fock Siew Wah		
Gail D Fosler (Ms)		
Goh Geok Ling	-	(Appointed on May 3, 2004)
Kwa Chong Seng		
N R Narayana Murthy		
Leung Chun Ying		
Peter Ong Boon Kwee		
John Alan Ross		
Thean Lip Ping		
Wong Ngit Liong	-	(Appointed on May 3, 2004)

Messrs Jackson Tai, Bernard Chen Tien Lap, Fock Siew Wah, Gail D Fosler, Leung Chun Ying, Peter Ong Boon Kwee and John Alan Ross will retire at the forthcoming annual general meeting. Messrs Jackson Tai, Leung Chun Ying, Peter Ong Boon Kwee and John Alan Ross will offer themselves for re-election. Messrs Bernard Chen Tien Lap, Fock Siew Wah and Gail D Fosler will not offer themselves for re-election.

In accordance with Article 101 of DBSH's Articles of Association, Messrs Goh Geok Ling and Wong Ngit Liong will retire and, being eligible, will offer themselves for re-election pursuant to Article 101.

Mr Thean Lip Ping will retire pursuant to Section 153(2) of the Singapore Companies Act, Chapter 50. He will not be offering himself for re-election.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the financial year, was DBSH 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 DBSH or any other body corporate save as disclosed in this report under the headings "**DIRECTORS' INTEREST IN SHARES AND DEBENTURES**", "**SHARE OPTIONS**" and "**DBSH PERFORMANCE SHARE PLAN**".

DIRECTORS' INTEREST IN SHARES AND DEBENTURES

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

	Holdings in which Directors have a direct interest		Holdings in which Directors are deemed to have an interest	
	As at Dec 31 2004	As at Dec 31 2003 (or date of appointment if later)	As at Dec 31 2004	As at Dec 31 2003 (or date of appointment if later)
Ordinary Shares of par value S\$1.00 each				
S Dhanabalan	38,000	38,000	31,534	31,534
Jackson Tai	90,800	80,800	-	-
Frank Wong Kwong Shing	187,850	177,850	-	-
Bernard Chen Tien Lap	19,000	19,000	-	-
Fock Siew Wah	50,000	50,000	-	-
Gail D Fosler	3,400	3,400	-	-
Goh Geok Ling	2,100	-	-	-
Kwa Chong Seng	42,129	42,129	-	-
John Alan Ross	5,000	5,000	-	-
Thean Lip Ping	6,448	6,448	15,004	15,004
Unissued Ordinary Shares of par value S\$1.00 each under the DBSH Share Option Plan				
Jackson Tai	386,675	348,675	-	-
Frank Wong Kwong Shing	394,550	356,550	-	-
Number of DBS Bank 6% Non-Cumulative Non-Convertible Perpetual Preference Shares of par value S\$0.01 each				
S Dhanabalan	500	500	-	-
Jackson Tai	250	250	-	-
Thean Lip Ping	-	-	500	500
Wong Ngit Liong	6,000	6,000	-	-

There was no change in any of the above-mentioned interests between the end of the financial year and January 21, 2005.

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 DBSH and of DBSH Group.

DBSH SHARE OPTION PLAN

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

The movements of the unissued ordinary shares of DBSH of par value S\$1.00 each comprised 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	Subscription price per ordinary share	Date of expiration
	January 1, 2004	Granted	Exercised	Lapsed	December 31, 2004		
1999	3,801,036	-	319,902	124,351	3,356,783	S\$15.30	July 27, 2009
March 2000	1,586,200	-	-	89,200	1,497,000	S\$20.87	March 5, 2010
July 2000	1,114,600	-	-	52,600	1,062,000	S\$22.33	July 26, 2010
March 2001	11,625,000	-	-	952,000	10,673,000	S\$17.70	March 14, 2011
June 2001	21,000	-	-	-	21,000	S\$14.76	May 31, 2011
August 2001	1,414,000	-	422,000	56,000	936,000	S\$12.93	July 31, 2011
January 2002	50,500	-	-	-	50,500	S\$13.70	January 1, 2012
March 2002	11,776,240 ^(a)	-	788,030	736,000	10,252,210	S\$14.73	March 27, 2012
August 2002	1,215,000	-	178,200	140,100	896,700	S\$12.27	August 15, 2012
October 2002	9,260	-	-	-	9,260	S\$11.73	October 9, 2012
December 2002	20,000	-	-	-	20,000	S\$11.47	December 17, 2012
February 2003	13,526,200 ^(a)	-	1,581,540	947,230	10,997,430	S\$10.40	February 23, 2013
March 2003	15,000	-	-	-	15,000	S\$9.18	March 9, 2013
March 2004	-	7,494,000	-	531,500	6,962,500	S\$14.73	March 1, 2014
	46,174,036 ^(a)	7,494,000	3,289,672	3,628,981	46,749,383		

^(a) Restated since last reported at December 31, 2003 due to withdrawal of staff resignation in 2004.

Total options of 76,000 were granted to executive directors Mr Jackson Tai and Mr Frank Wong Kwong Shing during the financial year.

Information on the Option Plan, "March 2004 DBSH Options" granted under the Option Plan are as follows:

- (i) Options to subscribe for DBSH ordinary shares could be granted to 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 persons to whom the "March 2004 DBSH Options" have been granted may be eligible to participate in the DBSH Performance Share Plan or other equivalent plans, but shall not be eligible to participate in the DBSH Employee Share Plan or other equivalent plans.

- (ii) The dates of expiration of the "March 2004 DBSH Options" is March 1, 2014 unless they have been cancelled or have lapsed prior to that date.
- (iii) The subscription price for each share in respect of which a DBSH Option (other than "March 2004 DBSH Options") is exercisable is the average of the last dealt prices ("Market Price") for the DBSH shares, as determined by reference to the daily official list published by the Singapore Exchange Securities Trading Ltd ("SGX-ST"), for the three consecutive trading days immediately preceding the date of the grant.

- (iv) DBSH Options with subscription prices that are equal to the Market Price may be exercised, in whole or in part, one year after the date of the grant up to the date of expiration of the options, and in accordance with a vesting schedule to be determined by the Compensation Committee.
- (v) Adjustments may be made to the number of DBSH shares which may be acquired by a participant, or the subscription price or both, in the event of any variation in the issued ordinary share capital of 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.

Other than the DBSH Options granted under the Option Plan as disclosed herein, there were no outstanding 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 DBS Bank at an Extraordinary General Meeting of DBS Bank held on June 19, 1999. At an Extraordinary General Meeting held on September 18, 1999, the shareholders of DBSH adopted the DBSH Performance Share Plan (the "Performance Share Plan"), to replace the DBS Bank Performance Share Plan, following the restructuring of DBS Bank as a wholly owned subsidiary of DBSH.

During the financial year, awards in respect of an aggregate of 727,400 ordinary shares of par value S\$1.00 each were granted, pursuant to the DBSH Performance Share Plan, to selected employees of DBSH Group. This included 33,940 awards granted to executive directors Mr Jackson Tai and Mr Frank Wong Kwong Shing. The award numbers represent a 100% payout. The payout at the end of the performance period could range from a minimum of 50% of the shares awarded to 200%, dependent on the DBSH Group's performance vis-à-vis target performance levels measured by return on equity.

Information on the Performance Share Plan are as follows:

- (i) DBSH ordinary shares could be granted to 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 combinations thereof ("DBSH Awards"), when the prescribed performance targets are met. The DBSH Awards are granted at the absolute discretion of the Compensation Committee.
- (iii) The Performance Share Plan shall continue to be in force at the discretion of the Compensation Committee, subject to a maximum period of ten years commencing from September 18, 1999, provided always that the Performance Share Plan may continue beyond the above stipulated period with the approval of the shareholders of 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 DBSH shares which may be delivered (pursuant to DBSH Awards granted) under the Performance Share Plan, when added to the nominal amount of new DBSH 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 per cent of the issued share capital of DBSH on the day preceding the relevant date of the DBSH Award. The number of existing DBSH 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 DBSH shares to participants upon vesting of their DBSH Awards by way of an issue of new DBSH shares and/or the purchase of existing DBSH shares.

- (vii) The nominal amount, class and/or number of DBSH shares 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.

AUDIT COMMITTEE

The Audit Committee comprised non-executive directors Mr Bernard Chen Tien Lap (Chairman), Mr Goh Geok Ling and Mr Peter Ong Boon Kwee. As part of its functions, it assists the Board in discharging its responsibilities for the Group's financial announcements, internal control issues and regulatory compliance as well as to oversee the objectivity and effectiveness of the internal and external auditors.

In its review of the audited financial statements for the financial year ended December 31, 2004, the Audit Committee has discussed with management and the external auditors the accounting principles that were applied and their judgement on the items that might affect the financials. Based on the review and discussions with management and the external auditors, the Audit Committee is of the view that the financial statements are fairly presented in conformity with generally accepted accounting principles in all material aspects.

The Audit Committee has received the requisite information from Ernst & Young (E&Y) and has considered the financial, business and professional relationship between E&Y and DBSH Group. It is of the view that such relationship is compatible with maintaining E&Y's independence.

The Audit Committee recommends to the Board of Directors the re-appointment of E&Y as external auditors at the forthcoming Annual General Meeting of DBSH Group on April 29, 2005.

AUDITORS

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

On behalf of the Directors

S DHANABALAN

JACKSON TAI

February 18, 2005
Singapore

DBS Group Holdings Ltd & its Subsidiary Companies

Statement by the Directors

We, S Dhanabalan and Jackson Tai, being two of the Directors of DBS Group Holdings Ltd, state that, in the opinion of the Directors, the profit and loss account, balance sheet, the statement of changes in shareholders' equity and the cash flow statement and, together with the notes thereon as set out on pages 76 to 142, are drawn up so as to give a true and fair view of the state of affairs of DBSH and of DBSH Group, consisting of DBSH and its subsidiary companies, at December 31, 2004, the results, changes in equity and cash flows of DBSH Group for the financial year ended on that date and there are reasonable grounds to believe that DBSH and DBSH Group will be able to pay their debts as and when they fall due.

On behalf of the Directors

S DHANABALAN

JACKSON TAI

February 18, 2005
Singapore

DBS Group Holdings Ltd & its Subsidiary Companies

Report of the Auditors

To the members of DBS Group Holdings Ltd (Incorporated in Singapore)

We have audited the accompanying financial statements of DBS Group Holdings Ltd ("the Company") and its subsidiaries ("the Group") set out on pages 71 to 142 for the year ended December 31, 2004. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 ("the Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company at December 31, 2004, the results, changes in equity and cash flows of the Group for the financial year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young

Certified Public Accountants

February 18, 2005
Singapore

DBS Group Holdings Ltd & its Subsidiary Companies

Ten-Year Summary of Operations of DBSH Group

	2004	2003	2002	2001	2000	1999	1998 ³	1997 ³	1996	1995
Income (\$ millions)										
Net profit before taxation	2,512	1,437	1,518	1,361	1,675	1,041	44	562	836	767
Net profit attributable to members	2,018	1,025	1,097	997	1,389	1,072	112	458	670	595
Selected Balance Sheet Data										
Assets (\$ millions)										
Total assets	175,553	159,595	149,445	151,462	111,208 ⁴	106,465	100,037	65,984	55,738	49,187
Customer loans and advances including bills	69,664	64,335	60,709	68,208	52,024	54,370	56,215	40,135	31,013	26,172
Investment in quoted and unquoted securities and shares	47,614	41,246	27,801	24,922	14,403	14,593	11,086	5,702	5,276	4,831
Liabilities (\$ millions)										
Deposits and other accounts of customers	113,206	108,041	101,315	106,771	80,721	82,268	73,858	33,557	30,600	28,129
Total deposits	124,145	115,538	106,192	115,217	92,774	89,759	86,477	54,038	45,142	39,826
Borrowings and debt securities	13,897	11,297	10,695	10,490	3,812	2,818	1,123	1,848	1,661	1,288
Capital and Reserves (\$ millions)										
Paid-up non-voting redeemable, convertible preference share capital	66	66	66	66	66	-	-	-	-	-
Paid-up non-redeemable, convertible preference share capital	-	-	-	-	-	-	412	536	656	605
Paid-up non-voting, convertible preference share capital	#	20	20	25	25	147	225	-	-	-
Issued and paid-up ordinary share capital	1,493	1,470	1,469	1,447	1,216	1,178	928	703	691	675
Ordinary shareholders' funds	16,070	14,348	13,678	13,019	9,899	9,921	7,800	7,494	6,243	5,511
Total (ordinary and preference) shareholders' funds	16,502	14,896	14,237	13,614	10,495	10,876	9,812	8,030	6,899	6,115
Financial Ratios										
Dividend cover for ordinary shares (number of times)	4.19	2.92	3.13	3.22	3.32	5.05	1.65	4.86	8.11	7.41
Adjusted gross dividends per ordinary share ² (\$)	0.40	0.30	0.30	0.30	0.45	0.26	0.16	0.15	0.13	0.13
Adjusted earnings per ordinary share after tax ² (\$)	1.34	0.68	0.74	0.78	1.13	0.97	0.10	0.52	0.77	0.69
Net tangible asset backing per ordinary share ¹ (\$)	6.12	4.73	4.07	5.39	8.14	8.42	7.68	8.43	7.14	6.45
Return (after tax) on average total shareholders' funds (%)	12.85	7.04	7.94	8.81	12.89	10.35	1.29	5.72	10.30	10.36
Total shareholders' funds to total assets	0.09	0.09	0.10	0.09	0.09	0.10	0.10	0.12	0.12	0.12
US\$/S\$ exchange rate as at December 31	1.63	1.70	1.74	1.85	1.73	1.67	1.65	1.68	1.40	1.41

Notes:

- Net tangible asset backing per ordinary share has been adjusted for bonus issues in 1998 and 1999, and rights issue in 1998.
 - Gross dividends per ordinary share and earnings per ordinary share after tax have been adjusted for bonus issues in 1998 and 1999, and rights issues in 1998.
 - With effect from January 1, 1999, equity accounting for investments in associated companies was adopted by the DBSH Group. The comparative figures for 1998 and 1997 have been adjusted to reflect this change.
 - Total assets exclude "Life fund assets attributable to policyholders".
- # Amount less than \$500,000.

DBS Group Holdings Ltd

Further Information on Directors

S DHANABALAN

Academic and Professional Qualifications:

Bachelor of Arts (Honours) in Economics
University of Malaya, Singapore

Current Directorships

- Chairman
- DBS Group Holdings Ltd • DBS Bank Ltd • Asia Business Council Ltd, HK
 - Parameswara Holdings Ltd • Temasek Holdings (Pte) Ltd
- Director
- Government of Singapore Investment Corporation Pte Ltd
- Member
- Presidential Council for Minority Rights • Council of Presidential Advisers

Directorships for the past 3 years

- Chairman
- Temasek Capital (Private) Ltd
- Director
- Basidon Holdings Pte Ltd • Parksville Development Pte Ltd

JACKSON TAI

Academic and Professional Qualifications:

Master of Business Administration
Harvard University

Bachelor of Science
Rensselaer Polytechnic Institute

Current Directorships

- Chairman
- DBS Diamond Holdings Limited • DBS Group Holdings (Hong Kong) Ltd • ABS Council
- Director
- DBS Bank (Hong Kong) Limited • DBS Group (HK) Limited • Hutchison DBS Card Limited
 - CapitaLand Limited • MasterCard Asia/Pacific • Singapore Telecommunications Limited • Asian Civilisations Museum • Committee of 100, USA • The University of Hong Kong (Faculty of Business and Economics)
- Vice Chairman
- DBS Group Holdings Ltd • DBS Bank Ltd
- Deputy Chairman
- Dr Goh Keng Swee Scholarship Fund
- President Commissioner
- PT Bank DBS Indonesia
- Board of Governor
- San Francisco Symphony
- Council Member
- Singapore Business Federation • The Institute of Banking and Finance
- Trustee
- Asian Art Museum of San Francisco • Rensselaer Polytechnic Institute
- Fellow
- Singapore Institute of Directors

Directorships for the past 3 years

- Chairman
- CapitaLand Commercial Ltd
- Director
- Dao Heng Finance Limited • DBS Overseas Limited • BPI Capital Corporation • Bank of the Philippine Islands • Singapore Productivity & Standards Board • Jones Lang LaSalle Incorporated
- Alternate Director
- Asean Finance Corporation Limited • Asfinc Singapore Limited

DBS Group Holdings Ltd

Further Information on Directors

FRANK WONG KWONG SHING

Academic and Professional Qualifications:

Hong Kong English School Certificate

Current Directorships

- | | |
|---------------|--|
| Chairman | • DBS Bank (Hong Kong) Limited • DBS Group (HK) Limited |
| Director | • DBS Group Holdings Ltd • DBS Diamond Holdings Ltd • China Mobile (Hong Kong) Ltd |
| Vice Chairman | • DBS Bank Ltd |

Directorships for the past 3 years

- | | |
|----------|--|
| Chairman | • Dao Heng Finance Ltd |
| Director | • DBS Kwong On Limited • DBS Overseas Limited • SNP Leefung Holdings Limited |

ANG KONG HUA

Academic and Professional Qualifications:

Bachelor of Science (2nd Class Upper Honours) in Economics
University of Hull, UK

Current Directorships

- | | |
|----------|---|
| Director | • DBS Group Holdings Ltd • DBS Bank Ltd • Bangkok Synthetics Co. Ltd • Crown Central Assets Limited • GIC Special Investments Private Limited • Glory Central Holdings Limited • Government of Singapore Investment Corporation Private Limited • K1 Ventures Limited • Lieng Chung Corporation (Kowloon) Ltd • NatSteel Ltd • Neptune Orient Lines Ltd |
|----------|---|

Directorships for the past 3 years

- | | |
|----------|--|
| Chairman | • NatSteel Broadway Ltd • Singapore Post Pte Ltd • Singapore Telecommunications Ltd • Intraco Ltd • Eastern Industries Private Limited • Eastern Pretech Pte Ltd |
| Director | • NatSteel Brazil • Aco Minas Gerais S.A.– Acominas • Southern NatSteel (Xiamen) Ltd • NatSteel Chemicals Ltd • SteelAsia Manufacturing Corporation • SteelAsia Development and Management Corporation • Southern Steel Berhad |

BERNARD CHEN TIEN LAP

Academic and Professional Qualifications:

Master of Public Administration
Harvard University

Bachelor of Science in Chemical Engineering
University of Alberta

Bachelor of Arts
Australian Catholic University

Current Directorships

- | | |
|-----------------|---|
| Chairman | • CISCO Recall Total Information Management Pte Ltd • CISCO International Pte Ltd • Singapore Health Service Pte Ltd • The Commercial & Industrial Security Corporation (CISCO) • e-Cop Pte Ltd • Pasir Ris Resort Pte Ltd • SLF Leisure Enterprises (Pte) Ltd • CNA Group Pte Ltd |
| Director | • DBS Group Holdings Ltd • DBS Bank Ltd • Prime Africa Investment Pte Ltd • QuantaNova (S) Pte Ltd • Singapore Labour Foundation • VECTRA Corporation Ltd • Basidon Holdings Pte Ltd • Biotech Research Ventures • King's Safetywear Limited • MOH Holdings Pte Ltd • Singapore Totalisator Board • Ntegrator International Pte Ltd |
| Deputy Chairman | • Singapore Pools (Pte) Ltd |

Directorships for the past 3 years

- | | |
|----------|---------------------|
| Chairman | • Secureco Holdings |
|----------|---------------------|

FOCK SIEW WAH

Academic and Professional Qualifications:

Diploma

The Chartered Institute of Bankers (London)

Current Directorships

Chairman

- Singapore Airlines Cargo Pte Ltd

Director

- DBS Group Holdings Ltd • DBS Bank Ltd • DBS Bank (Hong Kong) Limited
- Singapore Airlines Ltd • Tarsus Gate Investments Ltd • Temasek Holdings (Pte) Ltd

Senior Advisor

- Nuri Holdings (S) Pte Ltd

Directorships for the past 3 years

Chairman

- Land Transport Authority

Director

- Dao Heng Bank Group Limited • Dao Heng Finance Limited • DBS Kwong On Limited
- DBS Overseas Limited • Temasek Capital (Private) Ltd • Cyber City Holdings Ltd (Hong Kong)
- Fraser & Neave (Singapore) Pte Ltd • Times Publishing Ltd

Deputy Chairman

- Fraser & Neave, Limited

Deacon/Director

- Grace Baptist Church Ltd

GAIL D FOSLER

Academic and Professional Qualifications:

Master of Business Administration

New York University

Bachelor of Arts

University of Southern California

Current Directorships

Director

- DBS Group Holdings Ltd • DBS Bank Ltd • Baxter International, Incorporated
- Caterpillar, Incorporated • The Economic Club of New York • The National Bureau of Economic Research • Unisys Corporation

Directorships for the past 3 years

Director

- The National Association of Business Economists • H.B. Fuller Company

Trustee

- John Hancock Mutual Funds

KWA CHONG SENG

Academic and Professional Qualifications:

Bachelor of Engineering

University of Singapore

Current Directorships

Chairman

- Esso China Inc. • ExxonMobil Asia Pacific Pte Ltd • ExxonMobil Oil Singapore Pte Ltd

Director

- DBS Group Holdings Ltd • DBS Bank Ltd • Mobil Asia Marketing Pte Ltd • Esso Bangladesh Terminal Co. Ltd • Mobil South Asia Investments Ltd • Temasek Capital (Private) Ltd

Deputy Chairman

- Temasek Holdings (Pte) Ltd

Directorships for the past 3 years

Chairman

- MediaCorp Publishing Pte Ltd • MediaCorp Radio Singapore Pte Ltd • MediaCorp Studios Pte Ltd • MediaCorp TV Singapore Pte Ltd • MediaCorp TV12 Singapore Pte Ltd • MediaCorp Technologies Pte Ltd • Media Corporation of Singapore Pte Ltd

LEUNG CHUN YING

Academic and Professional Qualifications:

Hon. Doctor of Business Administration
University of the West of England

Hon. Doctor of Business Administration
Hong Kong Polytechnic University

Current Directorships

Director

- DBS Group Holdings Ltd • DBS Bank Ltd • DBS Bank (Hong Kong) Limited • ACE Link Property Ltd • Ascendas Pte Ltd • Banson Investments Ltd • Beson Investments Ltd • Bowman Hospitality Services Ltd • Brilliant Time Investment Ltd • China Homes Ltd • CY Leung & Co. Ltd • CY Leung (China) Ltd • Dragon Foundation Ltd • DTZ Cyberdata (Shenzhen) Ltd • DTZ Debenham Tie Leung Assets Management Ltd • DTZ Debenham Tie Leung Cyberdata Ltd • DTZ Debenham Tie Leung Investment Services Ltd • DTZ Debenham Tie Leung Ltd • DTZ Debenham Tie Leung Project Services Ltd • DTZ Debenham Tie Leung Property Management Ltd • DTZ Debenham Tie Leung-Beijing • DTZ Debenham Tie Leung-Chongqing • DTZ Debenham Tie Leung-Dalian • DTZ Debenham Tie Leung-Guangzhou • DTZ Debenham Tie Leung (Guangzhou) Property Management Ltd • DTZ Debenham Tie Leung Hotel Management Ltd • DTZ Debenham Tie Leung-Shanghai • DTZ Debenham Tie Leung-Tianjin • DTZ Facility Management Ltd • DTZ Japan K.K. • DTZ Japan Ltd • DTZ Pacific Holdings Ltd • DTZ Tie Leung Co. Ltd • DTZ.com Ltd • DTZ.com.hk Ltd • DTZWorld.com Ltd – Cayman • DTZworld.com Ltd – Hong Kong • EastInn Hospitality Services Ltd • EuroAsia Properties Ltd • HK Millennium Ltd • Keppel Corporation Ltd • Lotvest Ltd • One Country Two Systems Research Institute Ltd • Shenzhen DTZ Debenham Tie Leung Valuation & Advisory Services Ltd • Sing Tao News Corporation Limited • The Hong Kong Coalition of Professional Services Ltd • Wintrack Worldwide Ltd

Directorships for the past 3 years

Director

- DBS Group (HK) Limited • Dao Heng Finance Ltd • DBS Overseas Limited • Jumbo Land Ltd

NARAYANA MURTHY

Academic and Professional Qualifications:

Masters in Technology
Indian Institute of Technology, Kanpur

Bachelor of Engineering
University of Mysore

Current Directorships

Chairman

- Infosys Technologies (Shanghai) Co Ltd

Director

- DBS Group Holdings Ltd • DBS Bank Ltd • Infosys Technologies Limited • Central Board of the Reserve Bank of India • Bangalore International Airport Ltd • BT Asia Pacific Advisory Board, Belgium • Infosys Consulting Inc, USA • New Delhi Television Ltd

Chairman of Governing Body

- Indian Institute of Information Technology, Bangalore • Indian Institute of Management, Ahmedabad

Co-Chairman

- Indo-British Partnership

Member of the Board of Overseers

- University of Pennsylvania's Wharton School

Member of Board of Trustees

- Cornell University • Singapore Management University

Member of Board of Advisors

- William F. Achtmeyer Center for Global Leadership at the Tuck School of Business

Member of Advisory Council

- Stanford Graduate School of Business

PETER ONG BOON KWEE

Academic and Professional Qualifications:

Master of Business Administration
Stanford University

Bachelor of Economics (Honours)
University of Adelaide

Current Directorships

Chairman	• Alpha Society • Maritime and Port Authority of Singapore
Director	• DBS Group Holdings Ltd • DBS Bank Ltd
Deacon	• Calvary Baptist Church
Member	• INSEAD National Council

Directorships for the past 3 years

Director	• TIF Ventures Pte Ltd
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JOHN ALAN ROSS

Academic and Professional Qualifications:

Master of Business Administration
The Wharton School of The University of Pennsylvania

Bachelor of Arts
Hobart College

Current Directorships

Director	• DBS Group Holdings Ltd • DBS Bank Ltd
President	• AirTV Limited • LarkSat Limited
Board Member/Trustee	• Jewish Museum, New York • Metropolitan Opera Guild • German Marshall Fund of US, Washington, D.C.
Trustee	• Hobart & William Smith Colleges

Directorships for the past 3 years

Chairman	• Institute of International Bankers, NY
Director	• Institute of International Finance, Washington, D.C. • Local Initiatives Support Corporation • NYC Investment Fund • Deutsche Bank Trust Corporation • Deutsche Bank Trust Company Americas • Global Mezzanine Inc • GMI Capital Corporation
Vice Chairman	• Business Committee of the Metropolitan Museum of Art
Advisory Director	• Metropolitan Opera
Member	• Singapore Technologies Pte Ltd – International Advisory Panel

DBS Group Holdings Ltd

Further Information on Directors

GOH GEOK LING

Academic and Professional Qualifications:

Bachelor of Engineering
University of Sydney

Current Directorships

Chairman

- Tuas Power Ltd

Director

- DBS Group Holdings Ltd • DBS Bank Ltd • Venture Corporation Ltd • O2 Micro Pte Ltd
- Plato Pte Ltd • Plato Capital Ltd • O2Micro International Limited • SembCorp Industries Ltd
- Yew Lian Property & Investment (Pte) Ltd

Executive Director

- Marigold Holdings (Pte) Ltd

Council Member

- Nanyang Technological University

Directorships for the past 3 years

Director

- ASTI Holdings Ltd • Singapore Technologies Pte Ltd

THEAN LIP PING

Academic and Professional Qualifications:

LLB
University of Bristol

LLM
University of London

LLD (Honorary)
University of Bristol

Current Directorships

Chairman

- Securities Industry Council

Director

- DBS Group Holdings Ltd • DBS Bank Ltd

WONG NGIT LIONG

Academic and Professional Qualifications:

Bachelor of Science (1st Class Hons)
University of California

Master of Science
University of California

Master of Business Administration
McGill University

Current Directorships

Chairman

- NUS Council

Director

- DBS Group Holdings Ltd • DBS Bank Ltd • Advanced Products Corporation Pte Ltd • Cebelian Holdings Pte Ltd • EAS Security Systems Pte Ltd • Innovative Trek Technology Pte Ltd
- International Enterprise Singapore • Multitech Systems Pte Ltd • NLW Pte Ltd • Pintarmas Sdn Bhd
- PT Venture Electronics Indonesia • SIA Engineering Company Ltd • V-Design Services (M) Sdn Bhd • Technocom Systems Sdn Bhd • Univac Precision Engineering Pte Ltd • Ventech Data Systems Pte Ltd • Ventech Investment Ltd • Venture Electronics (Europe) B.V. • Venture Electronics International, Inc. • Venture Electronics Solutions Pte Ltd • Venture Electronics Spain, S.L.
- Venture Hungary Electronics Manufacturing Limited Liability Company • VIPColor Technologies Pte Ltd • VIPColor Technologies USA, Inc. • VM Services, Inc. • VS Electronics Pte Ltd

Chairman & CEO

- Venture Corporation Limited

Directorships for the past 3 years

Director

- Singapore Exchange Ltd

Shareholding Statistics

Class of Shares – Ordinary Shares of S\$1.00 fully paid
Voting Rights – One vote per share

As at 11 March 2005

Size of holdings	No. of shareholders	%	No. of shares	%
1 – 999	6,677	23.37	1,886,421	0.13
1,000 – 10,000	19,914	69.70	51,146,304	3.42
10,001 – 1,000,000	1,953	6.83	69,161,151	4.63
1,000,001 & above	28	0.10	1,371,300,746	91.82
Total	28,572	100.00	1,493,494,622	100.00
Location of Shareholders				
Singapore	26,767	93.68	1,481,158,195	99.17
Malaysia	1,072	3.75	5,933,239	0.40
Overseas	733	2.57	6,403,188	0.43
Total	28,572	100.00	1,493,494,622	100.00

Twenty largest shareholders (As shown in the Register of Members and Depository Register)

	No. of shareholdings	%
1. DBS Nominees Pte Ltd	378,785,597	25.36
2. Maju Holdings Pte Ltd	234,497,040	15.70
3. Raffles Nominees Pte Ltd	225,977,634	15.13
4. Temasek Holdings (Pte) Ltd	185,673,795	12.43
5. HSBC (Singapore) Nominees Pte Ltd	112,149,502	7.51
6. Citibank Nominees Singapore Pte Ltd	100,784,303	6.75
7. United Overseas Bank Nominees Pte Ltd	39,345,077	2.63
8. Morgan Stanley Asia (Singapore) Securities Pte Ltd	13,460,209	0.90
9. DB Nominees (S) Pte Ltd	12,710,192	0.85
10. DBS Vickers Securities (S) Pte Ltd	9,358,135	0.63
11. Macquarie Securities (S) Pte Ltd	8,966,558	0.60
12. Lee Pineapple Company Pte Ltd	8,750,000	0.59
13. UOB Kay Hian Pte Ltd	6,395,965	0.43
14. Dexia Nominees (S) Pte Ltd	5,758,154	0.39
15. Merrill Lynch (Singapore) Pte Ltd	3,517,646	0.24
16. Oversea-Chinese Bank Nominees Pte Ltd	3,335,422	0.22
17. Kim Eng Securities Pte Ltd	2,565,861	0.17
18. KEP Holdings Limited	2,500,000	0.17
19. Eng Hueng Fook Henry	2,224,965	0.15
20. Western Properties Pte Ltd	2,184,000	0.15
Total	1,358,940,055	91.00

II. Class of Shares – Non-Voting Redeemable Convertible Preference Shares ("NVRCPs") of S\$1.00 fully paid.

Voting Rights – Please see Article 6A of the Articles of Association.

Sole Shareholder of 66,475,374 NVRCPs: Minister for Finance Incorporated holding through DBS Nominees (Private) Limited.

III. Class of Shares – Non-Voting Convertible Preference Shares ("NVCPs") of S\$1.00 fully paid.

Voting Rights – Please see Article 6 of the Articles of Association.

Sole Shareholder of 120,436 NVCPs: Minister for Finance Incorporated holding through DBS Nominees (Private) Limited.

Substantial ordinary shareholders (As shown in the Register of Substantial Shareholders as at 11 March 2005)

	Direct interest No. of shares	%	Deemed interest No. of shares	%
Maju Holdings Pte Ltd	234,497,040	15.70	–	–
Temasek Holdings (Pte) Ltd	185,673,795	12.43	239,721,463	16.05

1. Maju Holdings Pte Ltd ("Maju") is a wholly-owned subsidiary of Temasek Holdings (Pte) Ltd.
2. Temasek Holdings (Pte) Ltd, a company wholly-owned by Minister for Finance Incorporated, is deemed interested in the 234,497,040 shares held by Maju.

As at 11 March 2005, approximately 71.87% of DBSH's issued ordinary shares is held by the public and, therefore, Rule 723 of the Listing Manual is complied with.

DBS Group Holdings Ltd

International Banking Offices

DBS Bank Bangkok Representative Office

3rd Floor, Main Building
393 Silom Road
Bangkok 10500, Thailand
Tel: (66 2) 636 6364; 636 6365
Fax: (66 2) 636 6366

DBS Bank Beijing Branch

Units 1009-1018
Level 10 China World Tower 1
No 1 Jianguomenwai Avenue
Beijing 100004
The People's Republic of China
Tel: (86 10) 6505 1216
Fax: (86 10) 6505 4831

DBS Bank Guangzhou Branch

Unit 1006, 10/F, Fortune Plaza West Tower
Ti Yu East Road, Guangzhou 510620
The People's Republic of China
Tel: (86 20) 3884 8010
Fax: (86 20) 3884 8060

DBS Bank Hong Kong Branch

16th Floor, Man Yee Building
68 Des Voeux Road Central
Central, Hong Kong
Tel: (852) 2868 3386
Fax: (852) 2596 0577

DBS Bank Kuala Lumpur Representative Office

#08-01, Menara Keck Seng
203 Jalan Bukit Bintang
55100 Kuala Lumpur, Malaysia
Tel: (603) 2148 8338
Fax: (603) 2148 8083

DBS Bank Labuan Branch

Level 12 (E) Main Office Tower
Financial Park Labuan, Jalan Merdeka
87000 W.P., Labuan, Malaysia
Tel: (6 087) 423 375
Fax: (6 087) 423 376

DBS Bank London Branch

4th Floor Paternoster House
65 St Paul's Churchyard
London EC4M 8AB
Tel: (44 207) 489 6550
Fax: (44 207) 332 0862

DBS Bank Los Angeles Agency

445 South Figueroa Street
Suite 3550 Los Angeles
CA 90071, USA
Tel: (1 213) 627 0222
Fax: (1 213) 627 0228

DBS Bank Manila Representative Office

18th Floor, BPI Building
Ayala Avenue corner Paseo de Roxas
Makati City, The Philippines
Tel: (632) 845 5112
Fax: (632) 750 2144

DBS Bank Mumbai Branch

Fort House, 3rd Floor
221, Dr. D.N. Road, Fort
Mumbai 400001, India
Tel: (91 22) 5638 8888
Fax: (91 22) 5638 8899

DBS Bank Seoul Branch

20th Floor, Kwanghwamoon Building
64-8, 1-ka Taepyeongro, Chung-ku
Seoul, Republic of Korea
Tel: (822) 399 2660
Fax: (822) 732 7953

DBS Bank Shanghai Branch

161 Lu Jia Zui East Road,
28th Floor, China Merchants Tower
Pudong, Shanghai 200120
The People's Republic of China
Tel: (86 21) 5876 7698
Fax: (86 21) 5876 7839

DBS Bank Taipei Branch

5th Floor, 117 Min Sheng East Road
Section 3, Taipei, Taiwan
Tel: (886 2) 2713 7711
Fax: (886 2) 2713 7774

DBS Bank Tokyo Branch

508 Yurakucho Denki Building
7-1 Yurakucho 1-chome
Chiyoda-ku, Tokyo 1000006
Japan
Tel: (813) 3213 4411
Fax: (813) 3213 4415

DBS Bank Yangon Representative Office

#0502 Level 5 Sakura Tower
339 Bogyoke Aung San Street
Kyauktada Township
Yangon, Myanmar
Tel: (951) 255 407; 255 055
Fax: (951) 255 100

DBS Bank (Hong Kong)

Dongguan Representative Office
Room 01-03, 19/F, Jin Yuan Centre
No 1 Ke Yuan South Road
Guangdong, Dongguan 523000
The People's Republic of China
Tel: (86 769) 2117 698; 2177 868
Fax: (86 769) 2118 856

DBS Bank (Hong Kong)

Fuzhou Representative Office
Block A, 23/F, World Trade Plaza
71 Wusi Road, Fuzhou 350001
The People's Republic of China
Tel: (86 591) 8754 4080
Fax: (86 591) 8754 4079

DBS Bank (Hong Kong)

Macau Branch
Nos 5 a 7E da Rua de Santa Clara
Edif. Ribeiro, Loja C e D.
Macau
Tel: (853) 329 338
Fax: (853) 323 711

DBS Bank (Hong Kong)

Shenzhen Branch
18/F, China Resources Building
5001 Shennan Dong Road,
Shenzhen 518001
The People's Republic of China
Tel: (86 755) 8269 0880
Fax: (86 755) 8269 0890

DBS Bank (Hong Kong)

Tianjin Representative Office
Unit 1902, 19/F, The Exchange Tower
189 Nanjing Road, Tianjin 300051
The People's Republic of China
Tel: (86 22) 2339 3075; 2339 3073
Fax: (86 22) 2339 3003

DBS Bank (Hong Kong) Limited

11th Floor, The Center
99 Queen's Road Central
Central
Hong Kong
Tel: (852) 2218 8822
Fax: (852) 2167 8222

*100% owned by DBS Diamond Holdings Ltd,
a wholly owned subsidiary of DBS Bank*

DBS Asia Capital Limited

16/F, Man Yee Building
68 Des Voeux Road Central
Central
Hong Kong
Tel: (852) 2918 0399
Fax: (852) 2868 0250
100% owned by DBS Bank

DBS Asset Management Ltd

8 Cross Street
#08-01
PWC Building
Singapore 048424
Tel: (65) 6878 7801
Fax: (65) 6534 5183
100% owned by DBS Bank

DBS Capital Investments Ltd

6 Shenton Way
DBS Building Tower One
Singapore 068809
Tel: (65) 6878 8888
Fax: (65) 6220 7487
100% owned by DBS Bank

DBS Nominees Pte Ltd

6 Shenton Way
DBS Building Tower One
Singapore 068809
Tel: (65) 6878 8888
Fax: (65) 6338 8936
100% owned by DBS Bank

DBS Trustee Ltd

180 Clemenceau Ave
Haw Par Centre, #03-01/04
Singapore 239922
Tel: (65) 6878 8888
Fax: (65) 6338 0360
*20% owned by DBS Bank
20% owned by DBSF Ltd
20% owned by DBS Nominees Pte Ltd
20% owned by DBS Finance Nominees Pte Ltd
20% owned by DBS Group Holdings Ltd*

DBS Vickers Securities (Singapore) Pte Ltd

8 Cross Street
PWC Building #02-01
Singapore 048424
Tel: (65) 6533 9688
100% owned by DBS Bank

DBS Vickers Securities (Singapore) Pte Ltd is the main operating entity in Singapore of the DBS Vickers Group, which has operations of varying scope and complexity in other jurisdictions including Hong Kong, Malaysia, Thailand and Indonesia.

PT Bank DBS Indonesia

Plaza Permata
Ground Floor and 12th Floor
Jalan M. H. Thamrin Kav.57
Jakarta 10350
Indonesia
Tel: (62 21) 390 3366; 390 3368
Fax: (62 21) 390 3488; 390 3383
99% owned by DBS Bank

Bank of the Philippine Islands

BPI Building
Ayala Avenue
corner Paseo de Roxas
Makati City
Metro Manila
The Philippines
Tel: (632) 845 5971; 845 5977;
845 5978
Fax: (632) 845 5980
20.4% owned by DBS Bank

Capital OK Company Limited

1010 Shinawatra Tower 3
5th Floor
Vipahavadi Rangsit Road
Ladyao, Chutuchak
Tel: (662) 793 3999
Fax: (662) 793 3888
40% owned by DBS Bank

Hutchison DBS Card Ltd

22/F, Hutchison House
10 Harcourt Road,
Hong Kong
Tel: (852) 2606 8992
Fax: (852) 2687 5911
50% owned by DBS Bank (Hong Kong) Limited

Hwang-DBS (Malaysia) Bhd

Level 2, 3, 4, 7&8, Wisma Sri Pinang
60 Green Hall
10200 Penang
Malaysia
Tel: (604) 263 6996
Fax: (604) 263 9597

23% owned by DBS Vickers Securities Malaysia Pte Ltd, an indirect wholly-owned subsidiary of DBS Bank

Investment & Capital Corporation of the Philippines

15th Floor, PS Bank Centre
777 Paseo de Roxas
Makati City
The Philippines
Tel: (632) 811 4656
Fax: (632) 819 0941
20% owned by DBS Bank

Network for Electronic Transfer (Singapore) Pte Ltd

298 Tiong Bahru Road, #04-01/06
Central Plaza
Singapore 168730
Tel: (65) 6272 0533
Fax: (65) 6272 2334
33.3% owned by DBS Bank

Orix Leasing Singapore Ltd

c/o United Overseas Bank Ltd
80 Raffles Place
4th Storey, UOB Plaza 1
Singapore 048624
Tel: (65) 6339 3622
Fax: (65) 6339 4417
30% owned by DBS Bank

Financial Calendar

Payment date of 2003 Final Dividends on Ordinary Shares, Non-Voting Convertible Preference Shares and Non-Voting Redeemable Convertible Preference Shares	May 19, 2004
Payment date of 2004 Interim Dividend on Ordinary Shares, Non-Voting Non-Redeemable Convertible Preference Shares and Non-Voting Redeemable Convertible Preference Shares	August 27, 2004
Financial Year-end	December 31, 2004
Announcement of half-year results 2004	July 30, 2004
Announcement of full-year results 2004	February 18, 2005
Annual General Meeting	April 29, 2005
Proposed payment date of 2004 Final Dividend on Ordinary Shares, Non-Voting Convertible Preference Shares and Non-Voting Redeemable Convertible Preference Shares	May 20, 2005
Announcement of half-year results 2005	July 2005
Announcement of full-year results 2005	February 2006

Notice of Annual General Meeting

(Incorporated in the Republic of Singapore)

Informal Briefing on DBS' 2004 Results

Chief Financial Officer Jeanette Wong will take questions on the DBS 2004 Results and contents of the 2004 Annual Report (at 1:30pm) immediately preceding the formal commencement of the Annual General Meeting.

To: All Shareholders

NOTICE IS HEREBY GIVEN that the Sixth Annual General Meeting of the Shareholders of the Company will be held in the Auditorium, 3rd Storey, DBS Building Tower One, 6 Shenton Way, Singapore 068809 on Friday, April 29, 2005 at 2.00 pm to transact the following business:

- 1 To receive and consider the Directors' Report and Audited Accounts for the year ended December 31, 2004 and the Auditors' Report thereon.
- 2A To declare a Final Dividend of 22 cents per ordinary share, less income tax, for the year ended December 31, 2004. [(2003: 16 cents per ordinary share less income tax.)]
- 2B To declare a Final Dividend of 12 cents per Non-Voting Convertible Preference Share, less income tax, for the year ended December 31, 2004. [(2003: 16 cents per Non-Voting Convertible Preference Share less income tax.)]
- 2C To declare a Final Dividend of 12 cents per Non-Voting Redeemable Convertible Preference Share, less income tax, for the year ended December 31, 2004. [(2003: 16 cents per Non-Voting Redeemable Convertible Preference Share less income tax.)]
- 3 To sanction the amount of \$976,689 proposed as Directors' Fees for 2004. [(2003: \$647,851)]
- 4 To appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.
- *5A To:
 - (i) note the retirement of Mr Jackson Tai, Mr Bernard Chen, Mr Fock Siew Wah, Ms Gail D Fosler, Mr CY Leung, Mr Peter Ong and Mr John Ross as Directors and that Mr Bernard Chen, Mr Fock Siew Wah and Ms Gail D Fosler are not offering themselves for re-election; and
 - (ii) re-elect the following Directors retiring under Article 96 of the Company's Articles of Association:
 - (a) Mr Jackson Tai
 - (b) Mr CY Leung
 - (c) Mr Peter Ong
 - (d) Mr John Ross
- *5B To re-elect the following Directors retiring under Article 101 of the Company's Articles of Association:
 - (a) Mr Ang Kong Hua
 - (b) Mr Goh Geok Ling
 - (c) Mr Wong Ngit Liong
- 5C To note the retirement of Mr Thean Lip Ping as a Director under Section 153(6) of the Companies Act, Chapter 50. Mr Thean is not offering himself for re-election.
- 6 As Special Business
To consider and, if thought fit, to pass the following Resolutions as ORDINARY RESOLUTIONS:

ORDINARY RESOLUTIONS

- 6A That the Board of Directors of the Company be and is hereby authorised to offer and grant options in accordance with the provisions of the DBSH Share Option Plan and to allot and issue from time to time such number of ordinary shares of \$1.00 each in the capital of the Company ("DBSH Ordinary Shares") as may be required to be issued pursuant to the exercise of the options under the DBSH Share Option Plan PROVIDED ALWAYS THAT the aggregate number of new DBSH Ordinary Shares to be issued pursuant to the DBSH Share Option Plan and the DBSH Performance Share Plan shall not exceed 7.5 per cent of the issued share capital of the Company from time to time.
- 6B That the Board of Directors of the Company be and is hereby authorised to offer and grant awards in accordance with the provisions of the DBSH Performance Share Plan and to allot and issue from time to time such number of DBSH Ordinary Shares as may be required to be issued pursuant to the vesting of awards under the DBSH Performance Share Plan, PROVIDED ALWAYS THAT the aggregate number of new DBSH Ordinary Shares to be issued pursuant to the DBSH Performance Share Plan and the DBSH Share Option Plan shall not exceed 7.5 per cent of the issued share capital of the Company from time to time.

Notice of Annual General Meeting

(Incorporated in the Republic of Singapore)

6C That authority be and is hereby given to the Directors of the Company to:

- (a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares;

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent of the issued share capital of the Company (as calculated in accordance with paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20 per cent of the issued share capital of the Company (as calculated in accordance with paragraph (2) below);
- (2) [subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")] for the purpose of determining the aggregate number of shares that may be issued under paragraph (1) above, the percentage of issued share capital shall be based on the issued share capital of the Company at the time this Resolution is passed, after adjusting for:
 - (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
 - (ii) any subsequent consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

By Order of The Board

Heng Lee Cheng (Ms)

Group Secretary
DBS Group Holdings Ltd

April 7, 2005
Singapore

* Further information on Mr Jackson Tai, Mr CY Leung, Mr Peter Ong, Mr John Ross, Mr Ang Kong Hua, Mr Goh Geok Ling and Mr Wong Ngit Liong can be found at page 156 onwards.

NOTES:

An ordinary shareholder entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and to vote in his stead. An ordinary shareholder of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf.

A proxy need not be a member of the Company.

The instrument appointing a proxy must be deposited at the Company's Office at 6 Shenton Way, DBS Building Tower One #39-02, Singapore 068809, at least 48 hours before the time for holding the Meeting.

Notice of Annual General Meeting

(Incorporated in the Republic of Singapore)

STATEMENT PURSUANT TO ARTICLE 54(C) OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

Resolution 6A is to empower the Directors to offer and grant options and to issue ordinary shares in the capital of the Company pursuant to the DBSH Share Option Plan. Although the Rules of the DBSH Share Option Plan provide that the maximum number of ordinary shares which may be issued under the DBSH Share Option Plan and the DBSH Performance Share Plan is limited to 15 per cent of the issued share capital of the Company from time to time, Resolution 6A provides for a lower limit, namely, 7.5 per cent of the issued share capital of the Company from time to time.

Resolution 6B is to empower the Directors to offer and grant awards and to issue ordinary shares in the capital of the Company pursuant to the DBSH Performance Share Plan. Although the Rules of the DBSH Performance Share Plan provide that the maximum number of ordinary shares which may be issued under the DBSH Performance Share Plan and the DBSH Share Option Plan is limited to 15 per cent of the issued share capital of the Company from time to time, Resolution 6B provides for a lower limit, namely, 7.5 per cent of the issued share capital of the Company from time to time.

Resolution 6C is to empower the Directors to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to an amount not exceeding in total 50 per cent of the issued share capital of the Company, with a sub-limit of 20 per cent for issues other than on a pro rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued share capital shall be based on the issued share capital of the Company at the time that Resolution 6C is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 6C is passed, and (b) any subsequent consolidation or subdivision of shares.

Proxy Form

(Incorporated in the Republic of Singapore)

IMPORTANT:

1. For investors who have used their CPF monies to buy DBS Group Holdings Ltd shares, the annual report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. For holders of Non-Voting Convertible Preference Shares (NVCPS), the annual report is forwarded to them solely FOR INFORMATION ONLY.
3. For holders of Non-Voting Redeemable Convertible Preference Shares (NVRCPs), the annual report is forwarded to them solely FOR INFORMATION ONLY.
4. This Proxy form is not valid for use by CPF Investors, NVCPS and NVRCPs holders and shall be ineffective for all intents and purposes if used or purported to be used by them.

I / We _____
of _____
being an Ordinary Shareholder(s) of DBS Group Holdings Ltd hereby appoint Mr/Mrs/Ms

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)
and/or (delete as appropriate)			

as my/our proxy/proxies, to vote for me/us and on my/our behalf at the Sixth Annual General Meeting of the Company, to be held on Friday, April 29, 2005 at 2.00 pm and at any adjournment thereof in the following manner:

RESOLUTIONS	FOR	AGAINST
Ordinary Business		
1 Adoption of Report and Accounts		
2A Declaration of Final Dividend on Ordinary Shares		
2B Declaration of Final Dividend on Non-Voting Convertible Preference Shares		
2C Declaration of Final Dividend on Non-Voting Redeemable Convertible Preference Shares		
3 Approval of proposed Directors' Fees of S\$976,689		
4 Appointment of Ernst & Young as Auditors		
5A Re-election of the following Directors retiring under Article 96: (a) Mr Jackson Tai (b) Mr CY Leung (c) Mr Peter Ong (d) Mr John Ross		
5B Re-election of the following Directors retiring under Article 101: (a) Mr Ang Kong Hua (b) Mr Goh Geok Ling (c) Mr Wong Ngit Liong		
Special Business		
6A Approval to grant Options in accordance with the DBSH Share Option Plan		
6B Approval to grant awards in accordance with the DBSH Performance Share Plan		
6C Approval to issue Shares pursuant to Section 161 of the Companies Act, Cap 50		

If you wish to exercise all your votes For or Against, please tick with "✓". Alternatively, please indicate the number of votes For or Against each resolution.

Proxy Form

(Incorporated in the Republic of Singapore)

If this form of proxy contains no indication as to how the proxy should vote in relation to each resolution, the proxy shall vote as the proxy deems fit.

As witness my/our hand(s) this _____ day of _____ 2005.

No. of Ordinary Shares held	
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Signature or Common Seal of Shareholder

IMPORTANT: PLEASE READ NOTES.

NOTES:

- 1 Please insert the total number of Ordinary Shares held by you. If you have Ordinary Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Ordinary Shares. If you have Ordinary Shares registered in your name in the Register of Members, you should insert that number of Ordinary Shares. If you have Ordinary Shares entered against your name in the Depository Register and Ordinary Shares registered in your name in the Register of Members, you should insert the aggregate number of Ordinary Shares entered against your name in the Depository Register and registered in your name in the Register of Members.
- 2 A Member entitled to attend and vote at a Meeting of the Company is entitled to appoint one or two proxies to attend and vote instead of him.
- 3 Where a Member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
- 4 The Instrument appointing a proxy must be deposited at the office of the Company at 6 Shenton Way, DBS Building Tower One #39-02, Singapore 068809, not less than 48 hours before the time appointed for the Annual General Meeting.
- 5 The Instrument appointing the proxy or proxies must be under the hand of the appointer or of his attorney duly authorised in writing. Where the Instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.
- 6 A corporation which is a Member may, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting.
- 7 The Company shall be entitled to reject the Instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in the Instrument appointing a proxy or proxies. In addition, in the case of members whose Ordinary Shares are entered against their names in the Depository Register, the Company may reject any Instrument appointing a proxy or proxies lodged if such Members are not shown to have Ordinary Shares entered against their names in the Depository Register 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

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Website: www.dbs.com
E-mail: dbs@dbs.com

China
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India
Indonesia
Japan
Korea
Malaysia

Myanmar
Singapore
Taiwan
Thailand
The Philippines
United Kingdom
United States of America