



**Base Programme Document relating to
Hong Kong Listed Structured Products
to be issued by
DBS BANK LTD
(the Issuer)**

(incorporated with limited liability in the Republic of Singapore)

DBS Bank Ltd (the **Issuer**, the **Company**, **we** or **us**) has published this document in respect of call warrants on single equities (**call warrants**), put warrants on single equities (**put warrants**), equity basket call warrants (**basket call warrants**), equity basket put warrants (**basket put warrants**), call warrants on indices (**index call warrants**) and put warrants on indices (**index put warrants**), (together the **warrants**) and bull equity linked instruments (**bull ELIs**), bear equity linked instruments (**bear ELIs**) and range equity linked instruments (**range ELIs**) (together the **ELIs** and, together with the warrants and any other structured products approved by the stock exchange from time to time, the **structured products**) to be issued by us in series (each a **series**) from time to time and listed on The Stock Exchange of Hong Kong Limited.

Hong Kong Exchange and Clearing Limited, The Stock Exchange of Hong Kong Limited (the **stock exchange**) and Hong Kong Securities Clearing Company Limited (**HKSCC**) take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

The document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the **rules**) for the purpose of giving information with regard to us. We accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of our knowledge and belief there are no other facts the omission of which would make any statement in this document misleading. Additional terms relating to each series of our structured products will be set out in a supplemental listing document (each a **supplemental listing document**) which will be supplemental to, and should be read in conjunction with this document.

The structured products involve derivatives. An investor should not invest in the structured products unless (a) the intermediary who sells it to the investor has explained to the investor that the product is suitable for the investor having regard to the investor's financial situation, investment experience and investment objectives and (b) the investor fully understands and is willing to assume the risks associated with them.

Investors are warned that the price of our structured products may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. Prospective purchasers should therefore ensure that they understand the nature of our structured products and carefully study the risk factors set out in this base programme document and the relevant supplemental listing document and, where necessary, seek professional advice, before they invest in any of our structured products.

The structured products constitute general unsecured contractual obligations of the Issuer and of no other person and if you purchase the warrants you are relying upon the Issuer's creditworthiness and have no rights under the structured products against as applicable, the underlying, any company which has issued the underlying or any company which sponsors the underlying or whose securities are comprised in the underlying.

Dated 24 March 2011

IMPORTANT

If you are in any doubt as to any of the contents of this document, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

This base programme document may be updated from time to time, in which case we will publish an addendum.

You should read this document together with any addendum to it and the relevant supplemental listing document, before deciding whether to invest in the structured products.

We cannot give you investment advice. You must decide for yourself whether our structured products meet your investment needs, and take professional advice if appropriate. This document is not intended to be, and should not be considered as, a recommendation or advice by us or any of our affiliates that you should purchase any of our structured products, and you must make your own independent investigation of our financial condition and affairs and your own appraisal of our creditworthiness.

We undertake during the period in which our structured products are listed on the stock exchange to make available to you for inspection at the office of DBS Bank Ltd, Hong Kong Branch, which is presently at 10th Floor, The Center, 99 Queen's Road, Central, Hong Kong:

- (a) a copy of this document and any addendum that we publish to this document (both the English version and the Chinese translation);
- (b) a copy of the relevant supplemental listing document (both the English version and the Chinese translation) in respect of any issue of structured products;
- (c) our most recent audited financial statements (including the notes thereto) and interim report (if any); and
- (d) a copy of the consent letter of our auditor referred to in this document.

本行保證下列文件可於結構性產品在聯交所上市的期間內在星展銀行有限公司香港分行的辦事處(地址為香港中環皇后大道中99號中環中心10樓)供閣下查閱:

- (a) 本文件及本行就文件刊發的任何增編(英文版本及中文譯本)；
- (b) 就發行任何結構性產品而刊發的相關補充上市文件(英文版本及中文譯本)；
- (c) 本行最近期經審核財務報表及(包括有關附註)及中期報告(如有)；及
- (d) 本文件內所述本行核數師的同意書。

Our structured products are not available to U.S. persons (as defined in the U.S. Securities Act of 1933, as amended).

All references in this document to “Hong Kong Dollars” and to “HK\$” are to the lawful currency of Hong Kong, to “Singapore Dollars” and “S\$” are to the lawful currency of the Republic of Singapore, to “United States Dollars” and “US\$” are to the lawful currency of the United States of America, and to “euro” and “€” are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended. All references in this document to “Hong Kong” and “Singapore” are to the Hong Kong Special Administrative Region of the People's Republic of China and the Republic of Singapore, respectively.

TABLE OF CONTENTS

	Page
Overview of our Programme	4
Risk factors	10
Terms and conditions of the call warrants (cash settled)	15
Terms and conditions of the call warrants (physically settled)	29
Terms and conditions of the put warrants (cash settled)	45
Terms and conditions of the put warrants (physically settled)	59
Terms and conditions of the basket call warrants (cash settled)	74
Terms and conditions of the basket put warrants (cash settled)	88
Terms and conditions of the index call warrants	102
Terms and conditions of the index put warrants	112
Terms and conditions of the cash settled equity linked instruments	122
Terms and conditions of the physically settled equity linked instruments	134
Sales and transfer restrictions	149
Taxation	152
Information Relating to DBS Bank Ltd	154
Information on the Liquidity Provider	159
General information	161
Exhibit	
Financial Statements of the Issuer and its Subsidiaries for the Year Ended 31 December 2010, Directors' Report, Statement by the Directors and Independent Auditor's Report	163
Parties involved in the Programme	258

OVERVIEW OF OUR PROGRAMME

We have set up this **programme** for the purpose of offering from time to time to the public in Hong Kong **structured products** listed on the stock exchange. The following is an overview of the main features of the programme.

- Who issues the structured products?** DBS Bank Ltd is the **Issuer** of the structured products. References in this base programme document to **'we'**, **'our'** and **'us'** are to the Issuer.
- Will the structured products be guaranteed?** No.
- What types of structured products may we issue under the programme?** We may issue warrants and ELIs under the programme, each as described below. We may also issue from time to time under the programme other structured products approved by the stock exchange.
- What types of warrants may be issued under the programme?** The **warrants** which we may issue under the programme are:
- (a) call warrants on single equities (**call warrants**);
 - (b) put warrants on single equities (**put warrants**);
 - (c) call warrants on a basket of equities (**basket call warrants**);
 - (d) put warrants on a basket of equities (**basket put warrants**);
 - (e) call warrants on indices (**index call warrants**); and
 - (f) put warrants on indices (**index put warrants**).
- What types of ELIs may be issued under the programme?** The equity linked instruments (the **ELIs**) which we may issue under the programme are:
- (a) bull equity linked instruments (**bull ELIs**);
 - (b) bear equity linked instruments (**bear ELIs**); and
 - (c) range equity linked instruments (**range ELIs**).

How are the structured products issued?

Our structured products will be issued in one or more **series**. Structured products within a series will have the same terms, but the terms of one series of structured products may be different from another.

What is the legal status of the structured products?

The structured products are our unsecured obligations, ranking equally (*pari passu*) among themselves and with all our other outstanding and unsecured obligations.

Will the structured products be listed?

Yes. We will apply to the stock exchange to list each series of the structured products which we issue under the programme. This base programme document has been published for the purposes of obtaining a listing of each series of structured products which we issue under the programme.

Will the structured products be admitted to CCASS?

Yes. We will make arrangements to ensure that each series of structured products will be accepted by the Hong Kong Securities Clearing Company Limited (**HKSCC**) as eligible securities for deposit, clearance and settlement in the Central Clearing and Settlement System (**CCASS**). All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time (the **CCASS Rules**).

What are the listing documents for the structured products?

We have published this base programme document to permit the listing of our structured products on the stock exchange. This base programme document sets out the terms and conditions of the structured products, common features of all structured products, the legal terms relating to the programme and information about us.

This base programme document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the **rules**) for the purpose of giving information with regard to us and the structured products.

When we apply to list one or more series of structured products, we will publish a **supplemental listing document**, which will include information on the particular structured products to be listed. The supplemental listing document will be available in an English and Chinese version (which may be printed together in the same document).

This base programme document (and any addenda to such document) and the supplemental listing document in relation to each series of warrants will form part of the listing documents for that series. You should read these documents before deciding whether to invest in the warrants.

What will a supplemental listing document specify?

The supplemental listing document will, amongst other things, summarise the terms of the series of structured products being offered, which will include the following:

Type of structured product

The supplemental listing document will specify the type of the series of structured products offered.

Exercise

The supplemental listing document will specify the date (or dates) on which the structured products may be exercised. If a structured product is expressed to be **European style**, it may be exercised only upon the specified expiry date. If a structured product is expressed to be **American style**, it may be exercised at any time during a specified period.

Settlement Basis

The supplemental listing document will specify whether the structured product is cash settled or physically settled. If a structured product is expressed to be **cash settled**, the holder will be entitled to a cash payment upon exercise (assuming that the cash payment is greater than zero). If a structured product is expressed to be **physically settled**, the holder will be entitled to purchase (in the case of a call warrant) or sell (in the case of a put warrant) at the exercise price one or more shares or other assets or rights upon exercise (assuming that the holder's entitlement is greater than zero).

Issue price

The supplemental listing document will specify the issue price of the structured product.

Underlying

The supplemental listing document will specify the **underlying** for the structured product, which may be a share, an index or a basket of shares.

Expiry Date

The supplemental listing document will specify the expiry date for the series of structured products offered.

Liquidity Provider

The supplemental listing document will specify the name and contact details of the liquidity provider for the series of structured products offered, and, if different from the information set out in this base programme document, the basis on which the liquidity provider will provide liquidity in the relevant structured products.

How will the structured products be represented?

Warrants

Warrants will be represented by warrant certificates in definitive form which will be registered in the name of HKSCC Nominees Limited (or such other nominee company as HKSCC may specify from time to time) and will be deposited with CCASS in accordance with the CCASS Rules.

Physically settled put warrants can be held outside CCASS and represented by a warrant certificate in definitive form registered in the name of you or your custodian/broker if (a) on issue of the warrants, you (or your custodian/broker) choose not to deposit the warrants with CCASS or (b) you (or your custodian/broker) elect to withdraw them from CCASS in accordance with the CCASS Rules. However physically settled put warrants may only be exercised if they are held within CCASS and deposited with, or credited to a stock account in, CCASS.

ELIs

The ELIs of each series will be represented by a global certificate which will be registered in the name of HKSCC Nominees Limited (or such other nominee company as HKSCC may specify from time to time) and will be deposited with CCASS in accordance with the CCASS Rules.

Will you get any individual certificate representing an investment in a series of our structured products?

Warrants

No, you will not receive any individual certificates unless, in the case of physically settled put warrants, you or your custodian/broker choose not to deposit the warrants with CCASS or elect to withdraw them from CCASS.

ELIs

No, you will not receive any individual certificates.

In the Terms and conditions for the structured products, there are references to “warrantholders” and “ELI holders”. Who are they?

The Registrar will maintain a register showing the details of each person who is entitled to a particular number of structured products of a series. The person registered will be treated by us and the Registrar as the absolute owner and **holder** of that number of structured products.

Generally

Save as described below in respect of certain physically settled put warrants, the register for each series of structured products will record at all times that HKSCC Nominees Limited (or such other nominee company as HKSCC may specify for that series) is the holder of 100 per cent. of the structured products of that series.

Accordingly you will not be recognised by us or the Registrar as the holder of the structured products in which you invest, and you must refer to the records of CCASS and/or your custodian/broker, and the statements that you receive, to determine your beneficial interest in the structured products.

Physically settled put warrants registered in your name

For each series of physically settled put warrants which are represented by a warrant certificate registered in your name (or the name of your custodian/broker) as described under “*How will the structured products be represented?*” above, you or your custodian/broker will be recognised by us and the Registrar as the holder of the relevant physically settled put warrants of that series.

How do we give notices and make payments and deliveries under our structured products?

We will give any necessary notices, and make all payments and deliveries that are due, under our structured products to the registered holder of the structured products. Save in the case of physically settled put warrants which are represented by a warrant certificate registered in your name (or the name of your custodian/broker) as described under “*How will the structured products be represented?*”, the registered holder will be HKSCC Nominees Limited (or such other nominee company as HKSCC may specify for that series). In this situation, the notices will then be given to you or to your custodian/broker, and the payments and deliveries to which you are entitled will be made to you or to your custodian/broker, through CCASS in accordance with the CCASS Rules.

Can we repurchase our structured products?

Yes, we or our affiliates may repurchase our structured products at any time, including in the grey market. We may offer for sale any structured products which we repurchase, and may do so at prevailing market prices or in negotiated transactions at our discretion. You should not therefore make any assumptions as to the number of the structured products of any series which may be in issue from time to time.

RISK FACTORS

The following summary does not necessarily set out all the risks related to the structured products and you should not rely on it without reference to the relevant conditions of this document. If you have any concerns or doubts about the structured products, you should obtain independent professional advice.

(1) The price of our structured products may fluctuate to a great extent

The price of our structured products may fall or rise rapidly in value and our structured products may expire or become worthless, resulting in a total loss of your investment. Before selling or exercising any rights under our structured products, you should carefully consider, among other things, (i) the trading price of the structured products; (ii) the value and volatility of the underlying as specified in the applicable supplemental listing document; (iii) the time remaining to expiration; (iv) any change(s) in interim interest rates and dividend yields; (v) any change(s) in currency exchange rates; (vi) the depth of the market or liquidity of the underlying as specified in the applicable supplemental listing document; (vii) any related transaction costs; and (viii) our creditworthiness.

(2) The secondary market for our structured products may be limited

We intend to apply to list each series of our structured products on the stock exchange. If a series of structured products is listed on the stock exchange, there can be no assurance that any such listing can be maintained. In the event that such listing cannot be maintained, we will use our best efforts to list such structured products on another exchange. We (acting through our appointed liquidity provider) may be the only person quoting prices on the stock exchange for the structured products. Therefore, the secondary market may be limited.

(3) The structured products constitute our unsecured contractual obligations

The structured products constitute the general unsecured contractual obligations of us and of no other person and shall rank equally (*pari passu*) with our other existing and future unsecured

contractual obligations (save for certain obligations required to be preferred by law). If you purchase the structured products, you rely on our creditworthiness and you have no rights under the structured products against any company which issues the underlying. We issue a large number of financial instruments on a global basis. We have substantially no obligation to you other than to pay amounts and/or deliver securities in accordance with the terms set out in the applicable supplemental listing document. We do not in any respect underwrite or guarantee the performance of any structured product. We shall have the absolute discretion to put in place any hedging transaction or arrangement appropriate in connection with any structured product or the applicable underlying. A reduction in our rating by any one of our rating agencies could result in a reduction in the trading value of our structured products.

(4) The structured products are not rated

When evaluating our creditworthiness, you should not solely rely on our credit ratings because: (a) a credit rating is not a recommendation to buy, sell or hold the structured products; (b) any rating of us may involve difficult-to-quantify factors such as market competition, the success or failure of new products and markets and managerial competence; and (c) a high credit rating is not necessarily indicative of low risk. Our credit ratings as of the date of this document are for reference only, and any downgrading of our credit ratings after the date of this document could result in a reduction in the value(s) of the structured products. You should note that rating agencies received a fee from us.

(5) Trading in the structured products may be affected by suspension of trading in the underlying

If trading in the underlying is suspended on the stock exchange, trading in the structured products

may be suspended for a similar period. If trading in the underlying is suspended for a prolonged period, trading in the structured products will be suspended for a similar prolonged period. The “time value” of the structured products will be adversely affected during the prolonged suspension period.

(6) There may be a time lag between exercise of the structured products and payment or delivery to you.

Any delay between exercise of the structured products and payment or delivery to you will be specified in the applicable supplemental listing document or in the conditions. If the structured product is physically settled the value of the assets to be delivered to you could change during such time lag. We will not compensate you for any loss you suffer as a result of any time lag.

(7) The value of the underlying may fluctuate

An investment in our structured products involves risks relating to changes in the value of the underlying. The value of the underlying will vary over time, including as a result of corporate actions (where the underlying is a share or basket of shares) or changes in computation (where the underlying is an index). Certain of such events which affect the value of the underlying may require an adjustment to the structured products. However, even if such event does not require an adjustment to the structured products, the price of our structured products or the return on an investment in our structured products may be affected.

(8) Investments in the structured products are not the same as investments in the underlying

The value of our structured products may not correlate directly with the movements of the underlying and may be affected by the time remaining to expiry. Also, where the underlying is a share or basket of shares, as holder of our structured products you will not have the same rights (including voting rights and rights to dividends) as if you were a direct holder of the underlying.

(9) Risks in trading ELIs

Investing in ELIs involves market risk. Changes in the price of the underlying shares can be unpredictable, sudden and large. Such changes may result in the price of the underlying shares falling below the exercise price (as defined in the conditions) in the case of bull ELIs, rising above the exercise price (as defined in the conditions) in the case of bear ELIs and falling below the lower strike price (as defined in the conditions) or rising above the upper strike price (as defined in the conditions) in the case of range ELIs which will negatively impact the return on the ELI. In extreme conditions investors in the ELIs may lose all, or a significant proportion of their initial investment. Investors in the ELIs should recognise that the ELIs may expire worthless.

(10) Gearing effects

Since the structured products are leveraged, the percentage change in the price of a structured product is greater compared with that of the underlying. Investors may suffer higher losses in percentage terms if they expect the price of the underlying to move one way but it moves in the opposite direction.

(11) There could be conflicts of interests which may affect our structured products

Various potential and actual conflicts of interest may arise from our overall activities or activities of our subsidiaries and affiliates. Such actions and conflicts may include, without limitation, the exercise of voting power, the purchase and sale of securities, financial advisory relationships and exercise of creditor rights. In the ordinary course of our business, we may effect transactions on our own account or for the account of our customers and hold positions in the underlying shares.

(12) You may not be the legal owner of our structured products

Our structured products may be issued in global registered form, in which case HKSCC Nominees Limited will be the only legal owner of the structured products or in definitive form and registered in the name of HKSCC Nominees

Limited. In either case you will not receive any definitive certificates representing your beneficial interests in the structured products. You will have to rely on Central Clearing and Settlement System (CCASS) and/or your custodian/broker to (a) determine your beneficial interest in the structured products, (b) receive announcements and/or information relating to the structured products and (c) receive payments under the structured products. Our obligation to you will be duly performed by the delivery of the cash settlement amount or the physical settlement amount in accordance with the conditions to HKSCC Nominees Limited as the registered holder of the structured products. The amounts and/or securities will be delivered to you or your custodian/broker through CCASS participants in accordance with the CCASS Rules.

The above paragraph is not relevant to physically settled put warrants in respect of which you have taken the necessary steps to have them represented by a warrant certificate registered in your name (or the name of your custodian/broker). However, before physically settled put warrants can be exercised, they must be held within CCASS and deposited with, or credited to a stock account in CCASS.

(13) There may be an exchange rate risk

You should note that there may be an exchange rate risk in the case of warrants where the cash settlement amount is converted from a foreign currency into Hong Kong dollars, for example, the underlying may be denominated in a currency other than Hong Kong dollars.

Changes in the exchange rate(s) between the currency of the underlying, the currency in which the structured products settle and/or the currency of your home jurisdiction may adversely affect the return of your investment in the structured products. The Issuer cannot assure that current exchange rates at the issue date of the structured products will be representative of the future exchange rates used in computing the value of our structured products. Fluctuations in exchange rates may therefore affect the value of the structured products.

(14) There may be certain events relating to an index underlying that affect index-linked structured products

In the case of index-linked structured products, a level for the index may be published by the index compiler (as defined in the relevant conditions) at a time when one or more shares comprised in the relevant index are not trading. If this occurs on a valuation date (as defined in the relevant conditions) and there is no market disruption event (as defined in the relevant conditions) under the terms of the relevant index-linked warrants, then the closing level of the index will be calculated by reference to the remaining shares comprised in the relevant index. Certain events relating to the index permit us to determine the level of the index on the basis of the formula or method last in effect prior to such change or formula.

(15) Two or more risk factors may simultaneously affect the structured products

Two or more risk factors may simultaneously have an effect on the value of a structured product such that the effect of any individual risk factor may not be predicted. No assurance can be given as to the effect any combination of risk factors may have on the value of a structured product.

(16) We are not the holding company of the group to which we belong

We are not the ultimate holding company of the group to which we belong and with which our name is identified. The ultimate holding company of the group to which we belong is DBS Group Holdings Ltd.

(17) Delay in the delivery of shares

In the case of physically settled structured products which are required to be settled by delivery to you of shares, you should note that upon a settlement disruption event (as defined in the relevant conditions), delivery of the share certificates or electronic settlement of the underlying shares may be delayed.

(18) The Issuer may early terminate the structured products for extraordinary reasons, illegality and force majeure

If the Issuer determines that, for reasons beyond its control, the performance of its obligations under any structured products has become illegal or impractical in whole or in part for any reason, or if the Issuer determines that, for reasons beyond its control, it is no longer legal or practical for it to maintain its hedging arrangements (i) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (ii) due to the promulgation of or any change in the interpretation of any applicable law or regulation (including, without limitation, any action taken by a taxing authority), it may decide to terminate that series of structured products early. If the Issuer terminates the structured products early, the Issuer will, if and to the extent permitted by applicable law, pay an amount to each holder of structured products in respect of each structured product held by such holder equal to the fair market value of the structured products notwithstanding such illegality or impracticality less the cost incurred by the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion.

(19) Risks in using our structured products for hedging

If you intend to purchase our structured products to hedge against the market risk associated with investing in or having an exposure to any underlying, you should recognise the risks of utilising the structured products in this manner. There is no assurance that the value of the structured products will correlate with movements of the relevant underlying. You may therefore incur substantial losses in the structured products, notwithstanding any losses already incurred with respect to investments in or exposures to the relevant underlying.

(20) The trading price of our structured products may not be the same as their exercise value

The exercise value of our structured products at any time is typically expected to be less than their trading price. By ‘exercise value’ we mean the cash settlement amount (in the case of cash settled warrants), the difference in the value of the entitlement and the exercise price (the **physical settlement value**) (in the case of physically settled warrants) and the settlement amount (in the case of ELIs). The difference between the trading price and the exercise value will reflect, among other things, a “time value” for the structured products. The “time value” of the structured products will depend partly upon the length of the period remaining to expiration, and expectations concerning the value of the underlying.

(21) Liquidation of underlying company

In the case of structured products linked to shares (other than in relation to physically settled put warrants), in the event of liquidation or dissolution of the company that issues the underlying shares or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of its undertaking, property or assets, the relevant structured products shall lapse.

(22) Liquidation or termination of underlying trust or fund

In the case of structured products linked to fund units (other than in relation to physically settled put warrants), in the event of (i) a liquidation, dissolution or termination of the fund or (ii) the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of its undertaking, property or assets or (iii) the withdrawal of the Securities and Futures Commission’s authorisation of the fund under the Securities and Futures Ordinance, the relevant structured products shall lapse.

(23) Risks relating to structured products linked to synthetic exchange-traded funds

Some of our structured products may be linked to an exchange-traded fund (ETF). An ETF is designed to replicate the performance of an underlying index (or in some cases, a group of assets such as commodities). Some ETFs gain exposure to the underlying index by investing in shares, bonds or other assets that make up the index. An increasing number of ETFs, however,

adopt a different replication strategy by investing in derivative instruments designed to replicate the performance of the index and such ETFs will face the credit risk of its counterparties issuing such derivative instruments. Accordingly, investors in structured products the return on which is linked to such synthetic ETFs are also exposed to the credit risk of the counterparties who issued the derivatives in addition to the risks associated with the underlying indices the performance of which the ETFs are designed to replicate.

The relevant conditions will, together with the supplemental provisions contained in the relevant supplemental listing document and subject to completion and amendment, be endorsed on the warrant certificate. The applicable supplemental listing document in relation to the issue of any series of structured products may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant conditions, replace or modify the relevant conditions for the purpose of such series of structured products. Capitalized terms used in the relevant conditions and not otherwise defined therein shall have the meaning given to them in the relevant supplemental listing document.

The Terms and Conditions are available in English and Chinese. In the case of any inconsistency, the English version shall prevail.

TERMS AND CONDITIONS OF THE CALL WARRANTS (CASH SETTLED)

1. Form, Status, Transfer, Title and Additional Costs and Expenses

(a) Form

The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 13) relating to the Shares of the Company are issued in registered form subject to and with the benefit of an instrument by way of deed poll (the “Instrument”) dated the Issue Date, made by DBS Bank Ltd (the “Issuer”), and a base registrar’s and structured product agency agreement (as amended, varied or supplemented from time to time or any successor document, the “Registrar’s Agreement”) dated 7th May, 2004 as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants made between the Issuer, Computershare Hong Kong Investor Services Limited as registrar and agent for the Warrants (the “Registrar” and “Agent”, which expressions shall include any successors) and Computershare Investor Services (Channel Islands) Limited as the Registrar’s agent (the “Registrar’s Agent”, which expression shall include any successors). The Warrantheolders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Instrument and the Registrar’s Agreement.

(b) Status

The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer.

(c) Transfer

Warrants will be transferable only by means of delivery of the standard transfer form to the Registrar, in such form as may from time to time be in use, together with the relevant warrant certificate(s) in accordance with the provisions of the Instrument and the Registrar’s Agreement. Transfers of Warrants may be effected only in a Board Lot or integral multiples thereof. The standard transfer form is obtainable from the Registrar.

(d) Title

Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer and the Registrar as the absolute owner and holder of such number of Warrants. The expression “Warrantheolder” shall be construed accordingly.

(e) *Additional Costs and Expenses*

Persons should note that they may incur additional costs and expenses in connection with any expedited registration of the Warrants prior to the transfer or exercise of the Warrants, in particular during the period commencing ten Business Days (as defined below) prior to and including the Expiry Date (as defined below).

2. Warrant Rights and Exercise Expenses

(a) *Warrant Rights*

Every Exercise Amount gives each Warrantholder, upon due exercise and compliance with Condition 4(A) or 4(B), as the case may be, the right to receive the payment of the Cash Settlement Amount (each as defined below), if any.

(b) *Exercise Expenses*

On exercise of the Warrants, Warrantholders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses (as defined below) in accordance with Condition 4(A) or 4(B), as the case may be.

(c) *Definitions*

For the purposes of these Conditions:

“Business Day” means a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong and banks are open for business in Hong Kong;

“Cash Settlement Amount” means in respect of every Exercise Amount, an amount in Hong Kong dollars calculated by the Issuer as equal to (1) the Entitlement (subject to adjustment as provided in Condition 6) multiplied by (i) (A) in the case of Warrants exercised prior to the Expiry Date, the closing price of the Shares (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like) on the Valuation Date; or (B) in the case of Warrants exercised on the Expiry Date, the arithmetic mean of the closing price of the Shares (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date, less (ii) the Exercise Price (subject to adjustment as provided in Condition 6); less (2) the Exercise Expenses;

“CCASS” means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

“CCASS Rules” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“Exercise Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“Exercise Notice” means a duly completed exercise notice obtainable from the Registrar;

“Expiry Date” means the Maturity Date or if the Maturity Date is not a Business Day the immediately preceding Business Day;

“Market Disruption Event” means (1) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (a) the Shares; or (b) any options or futures contracts relating to the Shares if, in any such case, that suspension or limitation is, in the determination of the Issuer, material or (2) the hoisting of the tropical cyclone warning signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening later than its regular time for open of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been hoisted;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the relevant bank account designated by the relevant Warrantholder (the “Designated Bank Account”);

“Stock Exchange” means The Stock Exchange of Hong Kong Limited; and

“Valuation Date” means, with respect to the exercise of Warrants, and subject as provided below in relation to a Market Disruption Event, (1) in the case of Warrants exercised prior to the Expiry Date, the Exercise Date; or (2) in the case of Warrants exercised on the Expiry Date, each of the five Business Days immediately preceding the Expiry Date.

3. Exercise of American Style Warrants and European Style Warrants, Automatic Exercise and Expiry

(A) American Style Warrants

The following provisions of this Condition 3(A) shall apply only to Warrants which are expressed to be American Style.

(a) Exercise Period

The Warrants may be exercised by delivery of an Exercise Notice, in accordance with Condition 4(A) at any time during the period (the “Exercise Period”) beginning at the earlier of the commencement of the morning trading session or any pre-opening session on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending at the earlier of the commencement of the morning trading session or any pre-opening session on the Expiry Date.

(b) Automatic Exercise

All Warrants with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantholders). The Warrantholders will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Warrantholders the Cash Settlement Amount (if any) in accordance with Condition 4(A)(f).

(c) *Expiry*

Any Warrants with respect to which an Exercise Date has not occurred during the Exercise Period or which has not been automatically exercised in accordance with Condition 3(A)(b) shall expire immediately without value thereafter and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrants shall cease.

(B) *European Style Warrants*

The following provisions of this Condition 3(B) shall apply only to Warrants which are expressed to be European Style.

(a) *Exercise of Warrants*

The Warrants are exercisable only on the Expiry Date.

(b) *Automatic Exercise*

All Warrants will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantholders). The Warrantholders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Warrantholders the Cash Settlement Amount (if any) in accordance with Condition 4(B)(d).

(c) *Expiry*

Any Warrants which have not been automatically exercised in accordance with Condition 3(B)(b) shall expire immediately without value thereafter and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrants shall cease.

4. Exercise of Warrants

(A) *American Style Warrants*

The following provisions of this Condition 4(A) shall apply only to Warrants which are expressed to be American Style.

(a) Warrants may only be exercised in a Board Lot or integral multiples thereof.

(b) *Delivery of an Exercise Notice*

(i) In order to exercise Warrants, the Warrantholder shall deliver to the specified office of the Agent (the "Agent's Office") an Exercise Notice, such delivery to be made at any time during the Exercise Period. Warrants may not be exercised at any other time.

(ii) The date upon which a Warrant is, or is to be treated as, exercised (an "Exercise Date") shall be the Business Day on which an Exercise Notice is delivered to the Registrar and in respect of which there is a valid exercise of Warrants in accordance with the requirements of these Conditions, provided that any Exercise Notice received by the Registrar after the earlier of the commencement of the morning trading session or any pre-opening session on any Business Day shall be deemed to have been delivered prior to the earlier of the commencement of the morning trading session or any pre-opening session on the next following Business Day.

(c) *Exercise Notice*

The Exercise Notice shall:

- (i) specify the name(s) of the Warrantholder(s) and the number of Warrants being exercised;
- (ii) be accompanied by the warrant certificate(s) in the name(s) of the exercising Warrantholder(s);
and
- (iii) (where applicable) specify the person in whose favour the cheque representing the Cash Settlement Amount should be drawn and the name and address of the bank, broker or other agent to whom the cheque should be sent or, as the case may be, specify the relevant account to which the Cash Settlement Amount should be credited.

(d) *Consequences of delivery of an Exercise Notice*

Delivery of an Exercise Notice in accordance with Condition 4(A) shall constitute an irrevocable election and undertaking by the Warrantholder specified in such Exercise Notice to exercise the number of Warrants specified in such Exercise Notice and an irrevocable authorisation to deduct the Exercise Expenses in accordance with the calculation set out in the definition of the Cash Settlement Amount.

(e) *Cancellation*

Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will procure that the Registrar will, with effect from the first Business Day following the Exercise Date or the Expiry Date, as the case may be, remove from its register the name of the person in respect of the Warrants which are the subject of an exercise whether pursuant to an Exercise Notice, automatic exercise or if the Warrants have expired worthless and thereby cancel the relevant Warrants.

(f) *Cash Settlement*

Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder (or such other person as the Warrantholder may have specified in the Exercise Notice, if applicable) equal to the Cash Settlement Amount.

The Cash Settlement Amount, shall be despatched not later than three Business Days following the Exercise Date or the Expiry Date (the "Settlement Date") by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

In the case of Warrants exercised prior to the Expiry Date:

If the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event unless (1) the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling after the Expiry Date or (2) there is a Market Disruption Event on each of the five Business Days immediately following the original date that, but for the Market Disruption Event, would have been the Valuation Date. In the case of (1) (i) the Expiry Date shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event, and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Valuation Date but for the Market Disruption Event; and in the case of (2) (i) that fifth Business Day (or, if earlier, the Expiry Date) shall be deemed to be the Valuation Date, notwithstanding the Market Disruption Event, and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed but for the Market Disruption Event on that fifth Business Day (or Expiry Date if applicable).

In the case of Warrants exercised on the Expiry Date:

If the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a day that already is or is deemed to be a Valuation Date, provided that if the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after the Expiry Date then (i) the Business Day immediately preceding the Expiry Date (the “Last Valuation Date”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Last Valuation Date but for the Market Disruption Event. For the avoidance of doubt, in the event that a Valuation Date is postponed due to the occurrence of a Market Disruption Event, the closing price of the Shares for such postponed Valuation Date will be the closing price of the Shares on the first succeeding Business Day. Accordingly, the closing price of a Valuation Date may be used more than once in calculating the arithmetic mean of the closing price of one Share for the determination of the Cash Settlement Amount, so that in no event shall there be less than five closing prices to determine the arithmetic mean of the closing price of one Share.

(B) *European Style Warrants*

The following provisions of this Condition 4(B) shall apply only to Warrants which are expressed to be European Style.

(a) Warrants may only be exercised in a Board Lot or integral multiples thereof.

(b) *No requirement to deliver an exercise notice*

The Warrantholders will not be required to deliver an exercise notice for any purpose in relation to the Warrants.

(c) *Cancellation*

The Issuer will procure that the Registrar will, with effect from the first Business Day following the Expiry Date, remove from its register the name of the person in respect of the Warrants which are the subject of an automatic exercise or if the Warrants have expired worthless and thereby cancel the relevant Warrants.

(d) *Cash Settlement*

Subject to and in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Expiry Date (the “Settlement Date”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

If the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a day that already is or is deemed to be a Valuation Date, provided that if the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after the Expiry Date then (i) the Business Day immediately preceding the Expiry Date (the “Last Valuation Date”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Last Valuation Date but for the Market Disruption Event. For the avoidance of doubt, in the event that a Valuation Date is postponed due to the occurrence of a Market Disruption Event, the closing price of the Shares for such postponed Valuation Date will be the closing price of the Shares on the first succeeding Business Day. Accordingly, the closing price of a Valuation Date may be used more than once in calculating the arithmetic mean of the closing price of one Share for the determination of the Cash Settlement Amount, so that in no event shall there be less than five closing prices to determine the arithmetic mean of the closing price of one Share.

5. Registrar

- (a) The initial Registrar and the Agent’s Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Agent’s Office or the specified office of the Registrar will be given to the Warrantholders in accordance with Condition 11.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrants and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantholders.

6. Adjustments

(a) *Rights Issues*

If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “Rights Offer”), the Entitlement will be adjusted to take effect on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where :

$$\text{Adjustment Component} = \frac{1 + M}{1 + (R/S) \times M}$$

E : Existing Entitlement immediately prior to the Rights Offer

S : Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis

R : Subscription price per Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right

M : Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price in accordance with the following formula:

$$\begin{array}{l} \text{adjusted Exercise Price} \\ \text{(rounded to the nearest} \\ \text{Hong Kong dollar 0.001)} \end{array} = \text{Exercise Price X } \frac{1}{\text{Adjustment Component}}$$

This adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.

For the purposes of these Conditions:

“Rights” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

(b) *Bonus Issues*

If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a “Bonus Issue”) the Entitlement will be increased on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

$$\text{Adjustment Component} = (1 + N)$$

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price in accordance with the following formula:

$$\begin{array}{l} \text{adjusted Exercise Price} \\ \text{(rounded to the nearest} \\ \text{Hong Kong dollar 0.001)} \end{array} = \text{Exercise Price} \times \frac{1}{\text{Adjustment Component}}$$

This adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.

(c) *Share Splits or Consolidations*

If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “Subdivision”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “Consolidation”), the Entitlement in effect immediately prior thereto will be increased (in the case of a Subdivision) or decreased (in the case of a Consolidation) accordingly in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect. In addition, the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) will be decreased (in case of a Subdivision) or increased (in the case of a Consolidation) accordingly.

This adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.

(d) *Merger or Consolidation*

If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “Restructuring Event”) (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“Substituted Securities”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph (d) and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Conditions to the Shares shall include any such cash.

(e) *Cash Distributions*

Generally, no capital adjustment will be made for an ordinary cash dividend (whether or not it is offered with a script alternative). For any other forms of cash distribution (each a “Cash Distribution”) announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no capital adjustment will be made unless the value of the Cash Distribution accounts for two per cent. or more of the Share’s closing price on the day of announcement by the Company.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Entitlement will be adjusted to take effect on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

$$\text{Adjustment Component} = \frac{S - OD}{S - OD - CD}$$

provided that OD shall be deducted from S only if the Business Day on which trading in the Shares of the Company becomes ex-entitlement with respect to the Cash Distribution and the distribution of the ordinary cash dividend by the Company falls on the same date.

OD: Amount of the relevant ordinary cash dividend per Share

CD: Amount of the relevant Cash Distribution per Share

E: Existing Entitlement immediately prior to the Cash Distribution

S: Cum-Cash Distribution Share price being the closing price of the Shares on the Stock Exchange on the last Business Day on which the Shares of the Company are traded on a cum-Cash Distribution basis

In addition, the Issuer shall adjust the Exercise Price in accordance with the following formula:

$$\begin{array}{l} \text{adjusted Exercise Price} \\ \text{(rounded to the nearest} \\ \text{Hong Kong dollar 0.001)} \end{array} = \text{Exercise Price} \times \frac{1}{\text{Adjustment Component}}$$

This adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.

(f) *Other Adjustments*

Except as provided in this Condition 6 and Condition 14, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to make such adjustments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion and notwithstanding any prior adjustment made pursuant to the above should, in the context of the issue of the Warrants and the obligations of the Issuer, give rise to such adjustment provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Warrantholders generally (without considering the circumstances of any individual Warrantholder or the tax or other consequences of such adjustment in any particular jurisdiction).

(g) *Notice of Adjustments*

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantholders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 11, as the case may be.

7. Early Termination for Extraordinary Reasons, Illegality and Force Majeure

If the Issuer determines that, for reasons beyond its control, the performance of its obligations under the Warrants has become illegal or impractical in whole or in part for any reason, or if the Issuer determines that, for reasons beyond its control, it is no longer legal or practical for it to maintain its hedging arrangements with respect to the Warrants (i) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (ii) due to the promulgation of or any change in the interpretation of any applicable law or regulation (including, without limitation, any action taken by a taxing authority), the Issuer may at its discretion and without obligation terminate the Warrants early by giving notice to the Warrantholders in accordance with Condition 11.

Should any one or more of the provisions contained in the Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby.

If the Issuer terminates the Warrants early pursuant to this Condition 7, the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Warrantholder in respect of each Warrant held by such holder equal to the fair market value of a Warrant notwithstanding such illegality or impracticality less the cost incurred by the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Warrantholders in accordance with Condition 11.

8. Purchases

The Issuer and/or any of its respective affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation.

9. Warrant Certificates

- (a) Each Warrantholder shall be entitled, within ten Business Days after any Warrants are issued or transferred to him, to one warrant certificate in respect of such Warrants or, upon payment of an amount not exceeding HK\$2.50 per warrant certificate (or such other amount as the Stock Exchange may from time to time permit) as the Issuer may determine, to two or more warrant certificates each in respect of part of such Warrants.
- (b) If a warrant certificate is defaced, worn out, lost, stolen or destroyed, it may be renewed on such terms (if any) as to evidence and indemnity and payment of the expenses incurred by the Issuer in investigating evidence, and payment of such fee not exceeding HK\$2.50 per warrant certificate (or such other amount as the Stock Exchange may from time to time permit) as the Issuer may require and, in the case of defacement or wearing out, surrender of the old certificate.

10. Meetings of Warranholders; Modification

(a) Meetings of Warranholders

The Registrar's Agreement contains provisions for convening meetings of the Warranholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Instrument.

Any resolution to be passed in a meeting of the Warranholders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warranholders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warranholders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warranholders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warranholders shall be binding on all the Warranholders, whether or not they are present at the meeting, save for those Warrants remaining unexercised but for which an Exercise Notice shall have been submitted prior to the date of the meeting.

In the case of Warrants which are expressed to be America Style, Warrants which have not been exercised but in respect of which an Exercise Notice has been submitted will not confer the right to attend or vote at, or join in convening, or be counted in quorum for, any meeting of the Warranholders. Resolutions can be passed in writing without a meeting of the Warranholder being held if passed unanimously.

(b) Modification

The Issuer may, without the consent of the Warranholders, effect any modification of the provisions of the Warrants or the Instrument which is (i) not materially prejudicial to the interests of the

Warrantheolders; (ii) of a formal, minor or technical nature; (iii) made to correct an obvious error; or (iv) necessary in order to comply with mandatory provisions of the laws of Hong Kong (as defined below). Any such modification shall be binding on the Warrantheolders and shall be notified to them before the effective date or as soon as practicable thereafter in accordance with Condition 11.

11. Notices

- (a) All warrant certificates, cheques and other documents required or permitted by these Conditions to be sent to a Warrantheolder or to which a Warrantheolder is entitled or which the Issuer shall have agreed to deliver to a Warrantheolder may be delivered by hand or sent by post addressed to the Warrantheolder (otherwise than in accordance with an Exercise Notice) to the Warrantheolder's address (or, in the case of joint Warrantheolders, to the address of the first named Warrantheolder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warrantheolder. Where such documents are notices, such notices will be delivered on the same date as notices are delivered pursuant to Condition 11(b).
- (b) All notices to Warrantheolders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent by mail to the holders of Warrants at their addresses appearing in the register of Warrantheolders kept by the Registrar.

12. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

13. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantheolders, to create and issue further warrants so as to form a single series with the Warrants.

14. Delisting

- (a) If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantheolders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warrantheolder or the tax or other consequences that may result in any particular jurisdiction).

- (b) Without prejudice to the generality of Condition 14(a), where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Warrantholders, make such adjustments to the entitlements of Warrantholders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.
- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Warrantholders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantholders in accordance with Condition 11 as soon as practicable after they are determined.

15. Governing Law

The Warrants, the Instrument and the Registrar's Agreement will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong"). The Issuer and each Warrantholder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Instrument and the Registrar's Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

16. Language

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Agent and Agent's Office:

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

The relevant conditions will, together with the supplemental provisions contained in the relevant supplemental listing document and subject to completion and amendment, be endorsed on the warrant certificate. The applicable supplemental listing document in relation to the issue of any series of structured products may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant conditions, replace or modify the relevant conditions for the purpose of such series of structured products. Capitalized terms used in the relevant conditions and not otherwise defined therein shall have the meaning given to them in the relevant supplemental listing document.

The Terms and Conditions are available in English and Chinese. In the case of any inconsistency, the English version shall prevail.

TERMS AND CONDITIONS OF THE CALL WARRANTS (PHYSICALLY SETTLED)

1. Form, Status, Transfer, Title and Additional Costs and Expenses

(a) *Form*

The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 13) relating to the Shares of the Company are issued in registered form subject to and with the benefit of an instrument by way of deed poll (the “Instrument”) dated the Issue Date, made by DBS Bank Ltd (the “Issuer”), and a base registrar’s and structured product agency agreement (as amended, varied or supplemented from time to time or any successor document, the “Registrar’s Agreement”) dated 7th May, 2004 as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants made between the Issuer, Computershare Hong Kong Investor Services Limited as registrar and agent for the Warrants (the “Registrar” and “Agent”, which expressions shall include any successors) and Computershare Investor Services (Channel Islands) Limited as the Registrar’s agent (the “Registrar’s Agent”, which expression shall include any successors). The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Instrument and the Registrar’s Agreement.

(b) *Status*

The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer.

(c) *Transfer*

Warrants will be transferable only by means of delivery of the standard transfer form to the Registrar, in such form as may from time to time be in use, together with the relevant warrant certificate(s) in accordance with the provisions of the Instrument and the Registrar’s Agreement. Transfers of Warrants may be effected only in a Board Lot or integral multiples thereof. The standard transfer form is obtainable from the Registrar.

(d) *Title*

Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer and the Registrar as the absolute owner and holder of such number of Warrants. The expression “Warrantholder” shall be construed accordingly.

(e) *Additional Costs and Expenses*

Persons should note that they may incur additional costs and expenses in connection with any expedited registration of the Warrants prior to the transfer or exercise of the Warrants, in particular during the period commencing ten Business Days (as defined below) prior to and including the Expiry Date (as defined below).

2. Warrant Rights, Exercise Price and Exercise Expenses

(a) *Warrant Rights*

Every Exercise Amount initially entitles each Warrantholder, upon due exercise, payment of the Exercise Price and compliance with Condition 4, to delivery of the Entitlement, subject to adjustment as provided in Condition 6.

(b) *Exercise Price*

The price to be paid for the Entitlement upon the exercise of every Exercise Amount shall be the Exercise Price, subject to adjustment as described in Condition 6, plus any sums payable in accordance with Condition 2(c).

(c) *Exercise Expenses*

Warrantholders will be required to pay all charges which they incur in respect of the purchase and transfer of Shares upon the exercise of the Warrants, including without limitation any stamp duty, levies, registration charges and other expenses payable in respect of documents of title to Shares, including but not limited to scrip fees payable on the share certificates (if any) representing Shares to which the exercised Warrants relate.

In addition, Warrantholders will be required to pay a sum equal to all the expenses payable by the seller and transferor of the relevant Shares, including without limitation any stamp duty, agent's expenses, scrip fees, levies, registration charges and other expenses payable on or in respect of or in connection with the purchase of or agreement to purchase the Shares to which the relevant Warrants and/or the exercise of the Warrants relate (the above charges and expenses incurred by Warrantholders and the above seller's and transferor's expenses are together referred to as the "Exercise Expenses").

An amount equivalent to the Exercise Expenses must be paid by the Warrantholder together with the Exercise Price in accordance with Condition 4. In certain circumstances, part of the Exercise Expenses may be required to be paid by Warrantholders after the exercise of the Warrants but prior to the delivery of the forms of transfer relating to the Shares to the registrar of the Company or delivery of the Shares electronically through CCASS, as the case may be.

(d) *Definitions*

For the purposes of these Conditions:

"Business Day" means a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong and banks are open for business in Hong Kong;

"CCASS" means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited ("HKSCC");

“CCASS Participant” means a person admitted for the time being by HKSCC as a participant of CCASS;

“CCASS Rules” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“Exercise Notice” means a duly completed exercise notice obtainable from the Registrar;

“Expiry Date” means the Maturity Date or if the Maturity Date is not a Business Day the immediately succeeding Business Day;

“Nominee” means HKSCC Nominees Limited, or such other person, firm or company for the time being appointed by HKSCC as a nominee;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable (i) to deliver share certificates and/or stamped share transfer forms to the Company for registration of transfer, (ii) to procure that an exercising Warrantholder (or such person as it may have directed in the Exercise Notice) shall be entered in the register of members of the Company as a registered shareholder, or (iii) to deliver the Shares electronically through CCASS;

“Stock Account” means in relation to a Warrantholder or its agent or (as the case may be) the Issuer or its agent, its stock clearing account(s) in CCASS used for settlement purposes; and

“Stock Exchange” means The Stock Exchange of Hong Kong Limited.

3. Exercise of American Style Warrants and European Style Warrants and Expiry

(A) *American Style Warrants*

The following provisions of this Condition 3(A) shall apply only to Warrants which are expressed to be American Style.

(a) *Exercise Period*

The Warrants may be exercised by delivery of an Exercise Notice, in accordance with Condition 4 at any time during the period (the “Exercise Period”) beginning at the earlier of the commencement of the morning trading session or any pre-opening session on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending at the earlier of the commencement of the morning trading session or any pre-opening session on the Expiry Date.

(b) *Expiry*

Any Warrants with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period shall expire immediately without value thereafter and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrants shall cease.

(B) *European Style Warrants*

The following provisions of this Condition 3(B) shall apply only to Warrants which are expressed to be European Style.

(a) *Exercise of Warrants*

The Warrants are exercisable by delivery of an Exercise Notice in accordance with Condition 4 only on the Expiry Date or on the Business Day prior to the Expiry Date provided that any delivery made before the Expiry Date shall be deemed to be made on the Expiry Date.

(b) *Expiry*

Any Warrants with respect to which an Exercise Date has not occurred on the Expiry Date shall expire immediately without value thereafter and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrants shall cease.

4. Exercise of Warrants

(a) Warrants may only be exercised in a Board Lot or integral multiples thereof.

(b) *Delivery of an Exercise Notice*

- (i) In order to exercise Warrants, the Warrantholder shall deliver to the specified office of the Agent (the “Agent’s Office”) an Exercise Notice, such delivery to be made at any time (in the case of American Style Warrants) during the Exercise Period or (in the case of European Style Warrants) before the earlier of the commencement of the morning trading session or any pre-opening session on the Expiry Date or on the Business Day immediately prior to the Expiry Date provided that any delivery made before the Expiry Date shall be deemed to be made prior to the earlier of the commencement of the morning trading session or any pre-opening session on the Expiry Date. Warrants may not be exercised at any other time.
- (ii) The date upon which a Warrant is, or is to be treated as, exercised (an “Exercise Date”) shall be the Business Day on which an Exercise Notice is delivered to the Registrar and in respect of which there is a valid exercise of Warrants in accordance with the requirements of these Conditions, provided that any Exercise Notice received by the Registrar after the earlier of the commencement of the morning trading session or any pre-opening session on any Business Day shall be deemed to have been delivered prior to the earlier of the commencement of the morning trading session or any pre-opening session on the next following Business Day.

(c) *Exercise Notice*

The Exercise Notice shall:

- (i) specify the name(s) of the Warrantholder(s) and the number of Warrants being exercised; and
- (ii) be accompanied by the warrant certificate(s) in the name(s) of the exercising Warrantholder(s) and by payments by way of banker’s draft or other payment, in each case in immediately

available funds, in favour of the Issuer for the aggregate of the Exercise Price for the total number of Shares to be purchased and in favour of the Registrar for such of the aggregate of the Exercise Expenses as may be determined by the Registrar at that time or, if later, as soon as the same shall have been determined by the Registrar; and

- (iii) specify, if applicable, the name and address of the person or persons to be shown on the instrument of transfer and to be entered in the register of members of the Company in respect of the Shares to be delivered, and the name and address of the bank, broker or agent in Hong Kong (if any) to whom the share certificates and other documents of title are to be delivered or details of the bank, broker or agent to whom the share certificates and other documents of title in respect of the Shares shall be made available for collection from the Agent's Office; and
- (iv) specify, if applicable, whether the Warrantholder elects to receive the Shares electronically through CCASS rather than by way of physical delivery of share certificates as described in Condition 4(c)(iii) above.

Any Exercise Expenses which have not been determined by the Registrar on the Exercise Date shall be notified to the Warrantholder as soon as practicable after determination thereof by the Registrar and shall be paid by the Warrantholder forthwith.

(d) *Consequences of delivery of an Exercise Notice*

Delivery of an Exercise Notice in accordance with Condition 4 shall constitute an irrevocable election and undertaking by the Warrantholder specified in such Exercise Notice to exercise the number of Warrants specified in such Exercise Notice and an irrevocable authority to the Issuer and the Registrar to execute relevant contract notes and instruments of transfer on behalf of the Warrantholder (or such other person as he may have directed in the Exercise Notice) and, as the case may be, an irrevocable authority to the Issuer and the Agent to take all necessary action to deliver the Shares electronically through CCASS. In no event will any payment be accepted after the earlier of the commencement of the morning trading session or any pre-opening session on the Expiry Date.

(e) *Delivery of Shares and payments relating to Excess Shares*

Subject to a valid exercise of Warrants in accordance with these Conditions:

- (i) the Issuer will procure that the Registrar will, with effect from the first Business Day following the Exercise Date or the Expiry Date, as the case may be, remove from its register the name of the person in respect of the Warrants which are the subject of an exercise whether pursuant to an Exercise Notice or if the Warrants have expired worthless and thereby cancel the relevant Warrants; and
- (ii) subject as provided below in the case of a Settlement Disruption Event, the Issuer will procure that either:
 - (a) where the Warrantholder has elected physical delivery of share certificates in the Exercise Notice, the exercising Warrantholder (or such person as he may have directed in the Exercise Notice) shall be entered in the register of members of the Company as the registered shareholder of the relevant Shares (but excluding any fractional entitlements) no later than the date (the "Physical Settlement Date") ten Business Days, where there are Common Registrars, or eighteen Business Days, where there are Separate Registrars, following the Exercise Date. Any documents of title (including share certificates in the name of the exercising Warrantholder or in such name as such Warrantholder may hav

e directed) relating to the Shares (but excluding any fractional entitlements) together with any payment to which the Warrantholder is entitled pursuant to Condition 6(h) will be, in accordance with the directions of the Warrantholder set out in the Exercise Notice, either:

- (aa) delivered at the risk and expense of the Warrantholder to such bank, broker or other agent (if any) in Hong Kong as the Warrantholder has specified in the Exercise Notice or, if no such details are specified, posted at the risk and expense of the Warrantholder to the Warrantholder's address (or in the case of joint Warrantholders, the address of the first-named Warrantholder) appearing in the register kept by the Registrar no later than the Physical Settlement Date; or
 - (bb) on the Physical Settlement Date made available for collection by the Warrantholder or such bank, broker or agent (if any) as the Warrantholder has specified in the Exercise Notice during normal office hours at the Agent's Office upon production of such evidence of entitlement or identity as the Issuer or the Registrar may reasonably require; or
- (b) where the Warrantholder has elected to receive Shares by way of electronic settlement through CCASS:
- (aa) in the case where the exercising Warrantholder is not the Nominee,
 - (1) the Issuer shall procure that the Agent or its agent shall, no later than five Business Days following the Exercise Date (the "CCASS Settlement Date"), input to CCASS an instruction, in such form as HKSCC may from time to time prescribe as being valid pursuant to the CCASS Rules (currently known as a "Settlement Instruction"), to effect the debit from the Stock Account of the Agent's designated CCASS Participant and credit to the Stock Account of the exercising Warrantholder's designated CCASS Participant, on a free of payment basis (currently known as a "FOP" basis) in accordance with the CCASS Rules, the total number of Shares to be transferred by the Issuer pursuant to the exercise of the Warrants; and
 - (2) the Warrantholder shall procure that its designated CCASS Participant shall, no later than the CCASS Settlement Date, input to CCASS a Settlement Instruction to effect the debit from the Stock Account of the Agent's designated CCASS Participant and credit to the Stock Account of the exercising Warrantholder's designated CCASS Participant, on a FOP basis in accordance with the CCASS Rules, the total number of Shares to be transferred by the Issuer pursuant to the exercise of the Warrants, provided that if the Settlement Instruction is not input by the Latest Input Time (as defined below) on the CCASS Settlement Date, or is input incorrectly, the Shares will not be delivered electronically through CCASS and instead will be registered in the name of the exercising Warrantholder and share certificate(s) will be despatched (at his risk and expense) to the Warrantholder's address (or, in the case of joint Warrantholders, the address of the first-named Warrantholder) appearing on the register kept by the Registrar,

provided that the input of any Settlement Instruction shall be made as soon as reasonably practicable and, in any event, no later than the time stated in the CCASS Rules (which time is currently 3:45 p.m. (Hong Kong time)) for the matching of such instructions pursuant to the Settlement Instruction matching run preceding the final batch settlement run effected by CCASS (the "Latest Input Time") on the CCASS Settlement Date; or

- (bb) in the case where the exercising Warrantholder is the Nominee, the Issuer shall procure that the Agent or its agent instructs the Nominee, no later than the CCASS

Settlement Date, to effect the debit from the Stock Account of the Agent's designated CCASS Participant and credit to the Stock Account of the relevant CCASS Participant, in accordance with the CCASS Rules, the total number of Shares to be sold and transferred by the Issuer pursuant to the exercise of the Warrants; and

- (cc) any payment to which the Warrantholder is entitled pursuant to Condition 6(h), if applicable, shall be posted no later than the CCASS Settlement Date (at the risk and expense of the Warrantholder) to the Warrantholder's address (or, in the case of joint Warrantholders, the address of the first-named Warrantholder) appearing on the register kept by the Registrar.

For the purpose of these Conditions, delivery of share certificates by post and collection of such certificates shall each constitute "delivery" of such documents. Notwithstanding the foregoing, such actions shall not take place until the Warrantholder shall have accounted to the Registrar for unpaid Exercise Expenses to the extent that they were not or could not be paid on the Exercise Date.

For the purposes of these Conditions, there are "Common Registrars" when, for the whole of the period between the Exercise Date and the Physical Settlement Date (both dates inclusive) the Registrar and the share registrar of the Company are the same person or entity and there are "Separate Registrars" if, at any time during such period, the Registrar and the share registrar of the Company are a different person or entity.

As used in these Conditions, "Settlement Date" means the Physical Settlement Date and/or the CCASS Settlement Date, as the context so requires.

If a Settlement Disruption Event exists on any Business Day from and including the Exercise Date to and including the Settlement Date, then the Settlement Date shall be postponed until the first succeeding Business Day on which there is no Settlement Disruption Event unless a Settlement Disruption Event prevents settlement on each of the ten Business Days immediately following the original Settlement Date.

In that case,

- (a) if the Shares can be delivered in any other commercially reasonable manner on the tenth Business Day immediately following the original Settlement Date, then they shall so be delivered; and
- (b) if the Shares cannot be delivered in any other commercially reasonable manner, the Settlement Date shall be postponed until settlement can reasonably be effected under this Condition or in any other commercially reasonable manner.

If, as a result of a Settlement Disruption Event it is not possible for the Issuer to procure the registration of the exercising Warrantholder (or such person as the Warrantholder has specified in the Exercise Notice) or deliver documents of title relating to the Shares to the exercising Warrantholder (or such bank, broker or agent (if any) as the Warrantholder has specified in the Exercise Notice) or deliver the Shares electronically through CCASS, all as set out above, on or before the original Settlement Date, the Issuer shall procure that the exercising Warrantholder is notified (in accordance with Condition 11(a)) of the postponement of the Settlement Date.

(f) *Intervening Period*

As from the Exercise Date, an exercising Warrantholder (or such person as he may have directed) shall become beneficially entitled to all those rights attaching to the Shares to be delivered in respect of such exercise to which he would have become entitled if he had been registered as the holder of such Shares on the Exercise Date.

Notwithstanding the foregoing, as from the Exercise Date and until such time as the exercising Warrantholder (or such person as he may have directed) becomes entered in the register of members of the Company as the registered holder of the relevant Shares or is delivered the Shares electronically through CCASS (the “Intervening Period”), neither the Issuer nor its agent or nominee shall:

- (i) be under any obligation to deliver to such exercising Warrantholder or any subsequent beneficial owner of the Shares any letter, certificate, notice, circular, dividend or any other document or payment whatsoever received by the Issuer or its agent or nominee in its capacity as the registered holder of such Shares; or
- (ii) exercise any or all rights (including voting rights) attaching to the Shares during the Intervening Period without the prior written consent of the relevant exercising Warrantholder, provided that neither the Issuer nor its agent nor nominee shall be under any obligation to exercise any such rights during the Intervening Period; or
- (iii) be under any liability to such exercising Warrantholder or any subsequent beneficial owner of the Shares in respect of any loss or damage which such exercising Warrantholder or subsequent beneficial owner may sustain or suffer as a result, whether directly or indirectly, of the Issuer or its agent or nominee being registered during such Intervening Period as legal owner of the Shares.

(g) Notwithstanding Condition 4(f) above, the Issuer shall notify each relevant exercising Warrantholder (or where there are joint Warrantholders, the first named Warrantholder) appearing in the register kept by the Registrar by post (by air mail in the case of an address outside Hong Kong) of the receipt by the Issuer or its agent or nominee during the Intervening Period of any dividend, rights, bonus issue, shares issued pursuant to a share split or consolidation in respect of Shares beneficially owned by such exercising Warrantholder or a subsequent beneficial owner of such Shares which the exercising Warrantholder is entitled to under these Conditions.

The Issuer shall also make available as soon as reasonably practicable such dividend payment or Shares, as the case may be, for collection by the Warrantholder or such subsequent beneficial owner of such Shares from an office in Hong Kong which shall be specified in such notification upon production of such evidence of entitlement and identification as may reasonably be required by the Issuer.

The Issuer shall also notify each relevant exercising Warrantholder (or where there are joint Warrantholders, the first named Warrantholder) appearing on the register kept by the Registrar by post (by airmail in the case of an address outside Hong Kong) of any right, entitlement or offer which the exercising Warrantholder is entitled to exercise or accept under these Conditions as beneficial owner of the relevant Shares during the Intervening Period and shall make available any document relating to such right, entitlement or offer for collection by the Warrantholder, or the person to whom the Warrantholder directed the Shares to be delivered, from an office in Hong Kong which shall be specified in such notification upon production of such evidence of entitlement and identification as may reasonably be required and, following receipt by the Issuer of written notification as may

reasonably be required and, where appropriate, any relevant payment or consideration necessary in connection with exercising or accepting any such right, entitlement or offer from the relevant exercising Warrantholder or the person to whom the Warrantholder directed the Shares to be delivered, the Issuer shall on behalf of the relevant exercising Warrantholder, or the person to whom the Warrantholder directed the Shares to be delivered, exercise or accept such right, entitlement or offer.

Notwithstanding anything in this Condition, in the case of the receipt by the Issuer during the Intervening Period of an entitlement (in respect of the Shares deliverable to or at the direction of the exercising Warrantholder) which takes the form of securities issued by the Company by way of rights (to which entitlement the exercising Warrantholder is entitled under these Conditions), the Issuer shall, as soon as reasonably practicable and:

- (i) in any event by no later than one Business Day following receipt by it of the relevant entitlement from the Company, where necessary post to the Company or its share registrar an application for the entitlement to be split as appropriate as between Shares deliverable to different Warrantholders (or subsequent Warrantholders); and
 - (ii) in any event no later than one Business Day following receipt by it of the relevant entitlement duly split as referred to in (i) above, post (by air mail in the case of an address outside Hong Kong) all documentation (duly renounced where appropriate) received by it relating to such entitlement to the exercising Warrantholder, or the person to whom the Warrantholder directed the Shares to be delivered, or (if the exercising Warrantholder shall have so directed in the relevant Exercise Notice) make available such documentation for collection by the Warrantholder, or the person to whom the Warrantholder directed the Shares to be delivered, from the Agent's Office upon production of such evidence of entitlement and identification as may reasonably be required.
- (h) *Relationship of agency or trust*

These Conditions shall not be construed so as to give rise to any relationship of agency or trust between the Issuer or its agent or nominee and any exercising Warrantholder in its capacity as beneficial owner of Shares, or any subsequent beneficial owner of Shares, during an Intervening Period and neither the Issuer nor its agent or nominee shall owe any duty of a fiduciary nature to either such Warrantholder or such beneficial owner in respect of such Shares.

5. Registrar

- (a) The initial Registrar and the Agent's Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Agent's Office or the specified office of the Registrar will be given to the Warrantholders in accordance with Condition 11.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrants and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantholders.

6. Adjustments

(a) *Rights Issues*

If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “Rights Offer”), the Entitlement will be adjusted to take effect on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where :

$$\text{Adjustment Component} = \frac{1 + M}{1 + (R/S) \times M}$$

E : Existing Entitlement immediately prior to the Rights Offer

S : Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis

R : Subscription price per Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right

M : Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price in accordance with the following formula:

$$\begin{array}{l} \text{adjusted Exercise Price} \\ \text{(rounded to the nearest} \\ \text{Hong Kong dollar 0.001)} \end{array} = \text{Exercise Price} \times \frac{1}{\text{Adjustment Component}}$$

This adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.

For the purposes of these Conditions:

“Rights” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

(b) *Bonus Issues*

If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend

and without any payment or other consideration being made or given by such holders) (a “Bonus Issue”) the Entitlement will be increased on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

$$\text{Adjustment Component} = (1 + N)$$

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price in accordance with the following formula:

$$\begin{array}{l} \text{adjusted Exercise Price} \\ \text{(rounded to the nearest} \\ \text{Hong Kong dollar 0.001)} \end{array} = \text{Exercise Price} \times \frac{1}{\text{Adjustment Component}}$$

This adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.

(c) *Share Splits or Consolidations*

If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “Subdivision”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “Consolidation”), the Entitlement in effect immediately prior thereto will be increased (in the case of a Subdivision) or decreased (in the case of a Consolidation) accordingly in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect. In addition, the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) will be decreased (in case of a Subdivision) or increased (in case of a Consolidation) accordingly.

This adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.

(d) *Merger or Consolidation*

If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “Restructuring Event”) (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“Substituted Securities”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related

immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph (d) and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Conditions to the Shares shall include any such cash.

(e) *Cash Distributions*

Generally, no capital adjustment will be made for an ordinary cash dividend (whether or not it is offered with a script alternative). For any other forms of cash distribution (each a “Cash Distribution”) announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no capital adjustment will be made unless the value of the Cash Distribution accounts for two per cent. or more of the Share’s closing price on the day of announcement by the Company.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Entitlement will be adjusted to take effect on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

$$\text{Adjustment Component} = \frac{S - OD}{S - OD - CD}$$

provided that OD shall be deducted from S only if the Business Day on which trading in the Shares of the Company becomes ex-entitlement with respect to the Cash Distribution and the distribution of the ordinary cash dividend by the Company falls on the same date.

OD: Amount of the relevant ordinary cash dividend per Share

CD: Amount of the relevant Cash Distribution per Share

E: Existing Entitlement immediately prior to the Cash Distribution

S: Cum-Cash Distribution Share price being the closing price of the Shares on the Stock Exchange on the last Business Day on which the Shares of the Company are traded on a cum-Cash Distribution basis

In addition, the Issuer shall adjust the Exercise Price in accordance with the following formula:

$$\begin{array}{l} \text{adjusted Exercise Price} \\ \text{(rounded to the nearest} \\ \text{Hong Kong dollar 0.001)} \end{array} = \text{Exercise Price} \times \frac{1}{\text{Adjustment Component}}$$

This adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.

(f) *Other Adjustments*

Except as provided in this Condition 6 and Condition 14, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer’s

sole and unfettered discretion and without any obligation whatsoever) to make such adjustments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion and notwithstanding any prior adjustment made pursuant to the above should, in the context of the issue of the Warrants and the obligations of the Issuer, give rise to such adjustment provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Warrantholders generally (without considering the circumstances of any individual Warrantholder or the tax or other consequences of such adjustment in any particular jurisdiction).

(g) *Notice of Adjustments*

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantholders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 11.

(h) *Excess Shares*

If as a result of an adjustment to the Entitlement pursuant to Conditions 6(a), (b), (c), (e) and (f) above (but not otherwise), an exercise of a number of Warrants specified in an Exercise Notice would (if not for the provisions of this Condition 6(h)) result in the relevant Warrantholder becoming entitled to delivery of a number of Shares which is not equal to a board lot of the Shares at such time or an integral multiple thereof, then:

- (i) the Issuer shall not deliver to the relevant Warrantholder and the Warrantholder shall cease to be entitled to receive in respect of the relevant exercise of Warrants, that number of Shares (the “Excess Shares”) which exceeds the amount of such board lot or integral multiple thereof; and
- (ii) the relevant Warrantholder shall be entitled to receive a cash amount from the Issuer (to be paid no later than the Settlement Date in accordance with Condition 4(e)) equal to the closing price of one Share (as derived from the Daily Quotation Sheet of the Stock Exchange or, if no such quotation is available, the most recently available closing price) on the Business Day immediately preceding the relevant Exercise Date multiplied by the number of the Excess Shares.

7. Early Termination for Extraordinary Reasons, Illegality and Force Majeure

If the Issuer determines that, for reasons beyond its control, the performance of its obligations under the Warrants has become illegal or impractical in whole or in part for any reason, or if the Issuer determines that, for reasons beyond its control, it is no longer legal or practical for it to maintain its hedging arrangements with respect to the Warrants (i) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (ii) due to the promulgation of or any change in the interpretation of any applicable law or regulation (including, without limitation, any action taken by a taxing authority), the Issuer may at its discretion and without obligation terminate the Warrants early by giving notice to the Warrantholders in accordance with Condition 11.

Should any one or more of the provisions contained in the Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby.

If the Issuer terminates the Warrants early pursuant to this Condition 7, the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Warrantholder in respect of each Warrant

held by such holder equal to the fair market value of a Warrant notwithstanding such illegality or impracticality less the cost incurred by the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Warrantheolders in accordance with Condition 11.

8. Purchases

The Issuer and/or any of its respective affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation.

9. Warrant Certificates

- (a) Each Warrantheolder shall be entitled, within ten Business Days after any Warrants are issued or transferred to him, to one warrant certificate in respect of such Warrants or, upon payment of an amount not exceeding HK\$2.50 per warrant certificate (or such other amount as the Stock Exchange may from time to time permit) as the Issuer may determine, to two or more warrant certificates each in respect of part of such Warrants.
- (b) If a warrant certificate is defaced, worn out, lost, stolen or destroyed, it may be renewed on such terms (if any) as to evidence and indemnity and payment of the expenses incurred by the Issuer in investigating evidence, and payment of such fee not exceeding HK\$2.50 per warrant certificate (or such other amount as the Stock Exchange may from time to time permit) as the Issuer may require and, in the case of defacement or wearing out, surrender of the old certificate.

10. Meetings of Warrantheolders; Modification

(a) Meetings of Warrantheolders

The Registrar's Agreement contains provisions for convening meetings of the Warrantheolders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Instrument.

Any resolution to be passed in a meeting of the Warrantheolders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantheolders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantheolders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warrantheolders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantheolders shall be binding on all the Warrantheolders, whether or not they are present at the meeting, save for those Warrants remaining unexercised but for which an Exercise Notice shall have been submitted prior to the date of the meeting.

In the case of Warrants which are expressed to be American Style, Warrants which have not been exercised but in respect of which an Exercise Notice has been submitted will not confer the right to attend or vote at, or join in convening, or be counted in quorum for, any meeting of the Warranholders. Resolutions can be passed in writing without a meeting of the Warranholders being held if passed unanimously.

(b) *Modification*

The Issuer may, without the consent of the Warranholders, effect any modification of the provisions of the Warrants or the Instrument which is (i) not materially prejudicial to the interests of the Warranholders; (ii) of a formal, minor or technical nature; (iii) made to correct an obvious error; or (iv) necessary in order to comply with mandatory provisions of the laws of Hong Kong (as defined below). Any such modification shall be binding on the Warranholders and shall be notified to them before the effective date or as soon as practicable thereafter in accordance with Condition 11.

11. Notices

- (a) All warrant certificates, cheques and other documents required or permitted by these Conditions to be sent to a Warranholder or to which a Warranholder is entitled or which the Issuer shall have agreed to deliver to a Warranholder may be delivered by hand or sent by post addressed to the Warranholder (otherwise than in accordance with an Exercise Notice) to the Warranholder's address (or, in the case of joint Warranholders, to the address of the first named Warranholder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warranholder. Where such documents are notices, such notices will be delivered on the same date as notices are delivered pursuant to Condition 11(b).
- (b) All notices to Warranholders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent by mail to the holders of Warrants at their addresses appearing in the register of Warranholders kept by the Registrar.

12. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

13. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warranholders, to create and issue further warrants so as to form a single series with the Warrants.

14. Delisting

- (a) If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantholders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warrantholder or the tax or other consequences that may result in any particular jurisdiction).
- (b) Without prejudice to the generality of Condition 14(a), where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Warrantholders, make such adjustments to the entitlements of Warrantholders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.
- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Warrantholders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantholders in accordance with Condition 11 as soon as practicable after they are determined.

15. Governing Law

The Warrants, the Instrument and the Registrar's Agreement will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong"). The Issuer and each Warrantholder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Instrument and the Registrar's Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

16. Language

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Agent and Agent's Office:

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

The relevant conditions will, together with the supplemental provisions contained in the relevant supplemental listing document and subject to completion and amendment, be endorsed on the warrant certificate. The applicable supplemental listing document in relation to the issue of any series of structured products may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant conditions, replace or modify the relevant conditions for the purpose of such series of structured products. Capitalized terms used in the relevant conditions and not otherwise defined therein shall have the meaning given to them in the relevant supplemental listing document.

The Terms and Conditions are available in English and Chinese. In the case of any inconsistency, the English version shall prevail.

TERMS AND CONDITIONS OF THE PUT WARRANTS (CASH SETTLED)

1. Form, Status, Transfer, Title and Additional Costs and Expenses

(a) *Form*

The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 13) relating to the Shares of the Company are issued in registered form subject to and with the benefit of an instrument by way of deed poll (the “Instrument”) dated the Issue Date, made by DBS Bank Ltd (the “Issuer”), and a base registrar’s and structured product agency agreement (as amended, varied or supplemented from time to time or any successor document, the “Registrar’s Agreement”) dated 7th May, 2004 as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants made between the Issuer, Computershare Hong Kong Investor Services Limited as registrar and agent for the Warrants (the “Registrar” and “Agent”, which expressions shall include any successors) and Computershare Investor Services (Channel Islands) Limited as the Registrar’s agent (the “Registrar’s Agent”, which expression shall include any successors). The Warrantheolders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Instrument and the Registrar’s Agreement.

(b) *Status*

The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer.

(c) *Transfer*

Warrants will be transferable only by means of delivery of the standard transfer form to the Registrar, in such form as may from time to time be in use, together with the relevant warrant certificate(s) in accordance with the provisions of the Instrument and the Registrar’s Agreement. Transfers of Warrants may be effected only in a Board Lot or integral multiples thereof. The standard transfer form is obtainable from the Registrar.

(d) *Title*

Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer and the Registrar as the absolute owner and holder of such number of Warrants. The expression “Warrantheolder” shall be construed accordingly.

(e) *Additional Costs and Expenses*

Persons should note that they may incur additional costs and expenses in connection with any expedited registration of the Warrants prior to the transfer or exercise of the Warrants, in particular during the period commencing ten Business Days (as defined below) prior to and including the Expiry Date (as defined below).

2. Warrant Rights and Exercise Expenses

(a) *Warrant Rights*

Every Exercise Amount gives each Warrantholder, upon due exercise and compliance with Condition 4(A) or 4(B), as the case may be, the right to receive the payment of the Cash Settlement Amount (each as defined below), if any.

(b) *Exercise Expenses*

On exercise of the Warrants, Warrantholders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses (as defined below) in accordance with Condition 4(A) or 4(B), as the case may be.

(c) *Definitions*

For the purposes of these Conditions:

“Business Day” means a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong and banks are open for business in Hong Kong;

“Cash Settlement Amount” means in respect of every Exercise Amount, an amount in Hong Kong dollars calculated by the Issuer as equal to (1) the Entitlement (subject to adjustment as provided in Condition 6) multiplied by (i) the Exercise Price (subject to adjustment as provided in Condition 6) less (ii) (A) in the case of Warrants exercised prior to the Expiry Date, the closing price of the Shares (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like) on the Valuation Date; or (B) in the case of Warrants exercised on the Expiry Date, the arithmetic mean of the closing price of the Shares (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date; less (2) the Exercise Expenses;

“CCASS” means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

“CCASS Rules” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“Exercise Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“Exercise Notice” means a duly completed exercise notice obtainable from the Registrar;

“Expiry Date” means the Maturity Date or if the Maturity Date is not a Business Day the immediately preceding Business Day;

“Market Disruption Event” means (1) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (a) the Shares; or (b) any options or futures contracts relating to the Shares if, in any such case, that suspension or limitation is, in the determination of the Issuer, material or (2) the hoisting of the tropical cyclone warning signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening later than its regular time for open of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been hoisted;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the relevant bank account designated by the relevant Warrantholder (the “Designated Bank Account”);

“Stock Exchange” means The Stock Exchange of Hong Kong Limited; and

“Valuation Date” means, with respect to the exercise of Warrants, and subject as provided below in relation to a Market Disruption Event, (1) in the case of Warrants exercised prior to the Expiry Date, the Exercise Date; or (2) in the case of Warrants exercised on the Expiry Date, each of the five Business Days immediately preceding the Expiry Date.

3. Exercise of American Style Warrants and European Style Warrants, Automatic Exercise and Expiry

(A) *American Style Warrants*

The following provisions of this Condition 3(A) shall apply only to Warrants which are expressed to be American Style.

(a) *Exercise Period*

The Warrants may be exercised by delivery of an Exercise Notice, in accordance with Condition 4(A) at any time during the period (the “Exercise Period”) beginning at the earlier of the commencement of the morning trading session or any pre-opening session on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending at the earlier of the commencement of the morning trading session or any pre-opening session on the Expiry Date.

(b) *Automatic Exercise*

All Warrants with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantholders). The Warrantholders will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Warrantholders the Cash Settlement Amount (if any) in accordance with Condition 4(A)(f).

(c) *Expiry*

Any Warrants with respect to which an Exercise Date has not occurred during the Exercise Period or which has not been automatically exercised in accordance with Condition 3(A)(b) shall expire immediately without value thereafter and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrants shall cease.

(B) *European Style Warrants*

The following provisions of this Condition 3(B) shall apply only to Warrants which are expressed to be European Style.

(a) *Exercise of Warrants*

The Warrants are exercisable only on the Expiry Date.

(b) *Automatic Exercise*

All Warrants will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantholders). The Warrantholders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Warrantholders the Cash Settlement Amount (if any) in accordance with Condition 4(B)(d).

(c) *Expiry*

Any Warrants which have not been automatically exercised in accordance with Condition 3(B)(b) shall expire immediately without value thereafter and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrants shall cease.

4. Exercise of Warrants

(A) *American Style Warrants*

The following provisions of this Condition 4(A) shall apply only to Warrants which are expressed to be American Style.

(a) Warrants may only be exercised in a Board Lot or integral multiples thereof.

(b) *Delivery of an Exercise Notice*

- (i) In order to exercise Warrants, the Warrantholder shall deliver to the specified office of the Agent (the "Agent's Office") an Exercise Notice, such delivery to be made at any time during the Exercise Period. Warrants may not be exercised at any other time.
- (ii) The date upon which a Warrant is, or is to be treated as, exercised (an "Exercise Date") shall be the Business Day on which an Exercise Notice is delivered to the Registrar and in respect of which there is a valid exercise of Warrants in accordance with the requirements of these Conditions, provided that any Exercise Notice received by the Registrar after the earlier of the commencement of the morning trading session or any pre-opening session on any Business Day shall be deemed to have been delivered prior to the earlier of the commencement of the morning trading session or any pre-opening session on the next following Business Day.

(c) *Exercise Notice*

The Exercise Notice shall:

- (i) specify the name(s) of the Warrantholder(s) and the number of Warrants being exercised;
- (ii) be accompanied by the warrant certificate(s) in the name(s) of the exercising Warrantholder(s);
and
- (iii) (where applicable) specify the person in whose favour the cheque representing the Cash Settlement Amount should be drawn and the name and address of the bank, broker or other agent to whom the cheque should be sent or, as the case may be, specify the relevant account to which the Cash Settlement Amount should be credited.

(d) *Consequences of delivery of an Exercise Notice*

Delivery of an Exercise Notice in accordance with Condition 4(A) shall constitute an irrevocable election and undertaking by the Warrantholder specified in such Exercise Notice to exercise the number of Warrants specified in such Exercise Notice and an irrevocable authorisation to deduct the Exercise Expenses in accordance with the calculation set out in the definition of the Cash Settlement Amount.

(e) *Cancellation*

Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will procure that the Registrar will, with effect from the first Business Day following the Exercise Date or the Expiry Date, as the case may be, remove from its register the name of the person in respect of the Warrants which are the subject of an exercise whether pursuant to an Exercise Notice, automatic exercise or if the Warrants have expired worthless and thereby cancel the relevant Warrants.

(f) *Cash Settlement*

Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder (or such other person as the Warrantholder may have specified in the Exercise Notice, if applicable) equal to the Cash Settlement Amount.

The Cash Settlement Amount, shall be despatched not later than three Business Days following the Exercise Date or the Expiry Date (the "Settlement Date") by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

In the case of Warrants exercised prior to the Expiry Date:

If the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event unless (1) the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling after the Expiry Date or (2) there is a Market Disruption Event on each of the five Business Days immediately following the original date that, but for the Market Disruption Event, would have been the Valuation Date. In the case of (1) (i) the Expiry Date shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event, and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Valuation Date but for the Market Disruption Event; and in the case of (2) (i) that fifth Business Day (or, if earlier, the Expiry Date) shall be deemed to be the Valuation Date, notwithstanding the Market Disruption Event, and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed but for the Market Disruption Event on that fifth Business Day (or Expiry Date if applicable).

In the case of Warrants exercised on the Expiry Date:

If the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a day that already is or is deemed to be a Valuation Date, provided that if the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after the Expiry Date then (i) the Business Day immediately preceding the Expiry Date (the “Last Valuation Date”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Last Valuation Date but for the Market Disruption Event. For the avoidance of doubt, in the event that a Valuation Date is postponed due to the occurrence of a Market Disruption Event, the closing price of the Shares for such postponed Valuation Date will be the closing price of the Shares on the first succeeding Business Day. Accordingly, the closing price of a Valuation Date may be used more than once in calculating the arithmetic mean of the closing price of one Share for the determination of the Cash Settlement Amount, so that in no event shall there be less than five closing prices to determine the arithmetic mean of the closing price of one Share.

(B) *European Style Warrants*

The following provisions of this Condition 4(B) shall apply only to Warrants which are expressed to be European Style.

(a) Warrants may only be exercised in a Board Lot or integral multiples thereof.

(b) *No requirement to deliver an exercise notice*

The Warrantholders will not be required to deliver an exercise notice for any purpose in relation to the Warrants.

(c) *Cancellation*

The Issuer will procure that the Registrar will, with effect from the first Business Day following the Expiry Date, remove from its register the name of the person in respect of the Warrants which are the subject of an automatic exercise or if the Warrants have expired worthless and thereby cancel the relevant Warrants.

(d) *Cash Settlement*

Subject to and in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Expiry Date (the “Settlement Date”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

If the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a day that already is or is deemed to be a Valuation Date, provided that if the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after the Expiry Date then (i) the Business Day immediately preceding the Expiry Date (the “Last Valuation Date”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Last Valuation Date but for the Market Disruption Event. For the avoidance of doubt, in the event that a Valuation Date is postponed due to the occurrence of a Market Disruption Event, the closing price of the Shares for such postponed Valuation Date will be the closing price of the Shares on the first succeeding Business Day. Accordingly, the closing price of a Valuation Date may be used more than once in calculating the arithmetic mean of the closing price of one Share for the determination of the Cash Settlement Amount, so that in no event shall there be less than five closing prices to determine the arithmetic mean of the closing price of one Share.

5. Registrar

- (a) The initial Registrar and the Agent’s Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Agent’s Office or the specified office of the Registrar will be given to the Warrantholders in accordance with Condition 11.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrants and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantholders.

6. Adjustments

(a) *Rights Issues*

If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “Rights Offer”), the Entitlement will be adjusted to take effect on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where :

$$\text{Adjustment Component} = \frac{1 + M}{1 + (R/S) \times M}$$

E : Existing Entitlement immediately prior to the Rights Offer

S : Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis

R : Subscription price per Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right

M : Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price in accordance with the following formula:

$$\begin{array}{l} \text{adjusted Exercise Price} \\ \text{(rounded to the nearest} \\ \text{Hong Kong dollar 0.001)} \end{array} = \text{Exercise Price X} \frac{1}{\text{Adjustment Component}}$$

This adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.

For the purposes of these Conditions:

“Rights” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

(b) *Bonus Issues*

If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a “Bonus Issue”) the Entitlement will be increased on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

Adjustment Component = (1 + N)

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price in accordance with the following formula:

$$\begin{array}{l} \text{adjusted Exercise Price} \\ \text{(rounded to the nearest} \\ \text{Hong Kong dollar 0.001)} \end{array} = \text{Exercise Price X } \frac{1}{\text{Adjustment Component}}$$

This adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.

(c) *Share Splits or Consolidations*

If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “Subdivision”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “Consolidation”), the Entitlement in effect immediately prior thereto will be increased (in the case of a Subdivision) or decreased (in the case of a Consolidation) accordingly in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect. In addition, the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) will be decreased (in case of a Subdivision) or increased (in case of a Consolidation) accordingly.

This adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.

(d) *Merger or Consolidation*

If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “Restructuring Event”) (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“Substituted Securities”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any

Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph (d) and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Conditions to the Shares shall include any such cash.

(e) *Cash Distribution*

Generally, no capital adjustment will be made for an ordinary cash dividend (whether or not it is offered with a script alternative). For any other forms of cash distribution (each a “Cash Distribution”) announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no capital adjustment will be made unless the value of the Cash Distribution accounts for two per cent. or more of the Share’s closing price on the day of announcement by the Company.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Entitlement will be adjusted to take effect on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

$$\text{Adjustment Component} = \frac{S - OD}{S - OD - CD}$$

provided that OD shall be deducted from S only if the Business Day on which trading in the Shares of the Company becomes ex-entitlement with respect to the Cash Distribution and the distribution of the ordinary cash dividend by the Company falls on the same date.

OD: Amount of the relevant ordinary cash dividend per Share

CD: Amount of the relevant Cash Distribution per Share

E: Existing Entitlement immediately prior to the Cash Distribution

S: Cum-Cash Distribution Share price being the closing price of the Shares on the Stock Exchange on the last Business Day on which the Shares of the Company are traded on a cum-Cash Distribution basis

In addition, the Issuer shall adjust the Exercise Price in accordance with the following formula:

$$\begin{array}{l} \text{adjusted Exercise Price} \\ \text{(rounded to the nearest} \\ \text{Hong Kong dollar 0.001)} \end{array} = \text{Exercise Price X } \frac{1}{\text{Adjustment Component}}$$

This adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.

(f) *Other Adjustments*

Except as provided in this Condition 6 and Condition 14, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to make such adjustments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion and notwithstanding any prior adjustment made pursuant to the above should, in the context of the issue of the Warrants and the obligations of the Issuer, give rise to such adjustment provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Warrantholders generally (without considering the circumstances of any individual Warrantholder or the tax or other consequences of such adjustment in any particular jurisdiction).

(g) *Notice of Adjustments*

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantholders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 11, as the case may be.

7. Early Termination for Extraordinary Reasons, Illegality and Force Majeure

If the Issuer determines that, for reasons beyond its control, the performance of its obligations under the Warrants has become illegal or impractical in whole or in part for any reason, or if the Issuer determines that, for reasons beyond its control, it is no longer legal or practical for it to maintain its hedging arrangements with respect to the Warrants (i) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (ii) due to the promulgation of or any change in the interpretation of any applicable law or regulation (including, without limitation, any action taken by a taxing authority), the Issuer may at its discretion and without obligation terminate the Warrants early by giving notice to the Warrantholders in accordance with Condition 11.

Should any one or more of the provisions contained in the Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby.

If the Issuer terminates the Warrants early pursuant to this Condition 7, the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Warrantholder in respect of each Warrant held by such holder equal to the fair market value of a Warrant notwithstanding such illegality or impracticality less the cost incurred by the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Warrantholders in accordance with Condition 11.

8. Purchases

The Issuer and/or any of its respective affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation.

9. Warrant Certificates

- (a) Each Warrantholder shall be entitled, within ten Business Days after any Warrants are issued or transferred to him, to one warrant certificate in respect of such Warrants or, upon payment of an amount not exceeding HK\$2.50 per warrant certificate (or such other amount as the Stock Exchange may from time to time permit) as the Issuer may determine, to two or more warrant certificates each in respect of part of such Warrants.

- (b) If a warrant certificate is defaced, worn out, lost, stolen or destroyed, it may be renewed on such terms (if any) as to evidence and indemnity and payment of the expenses incurred by the Issuer in investigating evidence, and payment of such fee not exceeding HK\$2.50 per warrant certificate (or such other amount as the Stock Exchange may from time to time permit) as the Issuer may require and, in the case of defacement or wearing out, surrender of the old certificate.

10. Meetings of Warrantheolders; Modification

(a) Meetings of Warrantheolders

The Registrar's Agreement contains provisions for convening meetings of the Warrantheolders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Instrument.

Any resolution to be passed in a meeting of the Warrantheolders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantheolders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantheolders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warrantheolders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantheolders shall be binding on all the Warrantheolders, whether or not they are present at the meeting, save for those Warrants remaining unexercised but for which an Exercise Notice shall have been submitted prior to the date of the meeting.

In the case of Warrants which are expressed to be America Style, Warrants which have not been exercised but in respect of which an Exercise Notice has been submitted will not confer the right to attend or vote at, or join in convening, or be counted in quorum for, any meeting of the Warrantheolders. Resolutions can be passed in writing without a meeting of the Warrantheolders being held if passed unanimously.

(b) Modification

The Issuer may, without the consent of the Warrantheolders, effect any modification of the provisions of the Warrants or the Instrument which is (i) not materially prejudicial to the interests of the Warrantheolders; (ii) of a formal, minor or technical nature; (iii) made to correct an obvious error; or (iv) necessary in order to comply with mandatory provisions of the laws of Hong Kong (as defined below). Any such modification shall be binding on the Warrantheolders and shall be notified to them before the effective date or as soon as practicable thereafter in accordance with Condition 11.

11. Notices

- (a) All warrant certificates, cheques and other documents required or permitted by these Conditions to be sent to a Warrantholder or to which a Warrantholder is entitled or which the Issuer shall have agreed to deliver to a Warrantholder may be delivered by hand or sent by post addressed to the Warrantholder (otherwise than in accordance with an Exercise Notice) to the Warrantholder's address (or, in the case of joint Warrantholders, to the address of the first named Warrantholder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warrantholder. Where such documents are notices, such notices will be delivered on the same date as notices are delivered pursuant to Condition 11(b).
- (b) All notices to Warrantholders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent by mail to the holders of Warrants at their addresses appearing in the register of Warrantholders kept by the Registrar.

12. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

13. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantholders, to create and issue further warrants so as to form a single series with the Warrants.

14. Delisting

- (a) If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantholders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warrantholder or the tax or other consequences that may result in any particular jurisdiction).
- (b) Without prejudice to the generality of Condition 14(a), where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Warrantholders, make such adjustments to the entitlements of Warrantholders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.

- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Warrantholders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantholders in accordance with Condition 11 as soon as practicable after they are determined.

15. Governing Law

The Warrants, the Instrument and the Registrar's Agreement will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong"). The Issuer and each Warrantholder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Instrument and the Registrar's Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

16. Language

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Agent and Agent's Office:

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

The relevant conditions will, together with the supplemental provisions contained in the relevant supplemental listing document and subject to completion and amendment, be endorsed on the warrant certificate. The applicable supplemental listing document in relation to the issue of any series of structured products may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant conditions, replace or modify the relevant conditions for the purpose of such series of structured products. Capitalized terms used in the relevant conditions and not otherwise defined therein shall have the meaning given to them in the relevant supplemental listing document.

The Terms and Conditions are available in English and Chinese. In the case of any inconsistency, the English version shall prevail.

TERMS AND CONDITIONS OF THE PUT WARRANTS (PHYSICALLY SETTLED)

1. Form, Status, Transfer and Title

(a) Form

The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) relating to the Shares of the Company are issued in registered form subject to and with the benefit of an instrument by way of deed poll (the “Instrument”) dated the Issue Date, made by DBS Bank Ltd (the “Issuer”), and a base registrar’s and structured product agency agreement (as amended, varied or supplemented from time to time or any successor document, the “Registrar’s Agreement”) dated 7th May, 2004 as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants made between the Issuer, Computershare Hong Kong Investor Services Limited as registrar and agent for the Warrants (the “Registrar” and “Agent”, which expressions shall include any successors) and Computershare Investor Services (Channel Islands) Limited as the Registrar’s agent (the “Registrar’s Agent”, which expression shall include any successors). The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Instrument and the Registrar’s Agreement.

(b) Status

The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer.

(c) CCASS

- (i)* The Warrants have been accepted as eligible securities by Hong Kong Securities Clearing Company Limited (“HKSCC”) for deposit, clearance and settlement in the Central Clearing and Settlement System (“CCASS”).
- (ii)* Warrant certificates in definitive form will be issued for those Warrants to be deposited in CCASS (the “CCASS Warrant Certificates”) registered in the name of HKSCC Nominees Limited, or such other person, firm or company for the time being appointed by HKSCC as a nominee (the “Nominee”), and deposited directly into CCASS for credit to the Stock Account (as defined in Condition 4(k)) of the initial Warrantholders maintained in CCASS.

- (iii) Warrant certificates in definitive form registered in the name of the Warrantholder (or his nominee) will be issued when a Warrantholder elects not to hold his Warrants in CCASS, either by choosing not to do so on issue of the Warrants or thereafter by withdrawing them from CCASS in the manner prescribed from time to time by the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time (the “CCASS Rules”).

The Warrants may not be exercised unless held within CCASS and deposited with, and credited to, a Stock Account of a Warrantholder in CCASS.

- (iv) Those Warrants deposited with, and credited to a Stock Account of a Warrantholder in CCASS shall be transferred through CCASS in accordance with the CCASS Rules. Those Warrants held in the form of definitive Warrant certificates outside CCASS shall be transferred by the delivery of the relevant Warrant certificate(s) to the Registrar, together with the delivery of a standard transfer form to the Registrar in such form as may from time to time be in use. The standard transfer form is obtainable from the Registrar.

(d) *Transfer*

Transfer of Warrants may be effected only in a Board Lot or integral multiples thereof.

(e) *Title*

Each person who is for the time being shown in the records of CCASS as entitled to a particular number of Warrants by way of an interest (to the extent of such number) in the CCASS Warrant Certificates in respect of those Warrants represented thereby shall be treated by the Issuer, the Agent and the Registrar as the holder of such number of Warrants. Each person (other than the Nominee in respect of Warrants deposited in CCASS and represented by the CCASS Warrant Certificates) who is for the time being shown in the records of the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer, the Agent and the Registrar as the holder of such number of Warrants. The expression “Warrantholder” shall be construed accordingly.

(f) *Withdrawal*

Any Warrantholder choosing to withdraw from CCASS Warrants represented by the CCASS Warrant Certificates shall do so in the manner prescribed from time to time by the CCASS Rules.

(g) *Deposit*

Any Warrantholder choosing to deposit with CCASS Warrants represented by a definitive Warrant certificate registered in his or his nominee’s name and to have instead those Warrants represented by the CCASS Warrant Certificates and credited to his or his designated CCASS participants’ Stock Account shall deposit those Warrants in CCASS in the manner prescribed from time to time by the CCASS Rules.

(h) *Additional Costs and Expenses*

Persons should note that they may incur additional costs and expenses in connection with any expedited registration of the Warrants prior to the transfer or exercise of the Warrants, in particular during the period commencing ten Business Days (as defined below) prior to and including the Expiry Date (as defined below).

2. Warrant Rights, Exercise Price and Exercise Expenses

(a) Warrant Rights

Every Exercise Amount initially entitles each Warrantholder, upon due exercise and compliance with Condition 4, to sell to the Issuer the Entitlement, subject to adjustment as provided in Condition 6.

(b) Exercise Price

The price to be paid by the Issuer upon the exercise of every Exercise Amount shall be the Exercise Price, subject to adjustment as described in Condition 6, less any sums payable in accordance with Condition 2(c).

(c) Exercise Expenses

Warrantholders will be required to pay all charges which they incur in respect of the sale and transfer of Shares upon the exercise of the Warrants, including without limitation stamp duty, levies, registration charges and other expenses payable in respect of documents of title to Shares, including but not limited to scrip fees payable on the share certificates representing Shares.

In addition, Warrantholders will be required to pay a sum equal to all the expenses payable by the buyer and transferee of the relevant Shares, including without limitation any stamp duty, agent's expenses, scrip fees, levies, registration charges and other expenses payable on or in respect of or in connection with the sale of or agreement to sell the Shares to which the relevant Warrants and/or the exercise of the Warrants relate (the above charges and expenses incurred by Warrantholders and the above buyer's and transferee's expenses are together referred to as the "Exercise Expenses").

An amount equivalent to the Exercise Expenses shall be deducted from the Exercise Price paid by the Issuer to the Warrantholder. In certain circumstances, part of the Exercise Expenses may be required to be paid by Warrantholders after the exercise of the Warrants but prior to the delivery of the forms of transfer relating to the Shares to the registrar of the Company.

3. Exercise of American Style Warrants and European Style Warrants, Suspension Period and Expiry

(A) American Style Warrants

The following provisions of this Condition 3(A) shall apply only to Warrants which are expressed to be American Style.

(a) Exercise Period

The Warrants may be exercised by delivery of an Exercise Notice (as defined below), in accordance with Condition 4 at any time during the period (the "Exercise Period") beginning at the earlier of the commencement of the morning trading session or any pre-opening session on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) and ending at the earlier of the commencement of the morning trading session or any pre-opening session on the Expiry Date (as defined below).

(b) *Suspension Period*

If the Issuer determines (in its absolute discretion) that as a result of the suspension or cessation of all or part of the clearing, settlement and depository operations of CCASS, the ability of the Warrantholder or the Issuer to perform their respective delivery and payment obligations pursuant to the exercise of the Warrants has been or could be expected to be materially adversely affected (in each case, a “Suspension Period”), the Warrantholder shall effect the delivery or record the transfer of, and the Issuer shall make payment for, the Shares on the first Business Day after the end of the Suspension Period in accordance with Condition 4(i) (and so that, in calculating the number of days between the relevant Exercise Date (as defined in Condition 4(d)) and the date on which Shares are transferred, the Suspension Period shall be excluded) and notice thereof shall be given to the Warrantholders in accordance with Condition 11.

(c) *Expiry*

Any Warrants with respect to which an Exercise Date has not occurred during the Exercise Period shall expire immediately without value thereafter and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrants shall cease.

(B) *European Style Warrants*

The following provisions of this Condition 3(B) shall apply only to Warrants which are expressed to be European Style.

(a) *Exercise of Warrants*

The Warrants are exercisable by delivery of an Exercise Notice in accordance with Condition 4 only on the Expiry Date (as defined below) or on the Business Day prior to the Expiry Date provided that any delivery made before the Expiry Date shall be deemed to be made on the Expiry Date.

(b) *Suspension Period*

If the Issuer determines (in its absolute discretion) that as a result of the suspension or cessation of all or part of the clearing, settlement and depository operations of CCASS, the ability of the Warrantholder or the Issuer to perform their respective delivery and payment obligations pursuant to the exercise of the Warrants has been or could be expected to be materially adversely affected (in each case, a “Suspension Period”), the Warrantholder shall effect the delivery or record the transfer of, and the Issuer shall make payment for, the Shares on the first Business Day after the end of the Suspension Period in accordance with Condition 4(i) (and so that, in calculating the number of days between the Expiry Date and the date on which Shares are transferred, the Suspension Period shall be excluded) and notice thereof shall be given to the Warrantholders in accordance with Condition 11.

(c) *Expiry*

Any Warrants which have not been exercised on the Expiry Date shall expire immediately without value thereafter and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrants shall cease.

4. Exercise of Warrants

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) Warrants may only be exercised if:
 - (i) the Warrants are duly deposited with, and credited to the Stock Account of the Warrantholder in, CCASS, no later than the Business Day immediately preceding the Exercise Date; and
 - (ii) the Shares to be sold and transferred to the Issuer upon exercise of the Warrants are duly deposited with, and credited to the Stock Account of the Warrantholder in, CCASS, no later than the Exercise Date.
- (c) In order to exercise the Warrants:
 - (i) the Warrantholder shall deliver to the Agent an Exercise Notice, such delivery to be made not later than the earlier of the commencement of the morning trading session or any pre-opening session on the Expiry Date;
 - (ii) the Warrantholder shall input to CCASS an instruction, in such form as HKSCC may from time to time prescribe as being valid pursuant to the CCASS Rules (currently known as a “Settlement Instruction”), to effect the debit from the Stock Account of the Warrantholder and credit to the Stock Account of the Issuer or its agent, on a free of payment basis (currently known as a “FOP” basis) in accordance with the CCASS Rules, the total number of Warrants the subject of the Exercise Notice in the second batch settlement run effected by CCASS on the Exercise Date, such input to be effected as soon as reasonably practicable and, in any event, no later than the time stated in the CCASS Rules (which time is currently 11:30 a.m. (Hong Kong time)) for the matching of such instructions pursuant to the Settlement Instruction matching run conducted preceding the second batch settlement run effected by CCASS on the Exercise Date; and
 - (iii) the Warrantholder shall input to CCASS a Settlement Instruction, to effect the debit from the Stock Account of the Warrantholder and credit to the Stock Account of the Issuer or its agent of the total number of the Shares to be sold and transferred by the Warrantholder to the Issuer in the second batch settlement run effected by CCASS on the Exercise Date, on a FOP basis in accordance with the CCASS Rules, such input to be effected as soon as reasonably practicable and, in any event, no later than the time stated in the CCASS Rules (which time is currently 11:30 a.m. (Hong Kong time)) for the matching of such instructions pursuant to the Settlement Instruction matching run conducted preceding the second batch settlement run effected by CCASS on the Exercise Date.
- (d) (i) The date upon which Warrants are, or are to be treated as, exercised (an “Exercise Date”) shall be deemed to occur on the Business Day on which an Exercise Notice is received by the Agent and in respect of which there is a valid exercise of Warrants in accordance with the requirements set out herein, provided that any Exercise Notice received by the Agent after the earlier of the commencement of the morning trading session or any pre-opening session on any Business Day shall be deemed to have been delivered prior to the earlier of the commencement of the morning trading session or any pre-opening session on the next following Business Day.

- (ii) Subject to Condition 4(e), the Issuer shall, as from the Business Day next following the Exercise Date, become beneficially entitled to all rights attaching to the relevant Shares to which he would have become entitled had he been the registered shareholder of the Shares on the Business Day next following the Exercise Date.
- (e) The Exercise Notice shall:
 - (i) confirm that the Warrants have been duly deposited with, and credited to the Stock Account of the Warrantholder in, CCASS, no later than the Business Day immediately preceding the Exercise Date, and that the Shares to be sold and transferred to the Issuer upon exercise of the Warrants have been duly deposited with, and credited to the Stock Account of the Warrantholder in, CCASS, no later than the Exercise Date;
 - (ii) specify the name of the Warrantholder, the number of Warrants being exercised, and the Stock Account of the Warrantholder from which the Warrants being exercised are to be debited;
 - (iii) be accompanied by a Settlement Instruction to debit from the Stock Account of the Warrantholder and credit to the Stock Account of the Issuer or its agent the total number of Warrants the subject of the Exercise Notice in the second batch settlement run effected by CCASS on the Exercise Date;
 - (iv) specify the number of Shares being sold and transferred by the Warrantholder to the Issuer, and the Stock Account of the Warrantholder from which the Shares are to be debited pursuant to the exercise of the Warrants the subject of the Exercise Notice;
 - (v) be accompanied by a Settlement Instruction to debit from the Stock Account of the Warrantholder and credit to the Stock Account of the Issuer or its agent the total number of Shares to be sold and transferred by the Warrantholder to the Issuer pursuant to the exercise of the Warrants the subject of the Exercise Notice in the second batch settlement run effected by CCASS on the Exercise Date; and
 - (vi) specify the bank account name(s) and number(s) into which payment of an amount equal to the aggregate of the Exercise Price less the Exercise Expenses of the Warrants the subject of the Exercise Notice is to be made by or on behalf of the Issuer on the Business Day next following the Exercise Date.
- (f)
 - (i) Subject to fulfilment of the Warrantholder's obligations under Condition 4(c) above, the Issuer shall procure that the Agent itself or through its sub agent shall input to CCASS a Settlement Instruction, to effect the debit from the Stock Account of the Warrantholder and credit to the Stock Account of the Issuer or its agent, on a FOP basis in accordance with the CCASS Rules, the total number of Warrants the subject of the Exercise Notice in the second batch settlement run effected by CCASS on the Exercise Date, such input to be effected as soon as reasonably practicable and, in any event, no later than the time stated in the CCASS Rules (which time is currently 11:30 a.m. (Hong Kong time)) for the matching of such instructions pursuant to the Settlement Instruction matching run conducted preceding the second batch settlement run effected by CCASS on the Exercise Date; and
 - (ii) the Issuer shall procure that the Agent itself or through its sub agent shall input to CCASS a Settlement Instruction, to effect the debit from the Stock Account of the Warrantholder

and credit to the Stock Account of the Issuer or its agent of the total number of the Shares to be sold and transferred by the Warrantholder to the Issuer in the second batch settlement run effected by CCASS on the Exercise Date, on a FOP basis in accordance with the CCASS Rules, such input to be effected as soon as reasonably practicable and, in any event, no later than the time stated in the CCASS Rules (which time is currently 11:30 a.m. (Hong Kong time)) for the matching of such instructions pursuant to the Settlement Instruction matching run conducted preceding the second batch settlement run effected by CCASS on the Exercise Date.

- (g) Subject to the Warrantholder fulfilling its obligations under Conditions 4(b) and 4(c) above and to the Issuer procuring the fulfilment of the obligations of the Agent under Condition 4(f) above, for a valid exercise of those Warrants the total number of Warrants the subject of the Exercise Notice and the total number of Shares to be sold and transferred by the Warrantholder to the Issuer must be debited from the Stock Account of the Warrantholder and credited to the Stock Account of the Issuer or its agent, on a FOP basis in accordance with the CCASS Rules in the second batch settlement run effected by CCASS on the Exercise Date.
- (h) Subject to the Agent or its sub agent confirming to the Issuer that the transfer of the total number of Warrants the subject of the Exercise Notice and the total number of Shares to be sold and transferred by the Warrantholder to the Issuer has been duly completed in accordance with Condition 4(g) above, the Issuer shall procure that the Agent or its sub agent shall by 1:00 p.m. (Hong Kong time) on the Exercise Date input to CCASS a withdrawal instruction, in such form as HKSCC may from time to time prescribe as being valid under the CCASS Rules, to withdraw from CCASS the total number of Warrants the subject of the Exercise Notice and the total number of Shares to be transferred by the Warrantholder to the Issuer. Subject to their being made available by HKSCC for collection by 5:00 p.m. (Hong Kong time) on the Exercise Date, the Agent itself or through its sub agent shall collect the certificates in respect of the Warrants and the Shares from CCASS in accordance with the CCASS Rules.
- (i) Subject to a valid exercise of Warrants,
 - (i) the Registrar shall, on the first Business Day following the Exercise Date, procure the cancellation of the number of Warrants the subject of the Exercise Notice;
 - (ii) the Issuer will procure the payment into the bank account whose name and number was specified in the Exercise Notice by the Warrantholder of an amount equal to the aggregate of the Exercise Price less the Exercise Expenses of the Warrants the subject of the Exercise Notice on the Business Day next following the Exercise Date; and
 - (iii) the Agent shall hold the Shares transferred to the Issuer by the Warrantholder to the order of the Issuer.

Notwithstanding the foregoing, the Warrantholder shall account to the Issuer on demand for any unpaid Exercise Expenses to the extent that they were not or could not be paid prior to the Exercise Date.

- (j) (i) Delivery of an Exercise Notice in accordance with Condition 4(c) shall constitute an irrevocable election and undertaking by the Warrantholder specified in such Exercise Notice to exercise the number of Warrants specified in such Exercise Notice and an irrevocable authorisation to the Issuer to deduct the Exercise Expenses from the Exercise Price and to transfer the Shares to be sold and transferred to the Issuer upon the exercise of such Warrants and an acknowledgement that the Agent will withdraw such Warrants and such Shares from CCASS for the purposes of validation of good title of such Shares and cancellation of such Warrants.
- (ii) If the Shares in respect of any Warrants being exercised are not transferred in accordance with Condition 4(g) as a result of any act or omission of the Warrantholder, any such transfer may, with the consent of the Issuer (which consent may be granted or withheld at the Issuer's absolute discretion), be effected as soon as possible after delivery of the Exercise Notice, but without prejudice to the rights of the Issuer or of any other person in respect of the actions or omissions of the Warrantholder in question, and in such circumstances, the relevant Warrants shall not be treated as exercised earlier than the Exercise Date upon which all such Shares have been sold and transferred in accordance with Condition 4(g). In no event, however, will any sale or transfer be accepted after the Expiry Date.
- (k) In these Conditions,
 - (i) a "Business Day" shall be a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong and banks are open in Hong Kong for business;
 - (ii) "Exercise Notice" means a duly completed exercise notice obtainable from the Registrar;
 - (iii) "Expiry Date" means the Maturity Date or if the Maturity Date is not a Business Day the immediately succeeding Business Day;
 - (iv) "Stock Account" means, in relation to a Warrantholder or (as the case may be) the Issuer or its agent, its stock clearing account(s) in CCASS used for settlement purposes; and
 - (v) all procedures relating to the Warrants involving CCASS are subject to the CCASS Rules.

5. Registrar

- (a) The initial Registrar and the office of the Agent (the "Agent's Office"), are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Agent's Office or the specified office of the Registrar will be given to the Warrantholders in accordance with Condition 11.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrants and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantholders.

6. Adjustments

(a) *Rights Issues*

If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “Rights Offer”), the Entitlement will be adjusted to take effect on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where :

$$\text{Adjustment Component} = \frac{1 + M}{1 + (R/S) \times M}$$

E : Existing Entitlement immediately prior to the Rights Offer

S : Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis

R : Subscription price per Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right

M : Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price in accordance with the following formula:

$$\begin{array}{l} \text{adjusted Exercise Price} \\ \text{(rounded to the nearest} \\ \text{Hong Kong dollar 0.001)} \end{array} = \text{Exercise Price X} \frac{1}{\text{Adjustment Component}}$$

This adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.

For the purposes of these Conditions:

“Rights” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

(b) *Bonus Issues*

If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend

and without any payment or other consideration being made or given by such holders) (a “Bonus Issue”) the Entitlement will be increased on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where :

$$\text{Adjustment Component} = (1 + N)$$

E : Existing Entitlement immediately prior to the Bonus Issue

N : Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the above formula would result in an adjustment to the Entitlement which would amount to less than one per cent. of the Entitlement, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price in accordance with the following formula:

$$\begin{array}{l} \text{adjusted Exercise Price} \\ \text{(rounded to the nearest} \\ \text{Hong Kong dollar 0.001)} \end{array} = \text{Exercise Price} \times \frac{1}{\text{Adjustment Component}}$$

This adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.

(c) *Share Splits or Consolidations*

If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “Subdivision”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “Consolidation”), the Entitlement in effect immediately prior thereto will be increased (in the case of a Subdivision) or decreased (in the case of a Consolidation) accordingly in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect. In addition, the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) will be decreased (in case of a Subdivision) or increased (in case of a Consolidation) accordingly.

This adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.

(d) *Merger or Consolidation*

If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “Restructuring Event”) (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“Substituted Securities”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph (d) and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Conditions to the Shares shall include any such cash.

(e) *Cash Distributions*

Generally, no capital adjustment will be made for an ordinary cash dividend (whether or not it is offered with a script alternative). For any other forms of cash distribution (each a “Cash Distribution”) announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no capital adjustment will be made unless the value of the Cash Distribution accounts for two per cent. or more of the Share’s closing price on the day of announcement by the Company.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Entitlement will be adjusted to take effect on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

$$\text{Adjustment Component} = \frac{S - OD}{S - OD - CD}$$

provided that OD shall be deducted from S only if the Business Day on which trading in the Shares of the Company becomes ex-entitlement with respect to the Cash Distribution and the distribution of the ordinary cash dividend by the Company falls on the same date.

OD: Amount of the relevant ordinary cash dividend per Share

CD: Amount of the relevant Cash Distribution per Share

E: Existing Entitlement immediately prior to the Cash Distribution

S: Cum-Cash Distribution Share price being the closing price of the Shares on the Stock Exchange on the last Business Day on which the Shares of the Company are traded on a cum-Cash Distribution basis

In addition, the Issuer shall adjust the Exercise Price in accordance with the following formula:

$$\begin{array}{l} \text{adjusted Exercise Price} \\ \text{(rounded to the nearest} \\ \text{Hong Kong dollar 0.001)} \end{array} = \text{Exercise Price} \times \frac{1}{\text{Adjustment Component}}$$

Adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.

(f) *Other Adjustments*

Except as provided in this Condition 6 and Condition 13, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to make such adjustments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion and notwithstanding any prior adjustment made pursuant to the above should, in the context of the issue of the Warrants and the obligations of the Issuer, give rise to such adjustment provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Warrantholders generally (without considering the circumstances of any individual Warrantholder or the tax or other consequences of such adjustment in any particular jurisdiction).

(g) *Notice of Adjustments*

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantholders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 11.

(h) *Excess Shares*

If, as a result of an adjustment to the Entitlement pursuant to Conditions 6(a), (b), (c), (e) and (f) above (but not otherwise), an exercise of a number of Warrants specified in an Exercise Notice would (if not for the provisions of this Condition 6(h)) result in the relevant Warrantholder becoming entitled to sell and transfer a number of Shares which is not equal to a board lot of the Shares at such time or an integral multiple thereof, then (a) the relevant Warrantholder shall not be entitled to sell and transfer to the Issuer and the Issuer shall cease to be obliged to purchase in respect of such exercise, that number of Shares (the "Excess Shares") which exceeds the amount of such board lot or integral multiple thereof, and (b) the Issuer shall be entitled to deduct from the Exercise Price a cash amount equal to the closing price on the Business Day immediately preceding the relevant Exercise Date (as derived from the Daily Quotation Sheet of the Stock Exchange or, if no such quotation is available, the most recently available closing price) of one Share multiplied by the number of the Excess Shares.

7. Early Termination for Extraordinary Reasons, Illegality and Force Majeure

If the Issuer determines that, for reasons beyond its control, the performance of its obligations under the Warrants has become illegal or impractical in whole or in part for any reason, or if the Issuer determines that, for reasons beyond its control, it is no longer legal or practical for it to maintain its hedging arrangements with respect to the Warrants (i) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (ii) due to the promulgation of or any change in the interpretation of any applicable law or regulation (including, without limitation, any action taken by a taxing authority), the Issuer may at its discretion and without obligation terminate the Warrants early by giving notice to the Warrantholders in accordance with Condition 11.

Should any one or more of the provisions contained in the Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby.

If the Issuer terminates the Warrants early pursuant to this Condition 7, the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Warrantholder in respect of each Warrant held by such holder equal to the fair market value of a Warrant notwithstanding such illegality or impracticality less the cost incurred by the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Warrantholders in accordance with Condition 11.

8. Purchases

The Issuer and/or any of its respective affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation.

9. Warrant Certificates

- (a) Each Warrantholder shall be entitled, within ten Business Days after any Warrants are issued or transferred to him, to one warrant certificate in respect of such Warrants or, upon payment of an amount not exceeding HK\$2.50 per warrant certificate (or such other amount as the Stock Exchange may from time to time permit) as the Issuer may determine, to two or more warrant certificates each in respect of part of such Warrants.
- (b) If a warrant certificate is defaced, worn out, lost, stolen or destroyed, it may be renewed on such terms (if any) as to evidence and indemnity and payment of the expenses incurred by the Issuer in investigating evidence, and payment of such fee not exceeding HK\$2.50 per warrant certificate (or such other amount as the Stock Exchange may from time to time permit) as the Issuer may require and, in the case of defacement or wearing out, surrender of the old certificate.

10. Meetings of Warrantholders; Modification

(a) Meetings of Warrantholders

The Registrar's Agreement contains provisions for convening meetings of the Warrantholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Instrument.

Any resolution to be passed in a meeting of the Warrantholders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantholders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantholders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warrantholders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantholders shall be binding on all the Warrantholders, whether or not they are present at the meeting, save for those Warrants remaining unexercised but for which an Exercise Notice shall have been submitted prior to the date of the meeting.

In the case of Warrants which are expressed to be America Style, Warrants which have not been exercised but in respect of which an Exercise Notice has been submitted will not confer the right to attend or vote at, or join in convening, or be counted in quorum for, any meeting of the Warrantholders. Resolutions can be passed in writing without a meeting of the Warrantholders being held if passed unanimously.

(b) *Modification*

The Issuer may, without the consent of the Warrantholders, effect any modification of the provisions of the Warrants or the Instrument which is (i) not materially prejudicial to the interests of the Warrantholders; (ii) of a formal, minor or technical nature; (iii) made to correct an obvious error; or (iv) necessary in order to comply with mandatory provisions of the laws of Hong Kong (as defined below). Any such modification shall be binding on the Warrantholders and shall be notified to them before the effective date or as soon as practicable thereafter in accordance with Condition 11.

11. Notices

- (a) All warrant certificates, cheques and other documents required or permitted by these Conditions to be sent to a Warrantholder or to which a Warrantholder is entitled or which the Issuer shall have agreed to deliver to a Warrantholder may be delivered by hand or sent by post addressed to the Warrantholder (otherwise than in accordance with an Exercise Notice) to the Warrantholder's address (or, in the case of joint Warrantholders, to the address of the first named Warrantholder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warrantholder. Where such documents are notices, such notices will be delivered on the same date as notices are delivered pursuant to Condition 11(b).
- (b) All notices to Warrantholders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent by mail to the holders of Warrants at their addresses appearing in the register of Warrantholders kept by the Registrar.

12. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantholders, to create and issue further warrants so as to form a single series with the Warrants.

13. Delisting

- (a) If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is

reasonably able to do so, that the interests of the Warrantheolders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warrantheolder or the tax or other consequences that may result in any particular jurisdiction).

- (b) Without prejudice to the generality of Condition 13(a), where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Warrantheolders, make such adjustments to the entitlements of Warrantheolders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.
- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Warrantheolders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantheolders in accordance with Condition 11 as soon as practicable after they are determined.

14. Governing Law

The Warrants, the Instrument and the Registrar's Agreement will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong"). The Issuer and each Warrantheolder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Instrument and the Registrar's Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

15. Language

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Agent and Agent's Office:

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

The relevant conditions will, together with the supplemental provisions contained in the relevant supplemental listing document and subject to completion and amendment, be endorsed on the warrant certificate. The applicable supplemental listing document in relation to the issue of any series of structured products may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant conditions, replace or modify the relevant conditions for the purpose of such series of structured products. Capitalized terms used in the relevant conditions and not otherwise defined therein shall have the meaning given to them in the relevant supplemental listing document.

The Terms and Conditions are available in English and Chinese. In the case of any inconsistency, the English version shall prevail.

TERMS AND CONDITIONS OF THE BASKET CALL WARRANTS (CASH SETTLED)

1. Form, Status, Transfer, Title and Additional Costs and Expenses

(a) *Form*

The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 13) relating to a basket comprising Shares of each of the Companies are issued in registered form subject to and with the benefit of an instrument by way of deed poll (the “Instrument”) dated the Issue Date, made by DBS Bank Ltd (the “Issuer”), and a base registrar’s and structured product agency agreement (as amended, varied or supplemented from time to time or any successor document, the “Registrar’s Agreement”) dated on 7th May, 2004 as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants made between the Issuer, Computershare Hong Kong Investor Services Limited as registrar and agent for the Warrants (the “Registrar” and “Agent”, which expressions shall include any successors) and Computershare Investor Services (Channel Islands) Limited as the Registrar’s agent (the “Registrar’s Agent”, which expression shall include any successors). The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Instrument and the Registrar’s Agreement. References in these Conditions to “Company” shall be a reference to a company comprising one of the Companies and references to “Shares” shall be a reference to the shares of the Companies or, as the context requires, to the shares of a particular Company.

(b) *Status*

The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer.

(c) *Transfer*

Warrants will be transferable only by means of delivery of the standard transfer form to the Registrar, in such form as may from time to time be in use, together with the relevant warrant certificate(s) in accordance with the provisions of the Instrument and the Registrar’s Agreement. Transfers of Warrants may be effected only in a Board Lot or integral multiples thereof. The standard transfer form is obtainable from the Registrar.

(d) *Title*

Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer and the Registrar as the absolute owner and holder of such number of Warrants. The expression “Warrantholder” shall be construed accordingly.

(e) *Additional Costs and Expenses*

Persons should note that they may incur additional costs and expenses in connection with any expedited registration of the Warrants prior to the transfer or exercise of the Warrants, in particular during the period commencing ten Business Days (as defined below) prior to and including the Expiry Date (as defined below).

2. Warrant Rights and Exercise Expenses

(a) *Warrant Rights*

Every Exercise Amount gives each Warrantholder, upon due exercise and compliance with Condition 4(A) or 4(B), as the case may be, the right to receive the payment of the Cash Settlement Amount (as defined below), if any.

(b) *Exercise Expenses*

On exercise of the Warrants, Warrantholders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses (as defined below) in accordance with Condition 4(A) or 4(B), as the case may be.

(c) *Definitions*

For the purposes of these Conditions:

“Business Day” means a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong and banks are open for business in Hong Kong;

“Cash Settlement Amount” means in respect of every Exercise Amount, an amount in Hong Kong dollars calculated by the Issuer as equal to (1) the sum of each Basket Component of the Companies that comprise the basket (subject to adjustment as provided in Condition 6) multiplied by (i) in the case of Warrants exercised prior to the Expiry Date, the closing price of the relevant Share to which each Basket Component relates (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing price as may be necessary to reflect any capitalisation, rights issue, distribution or the like) on the Valuation Date; or (ii) in the case of Warrants exercised on the Expiry Date, the arithmetic mean of the closing price of the relevant Share to which each Basket Component relates (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date, less (2) the Exercise Price less (3) the Exercise Expenses;

“CCASS” means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

“CCASS Rules” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“Exercise Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“Exercise Notice” means a duly completed exercise notice obtainable from the Registrar;

“Expiry Date” means the Maturity Date or if the Maturity Date is not a Business Day the immediately preceding Business Day;

“Market Disruption Event” means (1) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (a) any of the Shares; or (b) any options or futures contracts relating to any of the Shares if, in any such case, that suspension or limitation is, in the determination of the Issuer, material or (2) the hoisting of the tropical cyclone warning signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening later than its regular time for open of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been hoisted;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the relevant bank account designated by the relevant Warrantholder (the “Designated Bank Account”);

“Stock Exchange” means The Stock Exchange of Hong Kong Limited; and

“Valuation Date” means, with respect to the exercise of Warrants, and subject as provided below in relation to a Market Disruption Event, (1) in the case of Warrants exercised prior to the Expiry Date, the Exercise Date; or (2) in the case of Warrants exercised on the Expiry Date, each of the five Business Days immediately preceding the Expiry Date.

3. Exercise of American Style Warrants and European Style Warrants, Automatic Exercise and Expiry

(A) *American Style Warrants*

The following provisions of this Condition 3(A) shall apply only to Warrants which are expressed to be American Style.

(a) *Exercise Period*

The Warrants may be exercised by delivery of an Exercise Notice, in accordance with Condition 4(A) at any time during the period (the “Exercise Period”) beginning at the earlier of the commencement of the morning trading session or any pre-opening session on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending at the earlier of the commencement of the morning trading session or any pre-opening session on the Expiry Date.

(b) *Automatic Exercise*

All Warrants with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantholders). The Warrantholders will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Warrantholders the Cash Settlement Amount (if any) in accordance with Condition 4(A)(f).

(c) *Expiry*

Any Warrants with respect to which an Exercise Date has not occurred during the Exercise Period or which has not been automatically exercised in accordance with Condition 3(A)(b) shall expire immediately without value thereafter and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrants shall cease.

(B) *European Style Warrants*

The following provisions of this Condition 3(B) shall apply only to Warrants which are expressed to be European Style.

(a) *Exercise of Warrants*

The Warrants are exercisable only on the Expiry Date.

(b) *Automatic Exercise*

All Warrants will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantholders). The Warrantholders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Warrantholders the Cash Settlement Amount (if any) in accordance with Condition 4(B)(d).

(c) *Expiry*

Any Warrants which have not been automatically exercised in accordance with Condition 3(B)(b) shall expire immediately without value thereafter and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrants shall cease.

4. *Exercise of Warrants*

(A) *American Style Warrants*

The following provisions of this Condition 4(A) shall apply only to Warrants which are expressed to be American Style.

(a) Warrants may only be exercised in a Board Lot or integral multiples thereof.

(b) *Delivery of an Exercise Notice*

(i) In order to exercise Warrants, the Warrantholder shall deliver to the specified office of the Agent (the "Agent's Office") an Exercise Notice, such delivery to be made at any time during the Exercise Period. Warrants may not be exercised at any other time.

- (ii) The date upon which a Warrant is, or is to be treated as, exercised (an “Exercise Date”) shall be the Business Day on which an Exercise Notice is delivered to the Registrar and in respect of which there is a valid exercise of Warrants in accordance with the requirements of these Conditions, provided that any Exercise Notice received by the Registrar after the earlier of the commencement of the morning trading session or any pre-opening session on any Business Day shall be deemed to have been delivered prior to the earlier of the commencement of the morning trading session or any pre-opening session on the next following Business Day.

(c) *Exercise Notice*

The Exercise Notice shall:

- (i) specify the name(s) of the Warrantholder(s) and the number of Warrants being exercised;
- (ii) be accompanied by the warrant certificate(s) in the name(s) of the exercising Warrantholder(s); and
- (iii) (where applicable) specify the person in whose favour the cheque representing the Cash Settlement Amount should be drawn and the name and address of the bank, broker or other agent to whom the cheque should be sent or, as the case may be, specify the relevant account to which the Cash Settlement Amount should be credited.

(d) *Consequences of delivery of an Exercise Notice*

Delivery of an Exercise Notice in accordance with Condition 4(A) shall constitute an irrevocable election and undertaking by the Warrantholder specified in such Exercise Notice to exercise the number of Warrants specified in such Exercise Notice and an irrevocable authorisation to deduct the Exercise Expenses in accordance with the definition of the Cash Settlement Amount.

(e) *Cancellation*

Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will procure that the Registrar will, with effect from the first Business Day following the Exercise Date or the Expiry Date, as the case may be, remove from its register the name of the person in respect of the Warrants which are the subject of an exercise whether pursuant to an Exercise Notice, automatic exercise, or if the Warrants have expired worthless and thereby cancel the relevant Warrants.

(f) *Cash Settlement*

Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder (or such other person as the Warrantholder may have specified in the Exercise Notice, if applicable) equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Exercise Date or the Expiry Date (the “Settlement Date”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the

Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

In the case of Warrants exercised prior to the Expiry Date:

If the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event unless (1) the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling after the Expiry Date or (2) there is a Market Disruption Event on each of the five Business Days immediately following the original date that, but for the Market Disruption Event, would have been the Valuation Date. In the case of (1) (i) the Expiry Date shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event, and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Valuation Date but for the Market Disruption Event; and in the case of (2) (i) that fifth Business Day (or, if earlier, the Expiry Date) shall be deemed to be the Valuation Date, notwithstanding the Market Disruption Event, and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed but for the Market Disruption Event on that fifth Business Day (or Expiry Date if applicable).

In the case of Warrants exercised on the Expiry Date:

If the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a day that already is or is deemed to be a Valuation Date, provided that if the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after the Expiry Date then (i) the Business Day immediately preceding the Expiry Date (the “Last Valuation Date”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event, and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Last Valuation Date but for the Market Disruption Event. For the avoidance of doubt, in the event that a Valuation Date is postponed due to the occurrence of a Market Disruption Event, the closing price of the Shares for such postponed Valuation Date will be the closing price of the Shares on the first succeeding Business Day. Accordingly, the closing price of a Valuation Date may be used more than once in calculating the arithmetic mean of the closing price of one Share for the determination of the Cash Settlement Amount, so that in no event shall there be less than five closing prices to determine the arithmetic mean of the closing price of one Share.

(B) *European Style Warrants*

The following provisions of this Condition 4(B) shall apply only to Warrants which are expressed to be European Style.

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) *No requirement to deliver an exercise notice*

The Warrantholders will not be required to deliver an exercise notice for any purpose in relation to the Warrants.

(c) *Cancellation*

The Issuer will procure that the Registrar will, with effect from the first Business Day following the Expiry Date, remove from its register the name of the person in respect of the Warrants which are the subject of an automatic exercise or if the Warrants have expired worthless and thereby cancel the relevant Warrants.

(d) *Cash Settlement*

Subject to and in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Expiry Date (the “Settlement Date”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

If the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a day that already is or is deemed to be a Valuation Date, provided that if the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after the Expiry Date then (i) the Business Day immediately preceding the Expiry Date (the “Last Valuation Date”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event, and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Last Valuation Date but for the Market Disruption Event. For the avoidance of doubt, in the event that a Valuation Date is postponed due to the occurrence of a Market Disruption Event, the closing price of the Shares for such postponed Valuation Date will be the closing price of the Shares on the first succeeding Business Day. Accordingly, the closing price of a Valuation Date may be used more than once in calculating the arithmetic mean of the closing price of one Share for the determination of the Cash Settlement Amount, so that in no event shall there be less than five closing prices to determine the arithmetic mean of the closing price of one Share.

5. Registrar

- (a) The initial Registrar and the Agent’s Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Agent’s Office or the specified office of the Registrar will be given to the Warrantholders in accordance with Condition 11.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrants and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantholders.

6. Adjustments

(a) *Rights Issues*

If and whenever any of the Companies shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “Rights Offer”), the Basket Component that relates to the Share(s) of the Company making the Rights Offer will be adjusted to take effect on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\begin{array}{l} \text{Adjusted Basket Component insofar} \\ \text{as it relates to the Share(s) of the} \\ \text{Company making the Rights Offer} \end{array} = \frac{1 + M}{1 + (R/S) \times M} \times E$$

Where:

- E: Existing Basket Component insofar as it relates to the Share(s) of the Company making the Rights Offer immediately prior to the Rights Offer
- S: Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis
- R: Subscription price per Share specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right
- M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Basket Component being changed by one per cent. or less, then no adjustment will be made to such Basket Component.

For the purposes of these Conditions:

“Rights” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

(b) *Bonus Issues*

If and whenever any of the Companies shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the relevant Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a “Bonus Issue”) the Basket Component that relates to the Share(s) of the Company making the Bonus Issue will be increased on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\begin{array}{l} \text{Adjusted Basket Component insofar} \\ \text{as it relates to the Share(s) of the} \\ \text{Company making the Bonus Issue} \end{array} = (1 + N) \times E$$

Where:

E: Existing Basket Component insofar as it relates to the Share(s) of the Company making the Bonus Issue immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Basket Component being changed by one per cent. or less, then no adjustment will be made to such Basket Component.

(c) *Share Splits or Consolidations*

If and whenever any of the Companies shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “Subdivision”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “Consolidation”), the Basket Component, insofar as it relates to the Share(s) of the Company making the Subdivision, in effect immediately prior thereto will be increased or the Basket Component, insofar as it relates to the Share(s) of the Company making the Consolidation, in effect immediately prior thereto decreased in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect.

(d) *Merger or Consolidation*

If it is announced that any of the Companies is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of or controlled by any person or corporation) (except where that Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “Restructuring Event”) (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“Substituted Securities”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph (d) and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Conditions to the Shares shall include any such cash.

(e) *Cash Distributions*

Generally, no capital adjustment will be made for an ordinary cash dividend (whether or not it is offered with a script alternative). For any other forms of cash distribution (each a “Cash Distribution”) announced by any of the Companies, such as a cash bonus, special dividend or extraordinary dividend, no capital adjustment will be made unless the value of the Cash Distribution accounts for two per cent. or more of the closing price of the Shares (of the Company making the Cash Distribution) on the day of announcement by the relevant Company.

If and whenever any of the Companies shall make a Cash Distribution credited as fully paid to the holders of Shares (of the Company making the Cash Distribution) generally, the Basket Component that relates to the Share(s) of the Company making the Cash Distribution will be adjusted to take effect on the Business Day on which trading in the Shares (of the Company making the Cash Distribution) becomes ex-entitlement in accordance with the following formula:

$$\begin{array}{l} \text{adjusted Basket Component} \\ \text{that relates to the Share(s)} \\ \text{of the Company making} \\ \text{the Cash Distribution} \end{array} = \text{Adjustment Component} \times E$$

Where:

$$\text{Adjustment Component} = \frac{S - OD}{S - OD - CD}$$

provided that OD shall be deducted from S only if the Business Day on which trading in the Shares (of the Company making the Cash Distribution) becomes ex-entitlement with respect to the Cash Distribution and the distribution of the ordinary cash dividend by the relevant Company falls on the same date.

OD: Amount of the relevant ordinary cash dividend per Share (of the Company making the Cash Distribution)

CD: Amount of the relevant Cash Distribution per Share (of the Company making the Cash Distribution)

E: Existing Basket Component that relates to the Share(s) (of the Company making the Cash Distribution) immediately prior to the Cash Distribution

S: Cum-Cash Distribution Share price being the closing price of the Shares (of the Company making the Cash Distribution) on the Stock Exchange on the last Business Day on which the Shares (of the Company making the Cash Distribution) are traded on a cum-Cash Distribution basis

(f) *Other Adjustments*

Except as provided in this Condition 6 and Condition 14, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to make such adjustments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion and notwithstanding any prior adjustment made pursuant to the above should, in the context of the issue of the Warrants and the obligations of the Issuer, give rise to such adjustment provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Warrantholders generally (without considering the circumstances of any individual Warrantholder or the tax or other consequences of such adjustment in any particular jurisdiction).

(g) *Notice of Adjustments*

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantholders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 11, as the case may be.

7. Early Termination for Extraordinary Reasons, Illegality and Force Majeure

If the Issuer determines that, for reasons beyond its control, the performance of its obligations under the Warrants has become illegal or impractical in whole or in part for any reason, or if the Issuer determines that, for reasons beyond its control, it is no longer legal or practical for it to maintain its hedging arrangements with respect to the Warrants (i) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (ii) due to the promulgation of or any change in the interpretation of any applicable law or regulation (including, without limitation, any action taken by a taxing authority), the Issuer may at its discretion and without obligation terminate the Warrants early by giving notice to the Warrantholders in accordance with Condition 11.

Should any one or more of the provisions contained in the Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby.

If the Issuer terminates the Warrants early pursuant to this Condition 7, the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Warrantholder in respect of each Warrant held by such holder equal to the fair market value of a Warrant notwithstanding such illegality or impracticality less the cost incurred by the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Warrantholders in accordance with Condition 11.

8. Purchases

The Issuer and/or any of its respective affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation.

9. Warrant Certificates

- (a) Each Warrantholder shall be entitled, within ten Business Days after any Warrants are issued or transferred to him, to one warrant certificate in respect of such Warrants or, upon payment of an amount not exceeding HK\$2.50 per warrant certificate (or such other amount as the Stock Exchange may from time to time permit) as the Issuer may determine, to two or more warrant certificates each in respect of part of such Warrants.

- (b) If a warrant certificate is defaced, worn out, lost, stolen or destroyed, it may be renewed on such terms (if any) as to evidence and indemnity and payment of the expenses incurred by the Issuer in investigating evidence, and payment of such fee not exceeding HK\$2.50 per warrant certificate (or such other amount as the Stock Exchange may from time to time permit) as the Issuer may require and, in the case of defacement or wearing out, surrender of the old certificate.

10. Meetings of Warrantholders; Modification

(a) Meetings of Warrantholders

The Registrar's Agreement contains provisions for convening meetings of the Warrantholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Instrument.

Any resolution to be passed in a meeting of the Warrantholders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantholders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantholders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warrantholders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantholders shall be binding on all the Warrantholders, whether or not they are present at the meeting, save for those Warrants remaining unexercised but for which an Exercise Notice shall have been submitted prior to the date of the meeting.

In the case of Warrants which are expressed to be America Style, Warrants which have not been exercised but in respect of which an Exercise Notice has been submitted will not confer the right to attend or vote at, or join in convening, or be counted in quorum for, any meeting of the Warrantholders. Resolutions can be passed in writing without a meeting of the Warrantholders being held if passed unanimously.

(b) Modification

The Issuer may, without the consent of the Warrantholders, effect any modification of the provisions of the Warrants or the Instrument which is (i) not materially prejudicial to the interests of the Warrantholders; (ii) of a formal, minor or technical nature; (iii) made to correct an obvious error; or (iv) necessary in order to comply with mandatory provisions of the laws of Hong Kong (as defined below). Any such modification shall be binding on the Warrantholders and shall be notified to them before the effective date or as soon as practicable thereafter in accordance with Condition 11.

11. Notices

- (a) All warrant certificates, cheques and other documents required or permitted by these Conditions to be sent to a Warrantholder or to which a Warrantholder is entitled or which the Issuer shall have agreed to deliver to a Warrantholder may be delivered by hand or sent by post addressed to the Warrantholder (otherwise than in accordance with an Exercise Notice) to the Warrantholder's address (or, in the case of joint Warrantholders, to the address of the first named Warrantholder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warrantholder. Where such documents are notices, such notices will be delivered on the same date as notices are delivered pursuant to Condition 11(b).
- (b) All notices to Warrantholders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent by mail to the holders of Warrants at their addresses appearing in the register of Warrantholders kept by the Registrar.

12. Liquidation

In the event of a liquidation or dissolution of all of the Companies or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of their undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation of the last Company to be so affected, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution of the last Company to be so affected, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law. In the event of the voluntary liquidation of any of the Companies, the Issuer shall make such adjustments or amendments as it reasonably believes are appropriate in the circumstances.

13. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantholders, to create and issue further warrants so as to form a single series with the Warrants.

14. Delisting

- (a) If at any time any of the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantholders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warrantholder or the tax or other consequences that may result in any particular jurisdiction).
- (b) Without prejudice to the generality of Condition 14(a), where any of the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute

discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Warrantholders, make such adjustments to the entitlements of Warrantholders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.

- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Warrantholders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantholders in accordance with Condition 11 as soon as practicable after they are determined.

15. Governing Law

The Warrants, the Instrument and the Registrar's Agreement will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong"). The Issuer and each Warrantholder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Instrument and the Registrar's Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

16. Language

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Agent and Agent's Office:

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

The relevant conditions will, together with the supplemental provisions contained in the relevant supplemental listing document and subject to completion and amendment, be endorsed on the warrant certificate. The applicable supplemental listing document in relation to the issue of any series of structured products may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant conditions, replace or modify the relevant conditions for the purpose of such series of structured products. Capitalized terms used in the relevant conditions and not otherwise defined therein shall have the meaning given to them in the relevant supplemental listing document.

The Terms and Conditions are available in English and Chinese. In the case of any inconsistency, the English version shall prevail.

TERMS AND CONDITIONS OF THE BASKET PUT WARRANTS (CASH SETTLED)

1. Form, Status, Transfer, Title and Additional Costs and Expenses

(a) *Form*

The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 13) relating to a basket comprising Shares of each of the Companies are issued in registered form subject to and with the benefit of an instrument by way of deed poll (the “Instrument”) dated the Issue Date, made by DBS Bank Ltd (the “Issuer”), and a base registrar’s and structured product agency agreement (as amended, varied or supplemented from time to time or any successor document, the “Registrar’s Agreement”) dated 7th May, 2004 as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants made between the Issuer, Computershare Hong Kong Investor Services Limited as registrar and agent for the Warrants (the “Registrar” and “Agent”, which expressions shall include any successors) and Computershare Investor Services (Channel Islands) Limited as the Registrar’s agent (the “Registrar’s Agent”, which expression shall include any successors). The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Instrument and the Registrar’s Agreement. References in these Conditions to “Company” shall be a reference to a company comprising one of the Companies and references to “Shares” shall be a reference to the shares of the Companies or, as the context requires, to the shares of a particular Company.

(b) *Status*

The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer.

(c) *Transfer*

Warrants will be transferable only by means of delivery of the standard transfer form to the Registrar, in such form as may from time to time be in use, together with the relevant warrant certificate(s) in accordance with the provisions of the Instrument and the Registrar’s Agreement. Transfers of Warrants may be effected only in a Board Lot or integral multiples thereof. The standard transfer form is obtainable from the Registrar.

(d) *Title*

Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer and the Registrar as the absolute owner and holder of such number of Warrants. The expression “Warrantholder” shall be construed accordingly.

(e) *Additional Costs and Expenses*

Persons should note that they may incur additional costs and expenses in connection with any expedited registration of the Warrants prior to the transfer or exercise of the Warrants, in particular during the period commencing ten Business Days (as defined below) prior to and including the Expiry Date (as defined below).

2. Warrant Rights and Exercise Expenses

(a) *Warrant Rights*

Every Exercise Amount gives each Warrantholder, upon due exercise and compliance with Condition 4(A) or 4(B), as the case may be, the right to receive the payment of the Cash Settlement Amount (as defined below), if any.

(b) *Exercise Expenses*

On exercise of the Warrants, Warrantholders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses (as defined below) in accordance with Condition 4(A) or 4(B), as the case may be.

(c) *Definitions*

For the purposes of these Conditions:

“Business Day” means a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong and banks are open for business in Hong Kong;

“Cash Settlement Amount” means in respect of every Exercise Amount, an amount in Hong Kong dollars calculated by the Issuer as equal to (1) the Exercise Price less (2) the sum of each Basket Component of the Companies that comprise the basket (subject to adjustment as provided in Condition 6) multiplied by (i) in the case of Warrants exercised prior to the Expiry Date, the closing price of the relevant Share to which each Basket Component relates (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing price as may be necessary to reflect any capitalisation, rights issue, distribution or the like) on the Valuation Date; or (ii) in the case of Warrants exercised on the Expiry Date, the arithmetic mean of the closing price of the relevant Share to which each Basket Component relates (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date less (3) the Exercise Expenses;

“CCASS” means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

“CCASS Rules” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“Exercise Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“Exercise Notice” means a duly completed exercise notice obtainable from the Registrar;

“Expiry Date” means the Maturity Date or if the Maturity Date is not a Business Day the immediately preceding Business Day;

“Market Disruption Event” means (1) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (a) any of the Shares; or (b) any options or futures contracts relating to any of the Shares if, in any such case, that suspension or limitation is, in the determination of the Issuer, material or (2) the hoisting of the tropical cyclone warning signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening later than its regular time for open of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been hoisted;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the relevant bank account designated by the relevant Warrantholder (the “Designated Bank Account”);

“Stock Exchange” means The Stock Exchange of Hong Kong Limited; and

“Valuation Date” means, with respect to the exercise of Warrants, and subject as provided below in relation to a Market Disruption Event, (1) in the case of Warrants exercised prior to the Expiry Date, the Exercise Date; or (2) in the case of Warrants exercised on the Expiry Date, each of the five Business Days immediately preceding the Expiry Date.

3. Exercise of American Style Warrants and European Style Warrants, Automatic Exercise and Expiry

(A) American Style Warrants

The following provisions of this Condition 3(A) shall apply only to Warrants which are expressed to be American Style.

(a) Exercise Period

The Warrants may be exercised by delivery of an Exercise Notice, in accordance with Condition 4(A) at any time during the period (the “Exercise Period”) beginning at the earlier of the commencement of the morning trading session or any pre-opening session on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending at the earlier of the commencement of the morning trading session or any pre-opening session on the Expiry Date.

(b) *Automatic Exercise*

All Warrants with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantholders). The Warrantholders will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Warrantholders the Cash Settlement Amount (if any) in accordance with Condition 4(A)(f).

(c) *Expiry*

Any Warrants with respect to which an Exercise Date has not occurred during the Exercise Period or which has not been automatically exercised in accordance with Condition 3(A)(b) shall expire immediately without value thereafter and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrants shall cease.

(B) *European Style Warrants*

The following provisions of this Condition 3(B) shall apply only to Warrants which are expressed to be European Style.

(a) *Exercise of Warrants*

The Warrants are exercisable only on the Expiry Date.

(b) *Automatic Exercise*

All Warrants will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantholders). The Warrantholders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Warrantholders the Cash Settlement Amount (if any) in accordance with Condition 4(B)(d).

(c) *Expiry*

Any Warrants which have not been automatically exercised in accordance with Condition 3(B)(b) shall expire immediately without value thereafter and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrants shall cease.

4. *Exercise of Warrants*

(A) *American Style Warrants*

The following provisions of this Condition 4(A) shall apply only to Warrants which are expressed to be American Style.

(a) Warrants may only be exercised in a Board Lot or integral multiples thereof.

(b) *Delivery of an Exercise Notice*

(i) In order to exercise Warrants, the Warrantholder shall deliver to the specified office of the Agent (the "Agent's Office") an Exercise Notice, such delivery to be made at any time during the Exercise Period. Warrants may not be exercised at any other time.

- (ii) The date upon which a Warrant is, or is to be treated as, exercised (an “Exercise Date”) shall be the Business Day on which an Exercise Notice is delivered to the Registrar and in respect of which there is a valid exercise of Warrants in accordance with the requirements of these Conditions, provided that any Exercise Notice received by the Registrar after the earlier of the commencement of the morning trading session or any pre-opening session on any Business Day shall be deemed to have been delivered prior to the earlier of the commencement of the morning trading session or any pre-opening session on the next following Business Day.

(c) *Exercise Notice*

The Exercise Notice shall:

- (i) specify the name(s) of the Warrantholder(s) and the number of Warrants being exercised;
- (ii) be accompanied by the warrant certificate(s) in the name(s) of the exercising Warrantholder(s); and
- (iii) (where applicable) specify the person in whose favour the cheque representing the Cash Settlement Amount should be drawn and the name and address of the bank, broker or other agent to whom the cheque should be sent or, as the case may be, specify the relevant account to which the Cash Settlement Amount should be credited.

(d) *Consequences of delivery of an Exercise Notice*

Delivery of an Exercise Notice in accordance with Condition 4 shall constitute an irrevocable election and undertaking by the Warrantholder specified in such Exercise Notice to exercise the number of Warrants specified in such Exercise Notice and an irrevocable authorisation to deduct the Exercise Expenses in accordance with the definition of the Cash Settlement Amount.

(e) *Cancellation*

Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will procure that the Registrar will, with effect from the first Business Day following the Exercise Date or the Expiry Date, as the case may be, remove from its register the name of the person in respect of the Warrants which are the subject of an exercise whether pursuant to an Exercise Notice, automatic exercise, or if the Warrants have expired worthless and thereby cancel the relevant Warrants.

(f) *Cash Settlement*

Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder (or such other person as the Warrantholder may have specified in the Exercise Notice, if applicable) equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Exercise Date or the Expiry Date (the “Settlement Date”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the

Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

In the case of Warrants exercised prior to the Expiry Date:

If the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event unless (1) the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling after the Expiry Date or (2) there is a Market Disruption Event on each of the five Business Days immediately following the original date that, but for the Market Disruption Event, would have been the Valuation Date. In the case of (1) (i) the Expiry Date shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event, and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Valuation Date but for the Market Disruption Event; and in the case of (2) (i) that fifth Business Day (or, if earlier, the Expiry Date) shall be deemed to be the Valuation Date, notwithstanding the Market Disruption Event, and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed but for the Market Disruption Event on that fifth Business Day (or Expiry Date if applicable).

In the case of Warrants exercised on the Expiry Date:

If the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a day that already is or is deemed to be a Valuation Date, provided that if the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after the Expiry Date then (i) the Business Day immediately preceding the Expiry Date (the “Last Valuation Date”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event, and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Last Valuation Date but for the Market Disruption Event. For the avoidance of doubt, in the event that a Valuation Date is postponed due to the occurrence of a Market Disruption Event, the closing price of the Shares for such postponed Valuation Date will be the closing price of the Shares on the first succeeding Business Day. Accordingly, the closing price of a Valuation Date may be used more than once in calculating the arithmetic mean of the closing price of one Share for the determination of the Cash Settlement Amount.

(B) *European Style Warrants*

The following provisions of this Condition 4(B) shall apply only to Warrants which are expressed to be European Style.

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) *No requirement to deliver an exercise notice*

The Warrantholders will not be required to deliver an exercise notice for any purpose in relation to the Warrants.

(c) *Cancellation*

The Issuer will procure that the Registrar will, with effect from the first Business Day following the Expiry Date, remove from its register the name of the person in respect of the Warrants which are the subject of an automatic exercise or if the Warrants have expired worthless and thereby cancel the relevant Warrants.

(d) *Cash Settlement*

Subject to and in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Expiry Date (the “Settlement Date”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

If the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a day that already is or is deemed to be a Valuation Date, provided that if the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after the Expiry Date then (i) the Business Day immediately preceding the Expiry Date (the “Last Valuation Date”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event, and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Last Valuation Date but for the Market Disruption Event. For the avoidance of doubt, in the event that a Valuation Date is postponed due to the occurrence of a Market Disruption Event, the closing price of the Shares for such postponed Valuation Date will be the closing price of the Shares on the first succeeding Business Day. Accordingly, the closing price of a Valuation Date may be used more than once in calculating the arithmetic mean of the closing price of one Share for the determination of the Cash Settlement Amount, so that in no event shall there be less than five closing prices to determine the arithmetic mean of the closing price of one Share.

5. Registrar

- (a) The initial Registrar and the Agent’s Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Agent’s Office or the specified office of the Registrar will be given to the Warrantholders in accordance with Condition 11.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrants and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantholders.

6. Adjustments

(a) *Rights Issues*

If and whenever any of the Companies shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “Rights Offer”), the Basket Component that relates to the Share(s) of the Company making the Rights Offer will be adjusted to take effect on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\begin{array}{l} \text{Adjusted Basket Component insofar} \\ \text{as it relates to the Share(s) of the} \\ \text{Company making the Rights Offer} \end{array} = \frac{1 + M}{1 + (R/S) \times M} \times E$$

Where:

- E: Existing Basket Component insofar as it relates to the Share(s) of the Company making the Rights Offer immediately prior to the Rights Offer
- S: Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis
- R: Subscription price per Share specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right
- M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Basket Component being changed by one per cent. or less, then no adjustment will be made to such Basket Component.

For the purposes of these Conditions:

“Rights” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

(b) *Bonus Issues*

If and whenever any of the Companies shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the relevant Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a “Bonus Issue”) the Basket Component that relates to the Share(s) of the Company making the Bonus Issue will be increased on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\begin{array}{l} \text{Adjusted Basket Component insofar} \\ \text{as it relates to the Share(s) of the} \\ \text{Company making the Bonus Issue} \end{array} = (1 + N) \times E$$

Where:

E: Existing Basket Component insofar as it relates to the Share(s) of the Company making the Bonus Issue immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Basket Component being changed by one per cent. or less, then no adjustment will be made to such Basket Component.

(c) *Share Splits or Consolidations*

If and whenever any of the Companies shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “Subdivision”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “Consolidation”), the Basket Component, insofar as it relates to the Share(s) of the Company making the Subdivision, in effect immediately prior thereto will be increased or the Basket Component insofar as it relates to the Share(s) of the Company making the Consolidation, in effect immediately prior thereto decreased in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect.

(d) *Merger or Consolidation*

If it is announced that any of the Companies is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of or controlled by any person or corporation) (except where that Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “Restructuring Event”) (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“Substituted Securities”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph (d) and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Conditions to the Shares shall include any such cash.

(e) *Cash Distributions*

Generally, no capital adjustment will be made for an ordinary cash dividend (whether or not it is offered with a script alternative). For any other forms of cash distribution (each a “Cash Distribution”) announced by any of the Companies, such as a cash bonus, special dividend or extraordinary dividend, no capital adjustment will be made unless the value of the Cash Distribution accounts for two per cent. or more of the closing price of the Shares (of the Company making the Cash Distribution) on the day of announcement by the relevant Company.

If and whenever any of the Companies shall make a Cash Distribution credited as fully paid to the holders of Shares (of the Company making the Cash Distribution) generally, the Basket Component that relates to the Share(s) of the Company making the Cash Distribution will be adjusted to take effect on the Business Day on which trading in the Shares (of the Company making the Cash Distribution) becomes ex-entitlement in accordance with the following formula:

$$\begin{array}{l} \text{adjusted Basket Component} \\ \text{that relates to the Share(s)} \\ \text{of the Company making} \\ \text{the Cash Distribution} \end{array} = \text{Adjustment Component} \times E$$

Where:

$$\text{Adjustment Component} = \frac{S - OD}{S - OD - CD}$$

provided that OD shall be deducted from S only if the Business Day on which trading in the Shares (of the Company making the Cash Distribution) becomes ex-entitlement with respect to the Cash Distribution and the distribution of the ordinary cash dividend by the relevant Company falls on the same date.

OD: Amount of the relevant ordinary cash dividend per Share (of the Company making the Cash Distribution)

CD: Amount of the relevant Cash Distribution per Share (of the Company making the Cash Distribution)

E: Existing Basket Component that relates to the Share(s) (of the Company making the Cash Distribution) immediately prior to the Cash Distribution

S: Cum-Cash Distribution Share price being the closing price of the Shares (of the Company making the Cash Distribution) on the Stock Exchange on the last Business Day on which the Shares (of the Company making the Cash Distribution) are traded on a cum-Cash Distribution basis

(f) *Other Adjustments*

Except as provided in this Condition 6 and Condition 14, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to make such adjustments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion and notwithstanding any prior adjustment made pursuant to the above should, in the context of the issue of the Warrants and the obligations of the Issuer, give rise to such adjustment provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Warrantholders generally (without considering the circumstances of any individual Warrantholder or the tax or other consequences of such adjustment in any particular jurisdiction).

(g) *Notice of Adjustments*

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantholders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 11, as the case may be.

7. Early Termination for Extraordinary Reasons, Illegality and Force Majeure

If the Issuer determines that, for reasons beyond its control, the performance of its obligations under the Warrants has become illegal or impractical in whole or in part for any reason, or if the Issuer determines that, for reasons beyond its control, it is no longer legal or practical for it to maintain its hedging arrangements with respect to the Warrants (i) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (ii) due to the promulgation of or any change in the interpretation of any applicable law or regulation (including, without limitation, any action taken by a taxing authority), the Issuer may at its discretion and without obligation terminate the Warrants early by giving notice to the Warrantholders in accordance with Condition 11.

Should any one or more of the provisions contained in the Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby.

If the Issuer terminates the Warrants early pursuant to this Condition 7, the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Warrantholder in respect of each Warrant held by such holder equal to the fair market value of a Warrant notwithstanding such illegality or impracticality less the cost incurred by the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Warrantholders in accordance with Condition 11.

8. Purchases

The Issuer and/or any of its respective affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation.

9. Warrant Certificates

- (a) Each Warrantholder shall be entitled, within ten Business Days after any Warrants are issued or transferred to him, to one warrant certificate in respect of such Warrants or, upon payment of an amount not exceeding HK\$2.50 per warrant certificate (or such other amount as the Stock Exchange may from time to time permit) as the Issuer may determine, to two or more warrant certificates each in respect of part of such Warrants.

- (b) If a warrant certificate is defaced, worn out, lost, stolen or destroyed, it may be renewed on such terms (if any) as to evidence and indemnity and payment of the expenses incurred by the Issuer in investigating evidence, and payment of such fee not exceeding HK\$2.50 per warrant certificate (or such other amount as the Stock Exchange may from time to time permit) as the Issuer may require and, in the case of defacement or wearing out, surrender of the old certificate.

10. Meetings of Warrantholders; Modification

(a) Meetings of Warrantholders

The Registrar's Agreement contains provisions for convening meetings of the Warrantholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Instrument.

Any resolution to be passed in a meeting of the Warrantholders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantholders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantholders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warrantholders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantholders shall be binding on all the Warrantholders, whether or not they are present at the meeting, save for those Warrants remaining unexercised but for which an Exercise Notice shall have been submitted prior to the date of the meeting.

In the case of Warrants which are expressed to be America Style, Warrants which have not been exercised but in respect of which an Exercise Notice has been submitted will not confer the right to attend or vote at, or join in convening, or be counted in quorum for, any meeting of the Warrantholders. Resolutions can be passed in writing without a meeting of the Warrantholders being held if passed unanimously.

(b) Modification

The Issuer may, without the consent of the Warrantholders, effect any modification of the provisions of the Warrants or the Instrument which is (i) not materially prejudicial to the interests of the Warrantholders; (ii) of a formal, minor or technical nature; (iii) made to correct an obvious error; or (iv) necessary in order to comply with mandatory provisions of the laws of Hong Kong (as defined below). Any such modification shall be binding on the Warrantholders and shall be notified to them before the effective date or as soon as practicable thereafter in accordance with Condition 11.

11. Notices

- (a) All warrant certificates, cheques and other documents required or permitted by these Conditions to be sent to a Warrantholder or to which a Warrantholder is entitled or which the Issuer shall have agreed to deliver to a Warrantholder may be delivered by hand or sent by post addressed to the Warrantholder (otherwise than in accordance with an Exercise Notice) to the Warrantholder's address (or, in the case of joint Warrantholders, to the address of the first named Warrantholder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warrantholder. Where such documents are notices, such notices will be delivered on the same date as notices are delivered pursuant to Condition 11(b).
- (b) All notices to Warrantholders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent by mail to the holders of Warrants at their addresses appearing in the register of Warrantholders kept by the Registrar.

12. Liquidation

In the event of a liquidation or dissolution of all of the Companies or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of their undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation of the last Company to be so affected, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution of the last Company to be so affected, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law. In the event of the voluntary liquidation of any of the Companies, the Issuer shall make such adjustments or amendments as it reasonably believes are appropriate in the circumstances.

13. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantholders, to create and issue further warrants so as to form a single series with the Warrants.

14. Delisting

- (a) If at any time any of the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantholders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warrantholder or the tax or other consequences that may result in any particular jurisdiction).
- (b) Without prejudice to the generality of Condition 14(a), where any of the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute

discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Warrantholders, make such adjustments to the entitlements of Warrantholders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.

- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Warrantholders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantholders in accordance with Condition 11 as soon as practicable after they are determined.

15. Governing Law

The Warrants, the Instrument and the Registrar's Agreement will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong"). The Issuer and each Warrantholder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Instrument and the Registrar's Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

16. Language

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Agent and Agent's Office:

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

The relevant conditions will, together with the supplemental provisions contained in the relevant supplemental listing document and subject to completion and amendment, be endorsed on the warrant certificate. The applicable supplemental listing document in relation to the issue of any series of structured products may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant conditions, replace or modify the relevant conditions for the purpose of such series of structured products. Capitalized terms used in the relevant conditions and not otherwise defined therein shall have the meaning given to them in the relevant supplemental listing document.

The Terms and Conditions are available in English and Chinese. In the case of any inconsistency, the English version shall prevail.

TERMS AND CONDITIONS OF THE INDEX CALL WARRANTS

1. Form, Status, Transfer, Title and Additional Costs and Expenses

(a) Form

The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) relating to the Index as published by the Index Compiler are issued in registered form subject to and with the benefit of an instrument by way of deed poll (the “Instrument”) dated the Issue Date, made by DBS Bank Ltd (the “Issuer”), and a base registrar’s and structured product agency agreement (as amended, varied or supplemented from time to time or any successor document, the “Registrar’s Agreement”) dated 7th May, 2004 as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants made between the Issuer, Computershare Hong Kong Investor Services Limited as registrar and agent for the Warrants (the “Registrar” and “Agent”, which expressions shall include any successors) and Computershare Investor Services (Channel Islands) Limited as the Registrar’s agent (the “Registrar’s Agent”, which expression shall include any successors). The Warrantheolders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Instrument and the Registrar’s Agreement.

(b) Status

The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer.

(c) Transfer

Warrants will be transferable only by means of delivery of a standard transfer form to the Registrar, in such form as may from time to time be in use, together with the relevant warrant certificate(s) in accordance with the provisions of the Instrument and the Registrar’s Agreement. Transfers of Warrants may be effected only in a Board Lot or integral multiples thereof. The standard transfer form is obtainable from the Registrar.

(d) Title

Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer and the Registrar as the absolute owner and holder of such number of Warrants. The expression “Warrantheolder” shall be construed accordingly.

(e) *Additional Costs and Expenses*

Persons should note that they may incur additional costs and expenses in connection with any expedited registration of the Warrants prior to the transfer or exercise of the Warrants, in particular during the period commencing ten Business Days (as defined below) prior to and including the Expiry Date (as defined below).

2. Warrant Rights and Exercise Expenses

(a) *Warrant Rights*

Every Exercise Amount entitles each Warrantholder, upon due exercise and compliance with Condition 4(A) or 4(B), as the case may be, to payment of the Cash Settlement Amount (as defined below), if any.

(b) *Exercise Expenses*

On exercise of the Warrants, Warrantholders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses (as defined below) in accordance with Condition 4(A) or 4(B), as the case may be.

(c) *Definitions*

For the purposes of these Conditions:

“Business Day” means a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong and banks are open for business in Hong Kong;

“Cash Settlement Amount” means in respect of every Exercise Amount, an amount calculated by the Issuer equal to (1) the excess of the Closing Level on the Valuation Date over the Strike Level, multiplied by the Index Currency Amount, either converted (if applicable) (i) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) into the Interim Currency at the First Exchange Rate and then converted into the Settlement Currency at the Second Exchange Rate less (2) the Exercise Expenses;

“CCASS” means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

“CCASS Rules” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“Exercise Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“Exercise Notice” means a duly completed exercise notice obtainable from the Registrar;

“Expiry Date” means the Maturity Date or if the Maturity Date is not a Business Day the immediately preceding Business Day;

“Market Disruption Event” means:

- (1) the occurrence or existence, on the Valuation Date during the one-half hour period that ends at the close of trading on the Index Exchange, of any of:
 - (i) the suspension or material limitation of the trading of a material number of securities that comprise the Index; or
 - (ii) the suspension or material limitation of the trading of securities on the Index Exchange; or
 - (iii) the suspension or material limitation of the trading of options or futures contracts relating to the Index on any exchanges on which such contracts are traded; or
 - (iv) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount;

For the purposes of paragraph (1), (x) the limitation of the number of hours or days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of any exchange, and (y) a limitation on trading imposed by reason of the movements in price exceeding the levels permitted by any relevant exchange will constitute a Market Disruption Event; or

- (2) where the Index Exchange is the Stock Exchange, the hoisting of the tropical cyclone warning signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening later than its regular time for open of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been hoisted;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the relevant bank account designated by the relevant Warrantholder (the “Designated Bank Account”);

“Stock Exchange” means The Stock Exchange of Hong Kong Limited; and

“Valuation Date” means the Exercise Date (as defined below) or the Expiry Date, as the case may be.

3. Exercise of American Style Warrants and European Style Warrants, Automatic Exercise and Expiry

(A) American Style Warrants

The following provisions of this Condition 3(A) shall apply only to Warrants which are expressed to be American Style.

(a) Exercise Period

The Warrants may be exercised by delivery of an Exercise Notice, in accordance with Condition 4(A) at any time during the period (the “Exercise Period”) beginning at the earlier of the commencement of the morning trading session or any pre-opening session on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending at the earlier of the commencement of the morning trading session or any pre-opening session on the Expiry Date.

(b) *Automatic Exercise*

All Warrants with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantholders). The Warrantholders will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Warrantholders the Cash Settlement Amount (if any) calculated in accordance with Condition 2 above.

(c) *Expiry*

Any Warrants with respect to which an Exercise Date has not occurred during the Exercise Period or which has not been automatically exercised in accordance with Condition 3(A)(b) during the Exercise Period shall expire immediately without value thereafter and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrants shall cease.

(B) *European Style Warrants*

The following provisions of this Condition 3(B) shall apply only to Warrants which are expressed to be European Style.

(a) *Exercise of Warrants*

The Warrants are exercisable only on the Expiry Date.

(b) *Automatic Exercise*

All Warrants will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantholders). The Warrantholders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Warrantholders the Cash Settlement Amount (if any) calculated in accordance with Condition 2 above.

(c) *Expiry*

Any Warrants which have not been automatically exercised in accordance with Condition 3(B)(b) shall expire immediately without value thereafter and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrants shall cease.

4. Exercise of Warrants

(A) *American Style Warrants*

The following provisions of this Condition 4(A) shall apply only to Warrants which are expressed to be American Style.

(a) Warrants may only be exercised in a Board Lot or integral multiples thereof.

(b) *Delivery of an Exercise Notice*

(i) In order to exercise Warrants, the Warrantholder shall deliver to the specified office of the Agent (the "Agent's Office") an Exercise Notice, such delivery to be made at any time during the Exercise Period. Warrants may not be exercised at any other time.

- (ii) The date upon which a Warrant is, or is to be treated as, exercised (an “Exercise Date”) shall be the Business Day on which an Exercise Notice is delivered to the Registrar and in respect of which there is a valid exercise of Warrants in accordance with the requirements of these Conditions, provided that any Exercise Notice received by the Registrar after the earlier of the commencement of the morning trading session or any pre-opening session on any Business Day shall be deemed to have been delivered prior to the earlier of the commencement of the morning trading session or any pre-opening session on the next following Business Day.

(c) *Exercise Notice*

The Exercise Notice shall:

- (i) specify the name(s) of the Warrantholder(s) and the number of Warrants being exercised;
- (ii) be accompanied by the warrant certificate(s) in the name(s) of the exercising Warrantholder(s); and
- (iii) (where applicable) specify the person in whose favour the cheque representing the Cash Settlement Amount should be drawn and the name and address of the bank, broker or other agent to whom the cheque should be sent or, as the case may be, specify the relevant account to which the Cash Settlement Amount should be credited.

(d) *Consequences of delivery of an Exercise Notice*

Delivery of an Exercise Notice in accordance with Condition 4(A) shall constitute an irrevocable election and undertaking by the Warrantholder specified in such Exercise Notice to exercise the number of Warrants specified in such Exercise Notice and an irrevocable authorisation to deduct the Exercise Expenses in accordance with the definition of the Cash Settlement Amount.

(e) *Cancellation*

Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will procure that the Registrar will, with effect from the first Business Day following the Exercise Date, or the Expiry Date, as the case may be, remove from its register the name of the person in respect of the Warrants which are the subject of an exercise whether pursuant to an Exercise Notice, automatic exercise or if the Warrants have expired worthless and thereby cancel the relevant Warrants.

(f) *Cash Settlement*

Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder (or such other person as the Warrantholder may have specified in the Exercise Notice, if applicable) equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Valuation Date (the “Settlement Date”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to

procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

If the Issuer determines, in its sole discretion, that on the Valuation Date a Market Disruption Event has occurred, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer, if applicable, may, but shall not be obliged to, determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

(B) *European Style Warrants*

The following provisions of this Condition 4(B) shall apply only to Warrants which are expressed to be European Style.

(a) Warrants may only be exercised in a Board Lot or integral multiples thereof.

(b) *No requirement to deliver an exercise notice*

The Warrantholders will not be required to deliver an exercise notice for any purpose in relation to the Warrants.

(c) *Cancellation*

The Issuer will procure that the Registrar will, with effect from the first Business Day following the Expiry Date, remove from its register the name of the person in respect of the Warrants which are the subject of an automatic exercise or if the Warrants have expired worthless and thereby cancel the relevant Warrants.

(d) *Cash Settlement*

Subject to and in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Valuation Date (the "Settlement Date") by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

If the Issuer determines, in its sole discretion, that on the Valuation Date a Market Disruption Event has occurred, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer, if applicable, may, but shall not be obliged to, determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

5. Registrar

- (a) The initial Registrar and the Agent's Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Agent's Office or the specified office of the Registrar will be given to the Warrantheolders in accordance with Condition 11.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrants and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantheolders.

6. Adjustments to the Index

- (a) *Successor Index Compiler Calculates and Reports Index*

If the Index is (i) not calculated and announced by the Index Compiler but is calculated and published by a successor to the Index Compiler (the "Successor Index Compiler") acceptable to the Issuer or (ii) replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index, then the Index will be deemed to be the index so calculated and announced by the Successor Index Compiler or that successor index, as the case may be.

- (b) *Modification and Cessation of Calculation of Index*

If:

- (i) on or prior to a Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent stock, contracts or commodities and other routine events); or
- (ii) on a Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event),

then the Issuer shall determine the Closing Level using, in lieu of a published level for the Index, the level for the Index as at that Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities/commodities that comprised the Index immediately prior to that change or failure.

(c) *Notice of Determinations*

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantholders. The Issuer will give, or procure that there is given, notice as soon as practicable of any determinations by publication in accordance with Condition 11, as the case may be.

7. Early Termination for Extraordinary Reasons, Illegality and Force Majeure

If the Issuer determines that, for reasons beyond its control, the performance of its obligations under the Warrants has become illegal or impractical in whole or in part for any reason, or if the Issuer determines that, for reasons beyond its control, it is no longer legal or practical for it to maintain its hedging arrangements with respect to the Warrants (i) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (ii) due to the promulgation of or any change in the interpretation of any applicable law or regulation (including, without limitation, any action taken by a taxing authority), the Issuer may at its discretion and without obligation terminate the Warrants early by giving notice to the Warrantholders in accordance with Condition 11.

Should any one or more of the provisions contained in the Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby.

If the Issuer terminates the Warrants early pursuant to this Condition 7, the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Warrantholder in respect of each Warrant held by such holder equal to the fair market value of a Warrant notwithstanding such illegality or impracticality less the cost incurred by the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Warrantholders in accordance with Condition 11.

8. Purchases

The Issuer and/or any of its respective affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation.

9. Warrant Certificates

- (a) Each Warrantholder shall be entitled, within ten Business Days after any Warrants are issued or transferred to him, to one warrant certificate in respect of such Warrants or, upon payment of an amount not exceeding HK\$2.50 per warrant certificate (or such other amount as the Stock Exchange may from time to time permit) as the Issuer may determine, to two or more warrant certificates each in respect of part of such Warrants.
- (b) If a warrant certificate is defaced, worn out, lost, stolen or destroyed, it may be renewed on such terms (if any) as to evidence and indemnity and payment of the expenses incurred by the Issuer in investigating evidence, and payment of such fee not exceeding HK\$2.50 per warrant certificate (or such other amount as the Stock Exchange may from time to time permit) as the Issuer may require and, in the case of defacement or wearing out, surrender of the old certificate.

10. Meetings of Warrantholders; Modification

(a) *Meetings of Warrantholders*

The Registrar's Agreement contains provisions for convening meetings of the Warrantholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Instrument.

Any resolution to be passed in a meeting of the Warrantholders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantholders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantholders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warrantholders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantholders shall be binding on all the Warrantholders, whether or not they are present at the meeting, save for those Warrants remaining unexercised but for which an Exercise Notice shall have been submitted prior to the date of the meeting.

In the case of Warrants which are expressed to be America Style, Warrants which have not been exercised but in respect of which an Exercise Notice has been submitted will not confer the right to attend or vote at, or join in convening, or be counted in quorum for, any meeting of the Warrantholders. Resolutions can be passed in writing without a meeting of the Warrantholders being held if passed unanimously.

(b) *Modification*

The Issuer may, without the consent of the Warrantholders, effect any modification of the provisions of the Warrants or the Instrument which is (i) not materially prejudicial to the interests of the Warrantholders; (ii) of a formal, minor or technical nature; (iii) made to correct an obvious error; or (iv) necessary in order to comply with mandatory provisions of the laws of Hong Kong (as defined below). Any such modification shall be binding on the Warrantholders and shall be notified to them before the effective date or as soon as practicable thereafter in accordance with Condition 11.

11. Notices

- (a) All warrant certificates, cheques and other documents required or permitted by these Conditions to be sent to a Warrantholder or to which a Warrantholder is entitled or which the Issuer shall have agreed to deliver to a Warrantholder may be delivered by hand or sent by post addressed to the Warrantholder (unless otherwise specified in an Exercise Notice, where applicable) to the Warrantholder's address (or, in the case of joint Warrantholders, to the address of the first named Warrantholder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warrantholder. Where such documents are notices, such notices will be delivered on the same date as notices are delivered pursuant to Condition 11(b).
- (b) All notices to Warrantholders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent by mail to the holders of Warrants at their addresses appearing in the register of Warrantholders kept by the Registrar.

12. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantholders, to create and issue further warrants so as to form a single series with the Warrants.

13. Governing Law

The Warrants, the Instrument and the Registrar's Agreement will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong"). The Issuer and each Warrantholder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Instrument and the Registrar's Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

14. Language

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Agent and Agent's Office:

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

The relevant conditions will, together with the supplemental provisions contained in the relevant supplemental listing document and subject to completion and amendment, be endorsed on the warrant certificate. The applicable supplemental listing document in relation to the issue of any series of structured products may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant conditions, replace or modify the relevant conditions for the purpose of such series of structured products. Capitalized terms used in the relevant conditions and not otherwise defined therein shall have the meaning given to them in the relevant supplemental listing document.

The Terms and Conditions are available in English and Chinese. In the case of any inconsistency, the English version shall prevail.

TERMS AND CONDITIONS OF THE INDEX PUT WARRANTS

1. Form, Status, Transfer, Title and Additional Costs and Expenses

(a) Form

The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) relating to the Index as published by the Index Compiler are issued in registered form subject to and with the benefit of an instrument by way of deed poll (the “Instrument”) dated the Issue Date, made by DBS Bank Ltd (the “Issuer”), and a base registrar’s and structured product agency agreement (as amended, varied or supplemented from time to time or any successor document, the “Registrar’s Agreement”) dated 7th May, 2004 as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants made between the Issuer, Computershare Hong Kong Investor Services Limited as registrar and agent for the Warrants (the “Registrar” and “Agent”, which expressions shall include any successors) and Computershare Investor Services (Channel Islands) Limited as the Registrar’s agent (the “Registrar’s Agent”, which expression shall include any successors). The Warrantheolders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Instrument and the Registrar’s Agreement.

(b) Status

The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* in all respects with each other.

(c) Transfer

Warrants will be transferable only by means of delivery of a standard transfer form to the Registrar, in such form as may from time to time be in use, together with the relevant warrant certificate(s) in accordance with the provisions of the Instrument and the Registrar’s Agreement. Transfers of Warrants may be effected only in a Board Lot or integral multiples thereof. The standard transfer form is obtainable from the Registrar.

(d) Title

Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer and the Registrar as the absolute owner and holder of such number of Warrants. The expression “Warrantheolder” shall be construed accordingly.

(e) *Additional Costs and Expenses*

Persons should note that they may incur additional costs and expenses in connection with any expedited registration of the Warrants prior to the transfer or exercise of the Warrants, in particular during the period commencing ten Business Days (as defined below) prior to and including the Expiry Date (as defined below).

2. Warrant Rights and Exercise Expenses

(a) *Warrant Rights*

Every Exercise Amount entitles each Warrantholder, upon due exercise and compliance with Condition 4(A) or 4(B), as the case may be, to payment of the Cash Settlement Amount (as defined below), if any.

(b) *Exercise Expenses*

On exercise of the Warrants, Warrantholders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses (as defined below) in accordance with Condition 4(A) or 4 (B), as the case may be.

(c) *Definitions*

For the purposes of these Conditions:

“Business Day” means a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong and banks are open for business in Hong Kong;

“Cash Settlement Amount” means in respect of every Exercise Amount an amount calculated by the Issuer equal to (1) the excess of the Strike Level over the Closing Level on the Valuation Date, multiplied by the Index Currency Amount, either converted (if applicable) (i) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) into the Interim Currency at the First Exchange Rate and then converted into the Settlement Currency at the Second Exchange Rate less (2) the Exercise Expenses;

“CCASS” means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

“CCASS Rules” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“Exercise Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“Exercise Notice” means a duly completed exercise notice obtainable from the Registrar;

“Expiry Date” means the Maturity Date or if the Maturity Date is not a Business Day the immediately preceding Business Day;

“Market Disruption Event” means:

- (1) the occurrence or existence, on the Valuation Date during the one-half hour period that ends at the close of trading on the Index Exchange, of any of:
 - (i) the suspension or material limitation of the trading of a material number of securities that comprise the Index; or
 - (ii) the suspension or material limitation of the trading of securities on the Index Exchange; or
 - (iii) the suspension or material limitation of the trading of options or futures contracts relating to the Index on any exchanges on which such contracts are traded; or
 - (iv) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount;

For the purposes of paragraph (1), (x) the limitation of the number of hours or days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of any exchange, and (y) a limitation on trading imposed by reason of the movements in price exceeding the levels permitted by any relevant exchange will constitute a Market Disruption Event; or

- (2) where the Index Exchange is the Stock Exchange, the hoisting of the tropical cyclone warning signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening later than its regular time for open of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been hoisted;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the relevant bank account designated by the relevant Warrantholder (the “Designated Bank Account”);

“Stock Exchange” means The Stock Exchange of Hong Kong Limited; and

“Valuation Date” means the Exercise Date (as defined below) or the Expiry Date, as the case may be.

3. Exercise of American Style Warrants and European Style Warrants, Automatic Exercise and Expiry

(A) American Style Warrants

The following provisions of this Condition 3(A) shall apply only to Warrants which are expressed to be American Style.

(a) Exercise Period

The Warrants may be exercised by delivery of an Exercise Notice, in accordance with Condition 4(A) at any time during the period (the “Exercise Period”) beginning at the earlier of the commencement of the morning trading session or any pre-opening session on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending at the earlier of the commencement of the morning trading session or any pre-opening session on the Expiry Date.

(b) *Automatic Exercise*

All Warrants with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantholders). The Warrantholders will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Warrantholders the Cash Settlement Amount (if any) calculated in accordance with Condition 2 above.

(c) *Expiry*

Any Warrants with respect to which an Exercise Date has not occurred during the Exercise Period or which has not been automatically exercised in accordance with Condition 3(A)(b) during the Exercise Period shall expire immediately without value thereafter and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrants shall cease.

(B) *European Style Warrants*

The following provisions of this Condition 3(B) shall apply only to Warrants which are expressed to be European Style.

(a) *Exercise of Warrants*

The Warrants are exercisable only on the Expiry Date.

(b) *Automatic Exercise*

All Warrants will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantholders). The Warrantholders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Warrantholders the Cash Settlement Amount (if any) calculated in accordance with Condition 2 above.

(c) *Expiry*

Any Warrants which have not been automatically exercised in accordance with Condition 3(B)(b) shall expire immediately without value thereafter and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrants shall cease.

4. Exercise of Warrants

(A) *American Style Warrants*

The following provisions of this Condition 4(A) shall apply only to Warrants which are expressed to be American Style.

(a) Warrants may only be exercised in a Board Lot or integral multiples thereof.

(b) *Delivery of an Exercise Notice*

(i) In order to exercise Warrants, the Warrantholder shall deliver to the specified office of the Agent (the "Agent's Office") an Exercise Notice, such delivery to be made at any time during the Exercise Period. Warrants may not be exercised at any other time.

- (ii) The date upon which a Warrant is, or is to be treated as, exercised (an “Exercise Date”) shall be the Business Day on which an Exercise Notice is delivered to the Registrar and in respect of which there is a valid exercise of Warrants in accordance with the requirements of these Conditions, provided that any Exercise Notice received by the Registrar after the earlier of the commencement of the morning trading session or any pre-opening session on any Business Day shall be deemed to have been delivered prior to the earlier of the commencement of the morning trading session or any pre-opening session on the next following Business Day.

(c) *Exercise Notice*

The Exercise Notice shall:

- (i) specify the name(s) of the Warrantholder(s) and the number of Warrants being exercised;
- (ii) be accompanied by the warrant certificate(s) in the name(s) of the exercising Warrantholder(s); and
- (iii) (where applicable) specify the person in whose favour the cheque representing the Cash Settlement Amount should be drawn and the name and address of the bank, broker or other agent to whom the cheque should be sent or, as the case may be, specify the relevant account to which the Cash Settlement Amount should be credited.

(d) *Consequences of delivery of an Exercise Notice*

Delivery of an Exercise Notice in accordance with Condition 4(A) shall constitute an irrevocable election and undertaking by the Warrantholder specified in such Exercise Notice to exercise the number of Warrants specified in such Exercise Notice and an irrevocable authorisation to deduct the Exercise Expenses in accordance with the definition of the Cash Settlement Amount.

(e) *Cancellation*

Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will procure that the Registrar will, with effect from the first Business Day following the Exercise Date, or the Expiry Date, as the case may be, remove from its register the name of the person in respect of the Warrants which are the subject of an exercise whether pursuant to an Exercise Notice, automatic exercise or if the Warrants have expired worthless and thereby cancel the relevant Warrants.

(f) *Cash Settlement*

Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder (or such other person as the Warrantholder may have specified in the Exercise Notice, if applicable) equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Valuation Date (the “Settlement Date”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to

procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

If the Issuer determines, in its sole discretion, that on the Valuation Date a Market Disruption Event has occurred, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer may, if applicable, but shall not be obliged, to determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

(B) *European Style Warrants*

The following provisions of this Condition 4(B) shall apply only to Warrants which are expressed to be European Style.

(a) Warrants may only be exercised in a Board Lot or integral multiples thereof.

(b) *No requirement to deliver an exercise notice*

The Warrantholders will not be required to deliver an exercise notice for any purpose in relation to the Warrants.

(c) *Cancellation*

The Issuer will procure that the Registrar will, with effect from the first Business Day following the Expiry Date, remove from its register the name of the person in respect of the Warrants which are the subject of an automatic exercise or if the Warrants have expired worthless and thereby cancel the relevant Warrants.

(d) *Cash Settlement*

Subject to and in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Valuation Date (the "Settlement Date") by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

If the Issuer determines, in its sole discretion, that on the Valuation Date a Market Disruption Event has occurred, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer may, if applicable, but shall not be obliged, to determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

5. Registrar

- (a) The initial Registrar and the Agent's Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Agent's Office or the specified office of the Registrar will be given to the Warrantheolders in accordance with Condition 11.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrants and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantheolders.

6. Adjustments to the Index

- (a) *Successor Index Compiler Calculates and Reports Index*

If the Index is (i) not calculated and announced by the Index Compiler but is calculated and published by a successor to the Index Compiler (the "Successor Index Compiler") acceptable to the Issuer or (ii) replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index, then the Index will be deemed to be the index so calculated and announced by the Successor Index Compiler or that successor index, as the case may be.

- (b) *Modification and Cessation of Calculation of Index*

If:

- (i) on or prior to a Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent stock, contracts or commodities and other routine events); or
- (ii) on a Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event),

then the Issuer shall determine the Closing Level using, in lieu of a published level for the Index, the level for the Index as at that Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities/commodities that comprised the Index immediately prior to that change or failure.

(c) *Notice of Determinations*

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantholders. The Issuer will give, or procure that there is given, notice as soon as practicable of any determinations by publication in accordance with Condition 11, as the case may be.

7. Early Termination for Extraordinary Reasons, Illegality and Force Majeure

If the Issuer determines that, for reasons beyond its control, the performance of its obligations under the Warrants has become illegal or impractical in whole or in part for any reason, or if the Issuer determines that, for reasons beyond its control, it is no longer legal or practical for it to maintain its hedging arrangements with respect to the Warrants (i) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (ii) due to the promulgation of or any change in the interpretation of any applicable law or regulation (including, without limitation, any action taken by a taxing authority), the Issuer may at its discretion and without obligation terminate the Warrants early by giving notice to the Warrantholders in accordance with Condition 11.

Should any one or more of the provisions contained in the Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby.

If the Issuer terminates the Warrants early pursuant to this Condition 7, the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Warrantholder in respect of each Warrant held by such holder equal to the fair market value of a Warrant notwithstanding such illegality or impracticality less the cost incurred by the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Warrantholders in accordance with Condition 11.

8. Purchases

The Issuer and/or any of its respective affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation.

9. Warrant Certificates

- (a) Each Warrantholder shall be entitled, within ten Business Days after any Warrants are issued or transferred to him, to one warrant certificate in respect of such Warrants or, upon payment of an amount not exceeding HK\$2.50 per warrant certificate (or such other amount as the Stock Exchange may from time to time permit) as the Issuer may determine, to two or more warrant certificates each in respect of part of such Warrants.
- (b) If a warrant certificate is defaced, worn out, lost, stolen or destroyed, it may be renewed on such terms (if any) as to evidence and indemnity and payment of the expenses incurred by the Issuer in investigating evidence, and payment of such fee not exceeding HK\$2.50 per warrant certificate (or such other amount as the Stock Exchange may from time to time permit) as the Issuer may require and, in the case of defacement or wearing out, surrender of the old certificate.

10. Meetings of Warranholders; Modification

(a) Meetings of Warranholders

The Registrar's Agreement contains provisions for convening meetings of the Warranholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Instrument.

Any resolution to be passed in a meeting of the Warranholders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warranholders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warranholders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warranholders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warranholders shall be binding on all the Warranholders, whether or not they are present at the meeting, save for those Warrants remaining unexercised but for which an Exercise Notice shall have been submitted prior to the date of the meeting.

In the case of Warrants which are expressed to be America Style, Warrants which have not been exercised but in respect of which an Exercise Notice has been submitted will not confer the right to attend or vote at, or join in convening, or be counted in quorum for, any meeting of the Warranholders. Resolutions can be passed in writing without a meeting of the Warranholders being held if passed unanimously.

(b) Modification

The Issuer may, without the consent of the Warranholders, effect any modification of the provisions of the Warrants or the Instrument which is (i) not materially prejudicial to the interests of the Warranholders; (ii) of a formal, minor or technical nature; (iii) made to correct an obvious error; or (iv) necessary in order to comply with mandatory provisions of the laws of Hong Kong (as defined below). Any such modification shall be binding on the Warranholders and shall be notified to them before the effective date or as soon as practicable thereafter in accordance with Condition 11.

11. Notices

- (a) All warrant certificates, cheques and other documents required or permitted by these Conditions to be sent to a Warranholder or to which a Warranholder is entitled or which the Issuer shall have agreed to deliver to a Warranholder may be delivered by hand or sent by post addressed to the Warranholder (unless otherwise specified in an Exercise Notice) to the Warranholder's address (or, in the case of joint Warranholders, to the address of the first named Warranholder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is

not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warrantholder. Where such documents are notices, such notices will be delivered on the same date as notices are delivered pursuant to Condition 11(b).

- (b) All notices to Warrantholders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent by mail to the holders of Warrants at their addresses appearing in the register of Warrantholders kept by the Registrar.

12. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantholders, to create and issue further warrants so as to form a single series with the Warrants.

13. Governing Law

The Warrants, the Instrument and the Registrar's Agreement will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong"). The Issuer and each Warrantholder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Instrument and the Registrar's Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

14. Language

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Agent and Agent's Office:

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

The relevant conditions will, together with the supplemental provisions contained in the relevant supplemental listing document and subject to completion and amendment, be endorsed on the global certificate. The applicable supplemental listing document in relation to the issue of any series of structured products may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant conditions, replace or modify the relevant conditions for the purpose of such series of structured products. Capitalized terms used in the relevant conditions and not otherwise defined therein shall have the meaning given to them in the relevant supplemental listing document.

The Terms and Conditions are available in English and Chinese. In the case of any inconsistency, the English version shall prevail.

TERMS AND CONDITIONS OF THE CASH SETTLED EQUITY LINKED INSTRUMENTS

1. Form, Status, Transfer and Title

(a) Form

The Equity Linked Instruments (“ELIs”) (which expression shall, unless the context otherwise requires, include any further ELIs issued pursuant to Condition 13) relating to the Shares of the Company are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “Global Certificate”) dated the Issue Date, made by DBS Bank Ltd (the “Issuer”) and a base registrar’s and structured product agency agreement (as amended, varied or supplemented from time to time or any successor document, the “Registrar’s Agreement”) dated 7th May, 2004 (as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the ELIs) made between the Issuer, Computershare Hong Kong Investor Services Limited as registrar and agent for the ELIs (the “Registrar” and “Agent”, which expression shall include any successors) and Computershare Investor Services (Channel Islands) Limited as the Registrar’s agent (the “Registrar’s Agent”, which expression shall include any successors). The ELI holders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate and the Registrar’s Agreement.

(b) Status

The ELIs represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer.

(c) Transfer

Transfers of beneficial interests in the ELIs may be effected only in Board Lots or integral multiples thereof in CCASS in accordance with the CCASS Rules.

(d) Title

Each person who is for the time being shown in the register kept by the Registrar’s Agent as entitled to a particular number of ELIs shall be treated by the Issuer, the Registrar and the Registrar’s Agent as the absolute owner and holder of such number of ELIs. The expression “ELI holder” shall be construed accordingly.

2. ELI Rights and Exercise Expenses

(a) *ELI Rights*

Every Exercise Amount gives each ELI holder, upon due exercise and compliance with Condition 4, the right to receive the payment of the Settlement Amount (as defined below), if any.

(b) *Exercise Expenses*

On exercise of the ELIs, ELI holders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses (as defined below) in accordance with Condition 4.

(c) *Definitions*

For the purposes of these Conditions:

“Business Day” means a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong and banks are open for business in Hong Kong;

“CCASS” means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

“CCASS Rules” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

In the case of a series of Bear ELIs:

“Cash Amount” means the greater of (i) zero and (ii) the Expiry Amount less an amount equal to the product of (1) the Closing Price minus the Exercise Price and (2) the Entitlement;

In the case of a series of Range ELIs:

“Cash Amount” means the greater of (i) zero and (ii) the Expiry Amount less an amount equal to the product of (1) the Closing Price minus the Upper Exercise Price and (2) the Entitlement;

“Closing Price” means the closing price of one Share (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like) in respect of the Expiry Date;

“Exercise Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the ELIs;

“Expiry Date” means the Maturity Date or if the Maturity Date is not a Business Day the immediately succeeding Business Day; provided that if the Issuer determines, in its sole discretion, that on the Expiry Date a Market Disruption Event has occurred, then the Expiry Date shall be postponed to the first succeeding Business Day on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Business Days immediately following the original date that, but for the Market Disruption Event, would have been the Expiry Date. In that case (i) the fifth Business

Day shall be deemed to be the Expiry Date, notwithstanding the Market Disruption Event, and (ii) the Issuer shall determine the Closing Price of the Shares on that fifth Business Day on the basis of its good faith estimate of the Closing Price that would have prevailed but for the occurrence of the Market Disruption Event on that fifth Business Day;

“Market Disruption Event” means (1) the occurrence or existence on the Expiry Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (a) the Shares; or (b) any options or futures contracts relating to the Shares if, in any such case, that suspension or limitation is, in the determination of the Issuer, material, or (2) the hoisting of the tropical cyclone warning signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening later than its regular time for open of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been hoisted;

In the case of a series of Bear ELIs:

“Settlement Amount” means in respect of every Exercise Amount, an amount in Hong Kong dollars calculated by the Issuer as equal to (A) the Expiry Amount less Exercise Expenses, if the Closing Price is below the Exercise Price; or (B) the Cash Amount less Exercise Expenses, if the Closing Price is at or above the Exercise Price;

In the case of a series of Bull ELIs:

“Settlement Amount” means in respect of every Exercise Amount, an amount in Hong Kong dollars calculated by the Issuer as equal to (A) the Expiry Amount less Exercise Expenses, if the Closing Price is at or above the Exercise Price; or (B) the Share Valuation Amount less Exercise Expenses, if the Closing Price is below the Exercise Price;

In the case of a series of Range ELIs:

“Settlement Amount” means in respect of every Exercise Amount, an amount in Hong Kong dollars calculated by the Issuer as equal to (A) the Expiry Amount less Exercise Expenses, if the Closing Price is at or above the Lower Exercise Price and below the Upper Exercise Price; or (B) the Share Valuation Amount less Exercise Expenses, if the Closing Price is below the Lower Exercise Price; or (C) the Cash Amount less Exercise Expenses, if the Closing Price is at or above the Upper Exercise Price;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Settlement Amount electronically through CCASS to the relevant bank account designated by the relevant ELI holder (the “Designated Bank Account”);

“Share Valuation Amount” means the Closing Price multiplied by the Entitlement (subject to adjustment as provided in Condition 6); and

“Stock Exchange” means The Stock Exchange of Hong Kong Limited.

3. Exercise of ELIs, Automatic Exercise and Expiry

(a) Exercise of ELIs

The ELIs are exercisable only on the Expiry Date.

(b) Automatic Exercise

The ELIs will automatically be exercised on the Expiry Date (without notice being given to the ELI holders) if the Settlement Amount is greater than zero. The ELI holders will not be required to deliver any exercise notice and the Issuer or the Agent will pay to the ELI holders the Settlement Amount (if any) in accordance with Condition 4(d).

(c) Expiry

Any ELI which has not been automatically exercised in accordance with Condition 3(b), shall expire immediately without value thereafter and all rights of the ELI holder and obligations of the Issuer with respect to such ELI shall cease.

4. Exercise of ELIs

(a) ELIs may only be exercised in Board Lots or integral multiples thereof.

(b) *No requirement to deliver an exercise notice*

The ELI holders will not be required to deliver an exercise notice for any purpose in relation to the ELIs.

(c) *Cancellation*

The Issuer will procure that the Registrar's Agent will, with effect from the second Business Day following the Expiry Date, remove from its register the name of the person in respect of the ELIs which (i) are the subject of an exercise pursuant to automatic exercise in accordance with these Conditions; or (ii) have expired worthless, and thereby cancel the relevant ELIs.

(d) *Settlement*

Subject to automatic exercise of ELIs in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant ELI holder equal to the Settlement Amount.

The Settlement Amount shall be despatched not later than two Business Days following the Expiry Date (the "Settlement Date") by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the ELI holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the ELI holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the ELI holder for any interest in respect of the amount due or any loss or damage that such ELI holder may suffer as a result of the existence of the Settlement Disruption Event.

5. Registrar, Agent and Registrar's Agent

- (a) The initial Registrar and Agent and the initial office of the Registrar and Agent (the "Agent's Office"), and the initial Registrar's Agent and the initial office of the Registrar's Agent (the "Registrar's Agent's Office", and together with the Agent's Office, the "Offices") are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of any of the Registrar, the Agent or the Registrar's Agent and to appoint another Registrar, Agent or Registrar's Agent, as the case may be, provided that it will at all times maintain a Registrar, an Agent and a Registrar's Agent. Notice of any such termination or appointment and of any change in the Offices will be given to the ELI holders in accordance with Condition 11.
- (b) The Registrar, the Agent and the Registrar's Agent will be acting as agents of the Issuer in respect of any ELIs and will not assume any obligation or duty to or any relationship of agency or trust for the ELI holders.
- (c) The register of ELI holders will be maintained outside Hong Kong by the Registrar's Agent and the Registrar's Agent will enter or cause to be entered the name, address and banking details of the ELI holders, the details of the ELIs held by any ELI holder including the number of ELIs of each series held, details of any transfer of the ELIs and any other particulars which it thinks proper.

6. Adjustments

(a) *Rights Issues*

If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a "Rights Offer"), the Entitlement will be adjusted to take effect on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where :

$$\text{Adjustment Component} = \frac{1 + M}{1 + (R/S) \times M}$$

E : Existing Entitlement immediately prior to the Rights Offer

S : Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis

R : Subscription price per Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right

M : Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price, the Upper Exercise Price and/or the Lower Exercise Price, as applicable, in accordance with the following formulae:

$$\begin{aligned} \text{adjusted Exercise Price} &= \text{Exercise Price X} \times \frac{1}{\text{Adjustment Component}} \\ \text{(rounded to the nearest} & \\ \text{Hong Kong dollar 0.001)} & \end{aligned}$$

$$\begin{aligned} \text{adjusted Upper Exercise} & \\ \text{Price (rounded to the} & \\ \text{nearest Hong Kong dollar} & \\ \text{0.001)} & = \text{Upper Exercise Price X} \times \frac{1}{\text{Adjustment Component}} \end{aligned}$$

$$\begin{aligned} \text{adjusted Lower Exercise} & \\ \text{Price (rounded to the} & \\ \text{nearest Hong Kong dollar} & \\ \text{0.001)} & = \text{Lower Exercise Price X} \times \frac{1}{\text{Adjustment Component}} \end{aligned}$$

These adjustments to the Exercise Price, the Upper Exercise Price and/or the Lower Exercise Price, as applicable, shall take effect on the same day that the Entitlement is adjusted.

For the purposes of these Conditions:

“Rights” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

(b) *Bonus Issues*

If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a “Bonus Issue”) the Entitlement will be increased on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{adjusted Entitlement} = \text{Adjustment Component} \times \text{E}$$

Where :

$$\text{Adjustment Component} = (1 + \text{N})$$

E : Existing Entitlement immediately prior to the Bonus Issue

N : Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price, the Upper Exercise Price and/or the Lower Exercise Price, as applicable, in accordance with the following formulae:

$$\begin{aligned} \text{adjusted Exercise Price} \\ \text{(rounded to the nearest} \\ \text{Hong Kong dollar 0.001)} &= \text{Exercise Price X } \frac{1}{\text{Adjustment Component}} \\ \\ \text{adjusted Upper Exercise} \\ \text{Price (rounded to the} \\ \text{nearest Hong Kong dollar} \\ \text{0.001)} &= \text{Upper Exercise Price X } \frac{1}{\text{Adjustment Component}} \\ \\ \text{adjusted Lower Exercise} \\ \text{Price (rounded to the} \\ \text{nearest Hong Kong dollar} \\ \text{0.001)} &= \text{Lower Exercise Price X } \frac{1}{\text{Adjustment Component}} \end{aligned}$$

These adjustments to the Exercise Price, the Upper Exercise Price and/or the Lower Exercise Price, as applicable, shall take effect on the same day that the Entitlement is adjusted.

(c) *Share Splits or Consolidations*

If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “Subdivision”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “Consolidation”), the Entitlement in effect immediately prior thereto will be increased (in the case of a Subdivision) or decreased (in the case of a Consolidation) accordingly in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect. In addition, the Exercise Price, the Upper Exercise Price and/or the Lower Exercise Price, as applicable, will be decreased (in case of a Subdivision) or increased (in case of a Consolidation) accordingly and in each case rounded to the nearest Hong Kong dollar 0.001.

These adjustments to the Exercise Price, the Upper Exercise Price and/or the Lower Exercise Price, as applicable, shall take effect on the same day that the Entitlement is adjusted.

(d) *Merger or Consolidation*

If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the ELIs may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “Restructuring Event”) (as determined by the Issuer in its absolute discretion).

The rights attaching to the ELIs after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“Substituted Securities”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the ELIs related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph (d) and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Conditions to the Shares shall include any such cash.

(e) *Cash Distributions*

Generally, no capital adjustment will be made for an ordinary cash dividend (whether or not it is offered with a script alternative). For any other forms of cash distribution (each a “Cash Distribution”) announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no capital adjustment will be made unless the value of the Cash Distribution accounts for two per cent. or more of the Shares closing price on the day of announcement by the Company.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Entitlement will be adjusted to take effect on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

$$\text{Adjustment Component} = \frac{S - OD}{S - OD - CD}$$

provided that OD shall be deducted from S only if the Business Day on which trading in the Shares of the Company becomes ex-entitlement with respect to the Cash Distribution and the distribution of the ordinary cash dividend by the Company falls on the same date.

OD: Amount of the relevant ordinary cash dividend per Share

CD: Amount of the relevant Cash Distribution per Share

E: Existing Entitlement immediately prior to the Cash Distribution

S: Cum-Cash Distribution Share price being the closing price of the Shares on the Stock Exchange on the last Business Day on which the Shares of the Company are traded on a cum-Cash Distribution basis

In addition, the Isser shall adjust the Exercise Price, the Upper Exercise Price and/or the Lower Exercise Price, as applicable, in accordance with the following formulae:

$$\begin{aligned} \text{adjusted Exercise Price} \\ \text{(rounded to the nearest} \\ \text{Hong Kong dollar 0.001)} &= \text{Exercise Price X } \frac{1}{\text{Adjustment Component}} \\ \\ \text{adjusted Upper Exercise} \\ \text{Price (rounded to the} \\ \text{nearest Hong Kong dollar} \\ \text{0.001)} &= \text{Upper Exercise Price X } \frac{1}{\text{Adjustment Component}} \\ \\ \text{adjusted Lower Exercise} \\ \text{Price (rounded to the} \\ \text{nearest Hong Kong dollar} \\ \text{0.001)} &= \text{Lower Exercise Price X } \frac{1}{\text{Adjustment Component}} \end{aligned}$$

These adjustments to the Exercise Price, the Upper Exercise Price and/or the Lower Exercise Price, as applicable, shall take effect on the same day that the Entitlement is adjusted.

(f) *Other Adjustments*

Except as provided in this Condition 6 and Condition 14, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to make such adjustments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion and notwithstanding any prior adjustment made pursuant to the above should, in the context of the issue of the ELIs and the obligations of the Issuer, give rise to such adjustment provided that such adjustment is considered by the Issuer not to be materially prejudicial to the ELI holders generally (without considering the circumstances of any individual ELI holder or the tax or other consequences of such adjustment in any particular jurisdiction).

(g) *Notice of Adjustments*

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the ELI holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 11.

7. Early Termination for Extraordinary Reasons, Illegality and Force Majeure

If the Issuer determines that, for reasons beyond its control, the performance of its obligations under the ELIs has become illegal or impractical in whole or in part for any reason, or if the Issuer determines that, for reasons beyond its control, it is no longer legal or practical for it to maintain its hedging arrangements with respect to the ELIs (i) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (ii) due to the promulgation of or any change in the interpretation of any applicable law or regulation (including, without limitation, any action taken by a taxing authority), the Issuer may at its discretion and without obligation terminate the ELIs early by giving notice to the ELI holders in accordance with Condition 11.

Should any one or more of the provisions contained in the Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby.

If the Issuer terminates the ELIs early pursuant to this Condition 7, the Issuer will, if and to the extent permitted by applicable law, pay an amount to each ELI holder in respect of each ELI held by such holder equal to the fair market value of an ELI notwithstanding such illegality or impracticality less the cost incurred by the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the ELI holders in accordance with Condition 11.

8. Purchases

The Issuer and/or any of its affiliates may at any time purchase ELIs at any price in the open market or by tender or by private treaty. Any ELIs so purchased may be held or resold or surrendered for cancellation.

9. Certificates

The ELIs are represented by the Global Certificate registered in the name of HKSCC Nominees Limited and deposited with CCASS in accordance with the CCASS Rules. ELI holders will not be entitled to definitive certificates in respect of any ELIs issued or transferred to them.

10. Meetings of ELI holders; Modification

(a) Meetings of ELI holders

The Registrar's Agreement contains provisions for convening meetings of the ELI holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the ELIs or of the Global Certificate.

Any resolution to be passed in a meeting of the ELI holders shall be decided by poll. Such a meeting may be convened by the Issuer or by ELI holders holding not less than 10 per cent. of the ELIs for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the ELIs for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing ELI holders whatever the number of ELIs so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such ELI holders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the ELI holders shall be binding on all the ELI holders, whether or not they are present at the meeting.

Resolutions can be passed in writing without a meeting of the ELI holders being held if passed unanimously.

(b) Modification

The Issuer may, without the consent of the ELI holders, effect any modification of the provisions of the ELIs or the Global Certificate which is (i) not materially prejudicial to the interests of the ELI

holders; (ii) of a formal, minor or technical nature; (iii) made to correct an obvious error; or (iv) necessary in order to comply with mandatory provisions of the laws of Hong Kong (as defined below). Any such modification shall be binding on the ELI holders and shall be notified to them before the effective date or as soon as practicable thereafter in accordance with Condition 11.

11. Notices

- (a) All documents required or permitted by these Conditions to be sent to an ELI holder or to which an ELI holder is entitled or which the Issuer shall have agreed to deliver to the ELI holder may be delivered by hand or sent by post addressed to the ELI holder to the ELI holder's address (or, in the case of joint ELI holders, to the address of the first named ELI holder) appearing in the register kept by the Registrar's Agent, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant ELI holder. Where such documents are notices, such notices will be delivered on the same date as notices are delivered pursuant to Condition 11(b).
- (b) All notices to ELI holders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent by mail to the holders of ELIs at their addresses appearing in the register of ELI holders kept by the Registrar's Agent.

12. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised ELIs will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

13. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the ELI holders, to create and issue further equity linked instruments so as to form a single series with the ELIs.

14. Delisting

- (a) If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments to the rights attaching to the ELIs as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the ELI holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any ELI holder or the tax or other consequences that may result in any particular jurisdiction).
- (b) Without prejudice to the generality of Condition 14(a), where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that

other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the ELI holders, make such adjustments to the entitlements of ELI holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.

- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the ELI holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the ELI holders in accordance with Condition 11 as soon as practicable after they are determined.

15. Governing Law

The ELIs, the Global Certificate and the Registrar's Agreement will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong"). The Issuer and each ELI holder (by its purchase of the ELIs) shall be deemed to have submitted for all purposes in connection with the ELIs, the Global Certificate and the Registrar's Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

16. Language

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar and Agent and Agent's Office

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

Registrar's Agent and Registrar's Agent's Office

Computershare Investor Services (Channel Islands) Limited
Ordinance House
31 Pier Road
St. Helier
Jersey
Channel Islands

The relevant conditions will, together with the supplemental provisions contained in the relevant supplemental listing document and subject to completion and amendment, be endorsed on the global certificate. The applicable supplemental listing document in relation to the issue of any series of structured products may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant conditions, replace or modify the relevant conditions for the purpose of such series of structured products. Capitalized terms used in the relevant conditions and not otherwise defined therein shall have the meaning given to them in the relevant supplemental listing document.

The Terms and Conditions are available in English and Chinese. In the case of any inconsistency, the English version shall prevail.

TERMS AND CONDITIONS OF THE PHYSICALLY SETTLED EQUITY LINKED INSTRUMENTS

1. Form, Status, Transfer and Title

(a) Form

The Equity Linked Instruments (“ELIs”) (which expression shall, unless the context otherwise requires, include any further ELIs issued pursuant to Condition 13) relating to the Shares of the Company are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “Global Certificate”) dated the Issue Date, made by DBS Bank Ltd (the “Issuer”) and a base registrar’s and structured product agency agreement (as amended, varied or supplemented from time to time or any successor document, the “Registrar’s Agreement”) dated 7th May, 2004 (as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the ELIs) made between the Issuer, Computershare Hong Kong Investor Services Limited as registrar and agent for the ELIs (the “Registrar” and “Agent”, which expression shall include any successors) and Computershare Investor Services (Channel Islands) Limited as the Registrar’s agent (the “Registrar’s Agent”, which expression shall include any successors). The ELI holders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate and the Registrar’s Agreement.

(b) Status

The ELIs represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer.

(c) Transfer

Transfers of beneficial interests in the ELIs may be effected only in Board Lots or integral multiples thereof in CCASS in accordance with the CCASS Rules.

(d) Title

Each person who is for the time being shown in the register kept by the Registrar’s Agent as entitled to a particular number of ELIs shall be treated by the Issuer, the Registrar and the Registrar’s Agent as the absolute owner and holder of such number of ELIs. The expression “ELI holder” shall be construed accordingly.

2. ELI Rights and Exercise Expenses

(a) *ELI Rights*

Every Exercise Amount gives each ELI holder, upon due exercise and compliance with Condition 4, the right to receive the Settlement Amount (as defined below), if any.

(b) *Exercise Expenses*

In the case where the Settlement Amount is equal to the payment of the Expiry Amount or the Cash Amount (as the case may be) the following provisions will apply:

On exercise of the ELIs, ELI holders will be required to pay all charges or expenses including any taxes or duties which are incurred in respect of the exercise of the ELIs (“Exercise Expenses”). The payment of such Exercise Expenses is reflected in the calculation of the Settlement Amount.

In the case where the Settlement Amount is equal to the delivery of the Entitlement the following provisions will apply:

ELI holders entitled to delivery of the Entitlement will be required to pay all charges which they incur in respect of the transfer and receipt of the Entitlement, including without limitation any stamp duty, levies and registration charges.

In addition, ELI holders will be required to pay a sum equal to all the expenses payable by the transferor of the relevant Shares, including without limitation any stamp duty, agent’s expenses, levies, registration charges and other expenses payable on or in respect of or in connection with the receipt of or agreement to receive the Shares to which the ELIs relate (the above charges and expenses incurred by ELI holders and the above transferor’s expenses are together referred to as the “Exercise Expenses”).

An amount equivalent to the Exercise Expenses must be paid by the ELI holder in accordance with Condition 4.

(c) *Definitions*

For the purposes of these Conditions:

“Business Day” means a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong and banks are open for business in Hong Kong;

“CCASS” means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited (“HKSCC”);

“CCASS Participant” means a person admitted for the time being by HKSCC as a participant of CCASS;

“CCASS Rules” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“Cash Amount” means the greater of (i) zero and (ii) the Expiry Amount less an amount equal to the product of (1) the Closing Price minus the Upper Exercise Price and (2) the Entitlement;

“Closing Price” means the closing price of one Share (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing price as may be necessary to reflect any capitalisation, rights issue, distribution or the like) in respect of the Expiry Date;

“Expiry Date” means the Maturity Date or if the Maturity Date is not a Business Day the immediately succeeding Business Day; provided that if the Issuer determines, in its sole discretion, that on the Expiry Date a Market Disruption Event has occurred, then the Expiry Date shall be postponed to the first succeeding Business Day on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Business Days immediately following the original date that, but for the Market Disruption Event, would have been the Expiry Date. In that case (i) the fifth Business Day shall be deemed to be the Expiry Date, notwithstanding the Market Disruption Event, and (ii) the Issuer shall determine the Closing Price of the Shares on that fifth Business Day on the basis of its good faith estimate of the Closing Price that would have prevailed but for the occurrence of the Market Disruption Event on that fifth Business Day;

“Market Disruption Event” means (1) the occurrence or existence on the Expiry Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (a) the Shares; or (b) any options or futures contracts relating to the Shares if, in any such case, that suspension or limitation is, in the determination of the Issuer, material, or (2) the hoisting of the tropical cyclone warning signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening later than its regular time for open of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been hoisted;

“Nominee” means HKSCC Nominees Limited, or such other person, firm or company for the time being appointed by HKSCC as a nominee;

In the case of a series of Bull ELIs:

“Settlement Amount” means in respect of every Exercise Amount, an amount in Hong Kong dollars calculated by the Issuer as equal to (A) the Expiry Amount less Exercise Expenses, if the Closing Price is at or above the Exercise Price; or (B) the delivery of the Entitlement (subject to adjustment as provided in Condition 6), if the Closing Price is below the Exercise Price;

In the case of a series of Range ELIs:

“Settlement Amount” means in respect of every Exercise Amount, an amount in Hong Kong dollars calculated by the Issuer as equal to (A) the Expiry Amount less Exercise Expenses, if the Closing Price is at or above the Lower Exercise Price and below the Upper Exercise Price; or (B) delivery of the Entitlement (subject to adjustment as provided in Condition 6) subject to payment of Exercise Expenses, if the Closing Price is below the Lower Exercise Price; or (C) the Cash Amount less Exercise Expenses, if the Closing Price is at or above the Upper Exercise Price;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to deliver the Shares electronically through CCASS;

“Stock Account” means in relation to an ELI holder or its agent or (as the case may be) the Issuer or the Agent, its stock clearing account(s) in CCASS used for settlement purposes; and

“Stock Exchange” means The Stock Exchange of Hong Kong Limited.

3. Exercise of ELIs, Automatic Exercise and Expiry

(a) Exercise of ELIs

The ELIs are exercisable only on the Expiry Date.

(b) Procedures for Exercise

The ELIs will automatically be exercised on the Expiry Date (without notice being given to the ELI holders) if the Expiry Amount or the value of the Settlement Amount is greater than zero. The ELI holders will not be required to deliver any exercise notice and the Issuer or the Agent will pay to the ELI holders the Expiry Amount or the Cash Amount (as the case may be) (if any) or will deliver to the ELI holders the Entitlement, all in accordance with Condition 4.

(c) Expiry

Any ELI which has not been automatically exercised in accordance with Condition 3(b) shall expire immediately without value thereafter and all rights of the ELI holder and obligations of the Issuer with respect to such ELI shall cease.

4. Exercise of ELIs

(a) Board Lots. ELIs may only be exercised in Board Lots or integral multiples thereof.

(b) No requirement to deliver an exercise notice. The ELI holders will not be required to deliver an exercise notice for any purpose in relation to the ELIs.

(c) Cancellation. The Issuer will procure that the Registrar’s Agent will, with effect from the second Business Day following the Expiry Date, remove from its register the name of the person in respect of the ELIs which (i) are the subject of an exercise pursuant to automatic exercise in accordance with these Conditions; or (ii) have expired worthless, and thereby cancel the relevant ELIs.

(d) Settlement. Subject to automatic exercise of ELIs in accordance with these Conditions, the Issuer will make a payment or delivery (as the case may be), in respect of every Exercise Amount, to the relevant ELI holder equal to the Settlement Amount.

(e) Cash Settlement. In the case where the Settlement Amount is equal to payment of the Expiry Amount or the Cash Amount (as the case may be), the Settlement Amount shall be despatched not later than two Business Days following the Expiry Date.

(f) Delivery of Shares

(i) In order to obtain delivery of the Entitlement, all Exercise Expenses must be paid by the ELI holders to the Issuer.

- (ii) Subject as provided below in the case of a Settlement Disruption Event, the Issuer will procure:
 - (a) the delivery of the Shares comprising the Entitlement by way of electronic settlement through CCASS to the relevant ELI holder in accordance with the CCASS Rules no later than two Business Days following the Expiry Date (the “Settlement Date”); and
 - (b) the despatch of any payment to which the ELI holder is entitled pursuant to Condition 6(h), if applicable, no later than the Settlement Date.

If a Settlement Disruption Event exists on any Business Day from and including the Expiry Date to and including the Settlement Date, then the Settlement Date shall be postponed until the first succeeding Business Day on which there is no Settlement Disruption Event unless a Settlement Disruption Event prevents settlement on each of the ten Business Days immediately following the original Settlement Date.

In that case,

- (a) if the Shares can be delivered in any other commercially reasonable manner on the tenth Business Day immediately following the original Settlement Date, then they shall so be delivered; and
- (b) if the Shares cannot be delivered in any other commercially reasonable manner, the Settlement Date shall be postponed until settlement can reasonably be effected under this Condition or in any other commercially reasonable manner.

If, as a result of a Settlement Disruption Event it is not possible for the Issuer to deliver the Shares electronically through CCASS on or before the original Settlement Date, the Issuer shall procure that the exercising ELI holder is notified (in accordance with Condition 11(a)) of the postponement of the Settlement Date.

If, by reason of material illiquidity in the Shares or any other reason which renders it impossible or impracticable for the Issuer to deliver or procure the delivery of the Shares to an exercising ELI holder as required under these Conditions, the Issuer shall, within eight Business Days of the Expiry Date notify the exercising ELI holder of such fact, which notice shall also contain a reasonable description of such material illiquidity, impossibility or impracticability. The Issuer shall then, in lieu of delivery or procuring the delivery of the Shares, pay to the exercising ELI holder as soon as reasonably practicable a sum in Hong Kong dollars calculated by the Issuer equal to, in respect of every Exercise Amount, the Closing Price multiplied by the number of Shares which the Issuer would otherwise have been obliged to deliver or procure to be delivered to the exercising ELI holder. Such payment shall constitute a complete discharge of the Issuer’s obligations in respect of such ELIs.

- (g) *Intervening Period.* As from the Expiry Date, an exercising ELI holder (or such person as he may have directed) shall become beneficially entitled to all those rights attaching to the Shares to be delivered in respect of such exercise to which he would have become entitled if he had been registered as the holder of such Shares on the Expiry Date.

Notwithstanding the foregoing, as from the Expiry Date and until such time as the exercising ELI holder (or such person as he may have directed) is delivered the Shares electronically through CCASS (the “Intervening Period”), neither the Issuer nor the Agent or their nominee shall:

- (i) be under any obligation to deliver to such exercising ELI holder or any subsequent beneficial owner of the Shares any letter, certificate, notice, circular, dividend or any other document or payment whatsoever received by the Issuer or the Agent or their nominee in its capacity as the registered holder of such Shares; or
 - (ii) exercise any or all rights (including voting rights) attaching to the Shares during the Intervening Period without the prior written consent of the relevant exercising ELI holder, provided that neither the Issuer nor the Agent nor their nominee shall be under any obligation to exercise any such rights during the Intervening Period; or
 - (iii) be under any liability to such exercising ELI holder or any subsequent beneficial owner of the Shares in respect of any loss or damage which such exercising ELI holder or subsequent beneficial owner may sustain or suffer as a result, whether directly or indirectly, of the Issuer or the Agent or their nominee being registered during such Intervening Period as legal owner of the Shares.
- (h) Notwithstanding Condition 4(g) above, the Issuer shall notify each relevant exercising ELI holder (or where there are joint ELI holders, the first named ELI holder) appearing in the register kept by the Registrar’s Agent by post (by air mail in the case of an address outside Hong Kong) of the receipt by the Issuer or the Agent or their nominee during the Intervening Period of any dividend, rights, bonus issue, shares issued pursuant to a share split or consolidation in respect of Shares beneficially owned by such exercising ELI holder or a subsequent beneficial owner of such Shares which the exercising ELI holder is entitled to under these Conditions.

The Issuer shall also make available as soon as reasonably practicable such dividend payment or Shares, as the case may be, for collection by the ELI holder or such subsequent beneficial owner of such Shares from an office in Hong Kong which shall be specified in such notification upon production of such evidence of entitlement and identification as may reasonably be required by the Issuer.

The Issuer shall also notify each relevant exercising ELI holder (or where there are joint ELI holders, the first named ELI holder) appearing on the register kept by the Registrar’s Agent by post (by airmail in the case of an address outside Hong Kong) of any right, entitlement or offer which the exercising ELI holder is entitled to exercise or accept under these Conditions as beneficial owner of the relevant Shares during the Intervening Period and shall make available any document relating to such right, entitlement or offer for collection by the ELI holder, or the person to whom the ELI holder directed the Shares to be delivered, from an office in Hong Kong which shall be specified in such notification upon production of such evidence of entitlement and identification as may reasonably be required and, following receipt by the Issuer of written notification as may reasonably be required and, where appropriate, any relevant payment or consideration necessary in connection with exercising or accepting any such right, entitlement or offer from the relevant exercising ELI holder or the person to whom the ELI holder directed the Shares to be delivered, the Issuer shall on behalf of the relevant exercising ELI holder, or the person to whom the ELI holder directed the Shares to be delivered, exercise or accept such right, entitlement or offer.

Notwithstanding anything in this Condition, in the case of the receipt by the Issuer during the Intervening Period of an entitlement (in respect of the Shares deliverable to or at the direction of the exercising ELI holder) which takes the form of securities issued by the Company by way of rights (to which entitlement the exercising ELI holder is entitled under these Conditions), the Issuer shall, as soon as reasonably practicable and:

- (i) in any event by no later than one Business Day following receipt by it of the relevant entitlement from the Company, where necessary post to the Company or its share registrar an application for the entitlement to be split as appropriate as between Shares deliverable to different ELI holders (or subsequent ELI holders); and
 - (ii) in any event no later than one Business Day following receipt by it of the relevant entitlement duly split as referred to in (i) above, post (by air mail in the case of an address outside Hong Kong) all documentation (duly renounced where appropriate) received by it relating to such entitlement to the exercising ELI holder, or the person to whom the ELI holder directed the Shares to be delivered, or (if the exercising ELI holder shall have so directed in the relevant Exercise Notice) make available such documentation for collection by the ELI holder, or the person to whom the ELI holder directed the Shares to be delivered, from the Agent's Office upon production of such evidence of entitlement and identification as may reasonably be required.
- (i) *Relationship of agency or trust.* These Conditions shall not be construed so as to give rise to any relationship of agency or trust between the Issuer or the Agent or their nominee and any exercising ELI holder in its capacity as beneficial owner of Shares, or any subsequent beneficial owner of Shares, during an Intervening Period and neither the Issuer nor the Agent nor their nominee shall owe any duty of a fiduciary nature to either such ELI holder or such beneficial owner in respect of such Shares.

5. Registrar, Agent and Registrar's Agent

- (a) The initial Registrar and Agent and the initial office of the Registrar and Agent (the "Agent's Office") and the initial Registrar's Agent and the initial office of the Registrar's Agent (the "Registrar's Agent's Office", and together with the Agent's Office, the "Offices"), are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of any of the Registrar, the Agent or the Registrar's Agent and to appoint another Registrar, Agent or Registrar's Agent provided that it will at all times maintain a Registrar, an Agent and a Registrar's Agent. Notice of any such termination or appointment and of any change in the Offices will be given to the ELI holders in accordance with Condition 11.
- (b) The Registrar, the Agent and the Registrar's Agent will be acting as agents of the Issuer in respect of any ELIs and will not assume any obligation or duty to or any relationship of agency or trust for the ELI holders.
- (c) The register of ELI holders will be maintained outside Hong Kong by the Registrar's Agent and the Registrar's Agent will enter or cause to be entered the name, address and banking details of the ELI holders, the details of the ELIs held by any ELI holder including the number of ELIs of each series held, details of any transfer of the ELIs and any other particulars which it thinks proper.

6. Adjustments

(a) Rights Issues

If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “Rights Offer”), the Entitlement will be adjusted to take effect on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where :

$$\text{Adjustment Component} = \frac{1 + M}{1 + (R/S) \times M}$$

E : Existing Entitlement immediately prior to the Rights Offer

S : Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis

R : Subscription price per Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right

M : Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price, the Upper Exercise Price and/or the Lower Exercise Price, as applicable, in accordance with the following formulae:

$$\begin{array}{l} \text{adjusted Exercise Price} \\ \text{(rounded to the nearest} \\ \text{Hong Kong dollar 0.001)} \end{array} = \text{Exercise Price X} \frac{1}{\text{Adjustment Component}}$$

$$\begin{array}{l} \text{adjusted Upper Exercise} \\ \text{Price (rounded to the} \\ \text{nearest Hong Kong dollar} \\ \text{0.001)} \end{array} = \text{Upper Exercise Price X} \frac{1}{\text{Adjustment Component}}$$

$$\begin{array}{l} \text{adjusted Lower Exercise} \\ \text{Price (rounded to the} \\ \text{nearest Hong Kong dollar} \\ \text{0.001)} \end{array} = \text{Lower Exercise Price X} \frac{1}{\text{Adjustment Component}}$$

These adjustments to the Exercise Price, the Upper Exercise Price and/or the Lower Exercise Price, as applicable, shall take effect on the same day that the Entitlement is adjusted.

For the purposes of these Conditions:

“Rights” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

(b) *Bonus Issues*

If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a “Bonus Issue”) the Entitlement will be increased on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

$$\text{Adjustment Component} = (1 + N)$$

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price, the Upper Exercise Price and/or the Lower Exercise Price, as applicable, in accordance with the following formulae:

$$\begin{array}{l} \text{adjusted Exercise Price} \\ \text{(rounded to the nearest} \\ \text{Hong Kong dollar 0.001)} \end{array} = \text{Exercise Price} \times \frac{1}{\text{Adjustment Component}}$$

$$\begin{array}{l} \text{adjusted Upper Exercise} \\ \text{Price (rounded to the} \\ \text{nearest Hong Kong dollar} \\ \text{0.001)} \end{array} = \text{Upper Exercise Price} \times \frac{1}{\text{Adjustment Component}}$$

$$\begin{array}{l} \text{adjusted Lower Exercise} \\ \text{Price (rounded to the} \\ \text{nearest Hong Kong dollar} \\ \text{0.001)} \end{array} = \text{Lower Exercise Price} \times \frac{1}{\text{Adjustment Component}}$$

These adjustments to the Exercise Price, the Upper Exercise Price and/or the Lower Exercise Price, as applicable, shall take effect on the same day that the Entitlement is adjusted.

(c) *Share Splits or Consolidations*

If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “Subdivision”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “Consolidation”), the Entitlement in effect immediately prior thereto will be increased (in the case of a Subdivision) or decreased (in the case of a Consolidation) accordingly in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect. In addition, the Exercise Price, the Upper Exercise Price and/or the Lower Exercise Price, as applicable, will be decreased (in case of a Subdivision) or increased (in case of a Consolidation) accordingly and in each case rounded to the nearest Hong Kong dollar 0.001.

These adjustments to the Exercise Price, the Upper Exercise Price and/or the Lower Exercise Price, as applicable, shall take effect on the same day that the Entitlement is adjusted.

(d) *Merger or Consolidation*

If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the ELIs may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “Restructuring Event”) (as determined by the Issuer in its absolute discretion).

The rights attaching to the ELIs after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“Substituted Securities”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the ELIs related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph (d) and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Conditions to the Shares shall include any such cash.

(e) *Cash Distributions*

Generally, no capital adjustment will be made for an ordinary cash dividend (whether or not it is offered with a script alternative). For any other forms of cash distribution (each a “Cash Distribution”) announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no capital adjustment will be made unless the value of the Cash Distribution accounts for two per cent. or more of the Shares closing price on the day of announcement by the Company.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Entitlement will be adjusted to take effect on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

$$\text{Adjustment Component} = \frac{S - OD}{S - OD - CD}$$

provided that OD shall be deducted from S only if the Business Day on which trading in the Shares of the Company becomes ex-entitlement with respect to the Cash Distribution and the distribution of the ordinary cash dividend by the Company falls on the same date.

OD: Amount of the relevant ordinary cash dividend per Share

CD: Amount of the relevant Cash Distribution per Share

E: Existing Entitlement immediately prior to the Cash Distribution

S: Cum-Cash Distribution Share price being the closing price of the Shares on the Stock Exchange on the last Business Day on which the Shares of the Company are traded on a cum-Cash Distribution basis

In addition, the Isser shall adjust the Exercise Price, the Upper Exercise Price and/or the Lower Exercise Price, as applicable, in accordance with the following formulae:

$$\begin{array}{l} \text{adjusted Exercise Price} \\ \text{(rounded to the nearest} \\ \text{Hong Kong dollar 0.001)} \end{array} = \text{Exercise Price X } \frac{1}{\text{Adjustment Component}}$$

$$\begin{array}{l} \text{adjusted Upper Exercise} \\ \text{Price (rounded to the} \\ \text{nearest Hong Kong dollar} \\ \text{0.001)} \end{array} = \text{Upper Exercise Price X } \frac{1}{\text{Adjustment Component}}$$

$$\begin{array}{l} \text{adjusted Lower Exercise} \\ \text{Price (rounded to the} \\ \text{nearest Hong Kong dollar} \\ \text{0.001)} \end{array} = \text{Lower Exercise Price X } \frac{1}{\text{Adjustment Component}}$$

These adjustments to the Exercise Price, the Upper Exercise Price and/or the Lower Exercise Price, as applicable, shall take effect on the same day that the Entitlement is adjusted.

(f) *Other Adjustments*

Except as provided in this Condition 6 and Condition 14, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to make such adjustments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion and notwithstanding any prior adjustment made pursuant to the above should, in the context of the issue of the ELIs and the obligations of the Issuer, give rise to such adjustment provided that such adjustment is considered by the Issuer not to be materially prejudicial to the ELI holders generally (without considering the circumstances of any individual ELI holder or the tax or other consequences of such adjustment in any particular jurisdiction).

(g) *Notice of Adjustments*

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the ELI holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 11.

(h) *Excess Shares*

In the case where the Settlement Amount is equal to the delivery of the Entitlement the following provision will apply:

If an exercise of a number of ELIs would (if not for the provisions of this Condition 6(h)) result in the relevant ELI holder becoming entitled to delivery of a number of Shares which is not equal to a board lot of the Shares at such time or an integral multiple thereof, then:

- (i) the Issuer shall not deliver to the relevant ELI holder and the ELI holder shall cease to be entitled to receive in respect of the relevant exercise of ELIs, that number of Shares (the “Excess Shares”) which exceeds the amount of such board lot or integral multiple thereof; and
- (ii) the relevant ELI holder shall be entitled to receive a cash amount from the Issuer (to be paid no later than the Settlement Date in accordance with Condition 4(f)) equal to the Closing Price multiplied by the number of the Excess Shares.

7. Early Termination for Extraordinary Reasons, Illegality and Force Majeure

If the Issuer determines that, for reasons beyond its control, the performance of its obligations under the ELIs has become illegal or impractical in whole or in part for any reason, or if the Issuer determines that, for reasons beyond its control, it is no longer legal or practical for it to maintain its hedging arrangements with respect to the ELIs (i) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (ii) due to the promulgation of or any change in the interpretation of any applicable law or regulation (including, without limitation, any action taken by a taxing authority), the Issuer may at its discretion and without obligation terminate the ELIs early by giving notice to the ELI holders in accordance with Condition 11.

Should any one or more of the provisions contained in the Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby.

If the Issuer terminates the ELIs early pursuant to this Condition 7, the Issuer will, if and to the extent permitted by applicable law, pay an amount to each ELI holder in respect of each ELI held by such holder equal to the fair market value of an ELI notwithstanding such illegality or impracticality less the cost incurred by the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the ELI holders in accordance with Condition 11.

8. Purchases

The Issuer and/or any of their respective affiliates may at any time purchase ELIs at any price in the open market or by tender or by private treaty. Any ELIs so purchased may be held or resold or surrendered for cancellation.

9. Certificates

The ELIs are represented by the Global Certificate registered in the name of HKSCC Nominees Limited and deposited with CCASS in accordance with the CCASS Rules. ELI holders will not be entitled to definitive certificates in respect of any ELIs issued or transferred to them.

10. Meetings of ELI holders; Modification

(a) Meetings of ELI holders

The Registrar's Agreement contains provisions for convening meetings of the ELI holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the ELIs or of the Global Certificate.

Any resolution to be passed in a meeting of the ELI holders shall be decided by poll. Such a meeting may be convened by the Issuer or by ELI holders holding not less than 10 per cent. of the ELIs for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the ELIs for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing ELI holders whatever the number of ELIs so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such ELI holders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the ELI holders shall be binding on all the ELI holders, whether or not they are present at the meeting.

Resolutions can be passed in writing without a meeting of the ELI holders being held if passed unanimously.

(b) Modification

The Issuer may, without the consent of the ELI holders, effect any modification of the provisions of the ELIs or the Global Certificate which is (i) not materially prejudicial to the interests of the ELI holders; (ii) of a formal, minor or technical nature; (iii) made to correct an obvious error; or (iv) necessary in order to comply with mandatory provisions of the laws of Hong Kong (as defined below). Any such modification shall be binding on the ELI holders and shall be notified to them before the effective date or as soon as practicable thereafter in accordance with Condition 11.

11. Notices

- (a) All documents required or permitted by these Conditions to be sent to an ELI holder or to which an ELI holder is entitled or which the Issuer shall have agreed to deliver to the ELI holder may be delivered by hand or sent by post addressed to the ELI holder to the ELI holder's address (or, in the case of joint ELI holders, to the address of the first named ELI holder) appearing in the register kept by the Registrar's Agent, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant ELI holder. Where such documents are notices, such notices will be delivered on the same date as notices are delivered pursuant to Condition 11(b).

- (b) All notices to ELI holders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent by mail to the holders of ELIs at their addresses appearing in the register of ELI holders kept by the Registrar's Agent.

12. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised ELIs will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

13. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the ELI holders, to create and issue further equity linked instruments so as to form a single series with the ELIs.

14. Delisting

- (a) If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments to the rights attaching to the ELIs as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the ELI holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any ELI holder or the tax or other consequences that may result in any particular jurisdiction).
- (b) Without prejudice to the generality of Condition 14(a), where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the ELI holders, make such adjustments to the entitlements of ELI holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.
- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the ELI holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the ELI holders in accordance with Condition 11 as soon as practicable after they are determined.

15. Governing Law

The ELIs, the Global Certificate and the Registrar’s Agreement will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People’s Republic of China (“Hong Kong”). The Issuer and each ELI holder (by its purchase of the ELIs) shall be deemed to have submitted for all purposes in connection with the ELIs, the Global Certificate and the Registrar’s Agreement to the non-exclusive jurisdiction of the courts of Hong Kong.

16. Language

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar and Agent and Agent’s Office

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor, Hopewell Centre
183 Queen’s Road East
Hong Kong

Registrar’s Agent and Registrar’s Agent’s Office

Computershare Investor Services (Channel Islands) Limited
Ordinance House
31 Pier Road
St. Helier
Jersey
Channel Islands

SALES AND TRANSFER RESTRICTIONS

General

We have not or will not take any action that would permit a public offering of structured products or possession or distribution of any offering material in relation to the structured products in any jurisdiction where action for that purpose is required. No offers, sales or deliveries of any structured products, or distribution of any offering material relating to the structured products, may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws or regulations and will not impose any obligations on us. You are required to inform yourself about, and to observe, all such applicable laws and regulations.

United States of America

The structured products have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**). Structured products, or interests therein, may not at any time be offered, sold, resold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person or to others for offering, sale or resale in the United States or to any such U.S. person. Offers and sales of structured products, or interests therein, in the United States or to U.S. persons would constitute a violation of United States securities laws unless made in compliance with the registration requirements of the Securities Act or pursuant to an exemption therefrom. The structured products will not be offered, sold or delivered within the United States or to U.S. persons. As used herein, **United States** means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction; and **U.S. person** means any national or resident of the United States, including any corporation, partnership or other entity created or organised in or under the laws of the United States or of any political subdivision thereof, any estate or trust the income of which is subject to United States income taxation regardless of its source, and any other U.S. person as such term is defined in Regulation S under the Securities Act.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) no offer of structured products has been made or will be made to the public in that Relevant Member State, except that, with effect from and including the Relevant Implementation Date, the structured products may be offered to the public in that Relevant Member State: (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive; (b) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining our prior consent for any such offer; or (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of structured products referred to in (a) to (c) above shall require us to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression relating to an **offer of structured products to the public** in relation to any structured products in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the structured products to be offered so as to enable an investor to decide to purchase or subscribe for the structured products, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

United Kingdom

All applicable provisions of the Financial Services and Markets Act 2000 (the **FSMA**) must be complied with in respect of anything done in relation to any structured products in, from or otherwise involving the United Kingdom. An invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) may only be communicated or caused to be communicated in connection with the issue or sale of any structured products in circumstances in which Section 21(1) of the FSMA would not, if we were not an authorised person, apply to us.

Singapore

This base programme document has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the **Securities and Futures Act**). Accordingly, the structured products may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this base programme document or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of any structured product be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, (b) to a relevant person pursuant to Section 275(1) of the Securities and Futures Act, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Each of the following relevant persons specified in Section 275 of the Securities and Futures Act which has subscribed or purchased structured products, namely a person who is:

- (a) a corporation (which is not an accredited investor (as defined in section 4A of the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor,

should note that the securities (as defined in Section 239(1) of the Securities and Futures Act) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for six months after that corporation or that trust has acquired the structured products under Section 275 of the Securities and Futures Act except:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the Securities and Futures Act, (in the case of a corporation) where the transfer arises from an offer referred to in Section 276(3)(i)(B) of the Securities and Futures Act or (in the case of a trust) where the transfer arises from an offer referred to in Section 276(4)(i)(B) of the Securities and Futures Act; or
- (2) where no consideration is or will be given for the transfer; or
- (3) where the transfer is by operation of law; or
- (4) pursuant to Section 276(7) of the Securities and Futures Act.

Hong Kong

No person, other than a person permitted to do so under the securities laws of Hong Kong, has issued or had in its possession for the purposes of issue, or will issue, or have in its possession for the purposes of issue any advertisement, invitation or document relating to the structured products, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong other than with respect to structured products which are or are intended to be disposed of only to persons outside Hong Kong or only to **professional investors** within the meaning of the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong and any rules made thereunder.

TAXATION

The comments below are of a general nature and are only a summary of the law and practice currently applicable under Hong Kong law. The comments relate to the position of persons who are the absolute beneficial owners of the structured products and may not apply equally to all persons. If you are in any doubt as to your tax position on purchase, ownership, transfer or exercise of any structured product, you should consult your own tax advisers.

General

You may be required to pay stamp duties, taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the issue price of each structured product.

Taxation in Hong Kong

Profits Tax

No tax is payable in Hong Kong by withholding or otherwise in respect of dividends of any company or in respect of any capital gains arising from the sale of the underlying shares or structured products, except that Hong Kong profits tax may be chargeable on any such gains which arise in or derived from Hong Kong in the case of certain persons carrying on a trade, profession or business in Hong Kong.

Stamp Duty

Hong Kong stamp duty is chargeable upon the transfer of a physically settled call warrant or physically settled put warrant relating to shares where the register for the warrant is maintained in Hong Kong. Any person who effects a sale or purchase of such warrants, whether as principal or agent and whether in Hong Kong or elsewhere, is required to execute a contract note evidencing such sale or purchase and to have that note stamped with Hong Kong stamp duty.

Upon exercise of a physically settled warrant or an ELI relating to shares listed on the stock exchange, as the case may be, the subsequent transfer of the underlying shares to the exercising warrant holder or ELI holder, as the case may be, will be chargeable to Hong Kong stamp duty. Any person who effects a sale or purchase of the underlying shares, whether as principal or as agent and whether in Hong Kong or elsewhere, is required to execute a contract note evidencing such sale or purchase and to have that note stamped with Hong Kong stamp duty.

Stamp duty is not chargeable on the transfer of a cash settled basket call warrant, a cash settled basket put warrant, an index call warrant, an index put warrant, a cash settled call warrant or a cash settled put warrant.

Stamp duty is not chargeable upon the transfer of the ELIs as the register for the ELIs will be maintained outside Hong Kong.

Contract notes will attract stamp duty at the rate of HK\$2 per HK\$1,000 or part thereof (of which HK\$1 per HK\$1,000 is payable by the seller and HK\$1 per HK\$1,000 is payable by the purchaser) by reference to the value of the consideration or market value, whichever is the greater. If, in the case of a sale or purchase of physically settled call warrants or physically settled put warrants relating to shares listed on the stock exchange or such underlying shares of a structured product by a person who is not resident in Hong Kong, the stamp duty on either or both of the contract notes is not paid, the transferee will be liable to pay stamp duty on the instrument of transfer in an amount equal to all the unpaid duty. In addition, if the stamp duty is not paid on or before the due date (two days after the

sale or purchase if effected in Hong Kong or 30 days thereafter if effected elsewhere), a penalty of up to ten times the duty payable may be imposed. In addition, a fixed duty of HK\$5 is payable on each instrument of transfer executed in relation to transfer of the legal title of the underlying shares listed on the stock exchange of such warrants or dutiable structured products as mentioned above.

Under the relevant terms and conditions of the structured products each as set out above, holders of the structured products are required to pay both buyer's and seller's stamp duty in respect of the transfer of the underlying shares following the exercise of the structured products.

Estate duty

No estate duty is payable on any payment or delivery under the structured products in Hong Kong.

INFORMATION RELATING TO DBS BANK LTD

DBS Bank Ltd may act as an issuer of certain structured products or a swap counterparty in respect of a particular issuance of structured products. The listing document for a particular issuance of structured products will state if DBS Bank Ltd acts as an issuer of such structured products, or swap counterparty in respect of an issuance of structured products.

General

DBS Bank Ltd (**DBS Bank**) and its subsidiaries (**DBS Group**) form one of the largest banking groups in South-East Asia in terms of total assets, being S\$284 billion as at 31 December 2010. The DBS Group's primary operations are in Singapore and Hong Kong, two of Asia's best regulated markets. In Singapore, the DBS Group has leading positions in consumer banking, corporate banking, small and medium enterprises (**SME**) banking, investment banking, treasury, asset management and securities brokerage. In Hong Kong, it has an established SME banking and consumer banking business among others. The DBS Group's operations in Indonesia, China, Taiwan, India and other countries also provide services to corporates, SMEs and consumers. The DBS Group's diversification in the Asia Pacific region has resulted in a more balanced geographical distribution of its assets and total operating income.

The DBS Group's main businesses include its Consumer Banking Group (**CBG**), Institutional Banking Group (**IBG**), and Treasury & Markets unit (**T&M**). CBG offers a comprehensive range of financial products and services to individuals including savings and fixed deposits, current accounts, bill payment services, electronic, internet and telephone banking services, credit and debit cards, housing loans, auto loans, investment and insurance products. The DBS Group operates the "POSB" and "DBS" brands in Singapore and "DBS" as its regional mass market and emerging affluent brand. CBG also serves high net worth individuals in the region through a distinct private banking brand. The DBS Group serves over five million consumer banking customers in Singapore, Hong Kong, Taiwan, Indonesia, China and India. In Singapore, as at 31 December 2010, the DBS Group has the largest distribution network, with 80 DBS/POSB branches and 1,100 ATMs, and has leadership positions in savings deposits, housing loans and vehicle financing. In Hong Kong, as at 31 December 2010, the DBS Group has 53 retail branches and 70 ATMs. Outside its core markets of Singapore and Hong Kong, the DBS Group is expanding its footprint with a focus on the affluent and emerging affluent customer segments.

IBG serves over 180,000 SME, corporate and institutional clients across the Asia Pacific region. It provides clients with a comprehensive range of financial products and services including loans, trade finance, equipment finance, cash management, treasury services, capital markets, syndicated finance, mezzanine financing, private equity and merger and acquisition advisory. Singapore and Hong Kong are IBG's core markets, with emerging markets - in particular China, India, Indonesia and Taiwan - contributing increasingly to overall franchise growth and profitability. IBG also has presence in other locations including Seoul, Tokyo, Ho Chi Minh, Kuala Lumpur, Labuan, Dubai, London and Los Angeles, as well as through the DBS Group's representative offices in Bangkok, Manila and Hanoi. In the area of capital markets, the DBS Group is well regarded in the region as a pioneer in innovative financial products and services. The DBS Group launched the first Real Estate Investment Trust (**REIT**) in Singapore in 2002 and has managed numerous landmark initial public offerings and listings on the Singapore and Hong Kong securities exchanges. Its securities and derivatives brokerage arm, DBS Vickers Securities Holdings Pte Ltd (**DBSV**), provides brokerage services as part of the DBS Group's capital markets value chain.

T&M offers foreign exchange, money market and fixed income products, including derivative and structured products in foreign exchange, interest rates, equity and credit, as well as structured financing solutions. T&M has a leading market share in Singapore dollar treasury products and regional currencies. It is one of the largest players in the Singapore Government Securities market and an active market maker in Singapore dollar swaps. T&M is a specialist and a leading provider of Asian currency treasury products. It has a strong presence in Hong Kong, where it is an active market maker in Hong Kong dollar and offshore RMB derivatives. For the retail market, T&M is a leading provider of wealth management solutions in both Singapore and Hong Kong.

DBS Bank was incorporated in July 1968 by the Singapore Government as an industrial development financing institution to aid Singapore's industrialisation. It was listed on the Singapore Exchange in the same year. In June 1969, DBS Bank began commercial banking operations. In September 1999, DBS Bank was restructured to become a wholly-owned subsidiary of DBS Group Holdings Ltd (**DBSH**), which is now the listed parent company on the Singapore Exchange. DBSH is one of the largest companies in terms of market capitalisation whose shares are listed on the Singapore Exchange. The principal offices of DBS Bank are located at 6 Shenton Way, DBS Building Tower One, Singapore 068809.

Directors

The details of the members of the Board of Directors of DBS Bank Ltd are set out below:

Mr Peter Seah Lim Huat, *Chairman*
Mr Piyush Gupta, *Chief Executive Officer*
Mr Ang Kong Hua
Dr Bart Joseph Broadman
Mr Andrew Robert Fowell Buxton
Mr Christopher Cheng Wai Chee
Ms Euleen Goh Yiu Kiang
Mr Kwa Chong Seng
Mr Ambat Ravi Shankar Menon
Mr John Alan Ross
Mr Danny Teoh Leong Kay

Peter Seah Lim Huat, *Chairman*

Mr Seah, 64, joined the Board of Directors of DBSH and DBS on 16 November 2009 and assumed the role of Chairman on 1 May 2010. Mr Seah is the present Chairman of Singapore Technologies Engineering Ltd and Singapore Health Services Pte Ltd. Mr Seah was a banker for 33 years before retiring as Vice Chairman and CEO of the former Overseas Union Bank in 2001.

At this juncture, Mr Seah is a member of the Temasek Holdings Advisory Panel. He also serves on the boards of Starhub Ltd., CapitaLand Limited, Government of Singapore Investment Corporation Private Limited and Fullerton Financial Holdings Pte Ltd. Amongst other appointments, he is also a member of the Defence Science and Technology Agency.

Mr Seah is Chairman of the Executive Committee and a member of the Board Risk Management Committee, Audit Committee, Compensation and Management Development Committee and Nominating Committee.

In addition, he is Chairman of DBS Bank (Hong Kong) Limited and also chairs its Board Risk Management Committee.

PIYUSH GUPTA, *Chief Executive Officer*

Appointed on 9 November 2009, Mr Gupta, 51, is CEO of DBSH and DBS. Prior to joining DBS, Mr Gupta was CEO of Citibank for South East Asia, Australia and New Zealand. Mr Gupta has spent over two-thirds of his 27-year career in South East Asia and Hong Kong, including 8 years in Singapore.

Mr Gupta serves on the boards of The Institute of Banking and Finance, Global Indian Foundation, Dr Goh Keng Swee Scholarship Fund and MasterCard Asia/ Pacific, Middle East and Africa Regional Advisory Board. He is also a member of the Governing Council of the Human Capital Leadership Institute, an advisory board member of Sim Kee Boon Institute for Financial Economics, and a Managing Council member of the Indian Businessleaders Roundtable under the Singapore Indian Development Association (**SINDA**).

Mr Gupta is a member of the Executive Committee. He is also Vice Chairman of DBS' subsidiary companies, The Islamic Bank of Asia Limited and DBS Bank (Hong Kong) Limited.

ANG KONG HUA, *Director*

Appointed on 21 March 2005, Mr Ang, 67, is Chairman of SembCorp Industries Ltd and Global Logistic Properties Limited. He spent 28 years in NSL Ltd as CEO and he retired as Executive Director in December 2010. Currently, Mr Ang also serves on the boards of the Government of Singapore Investment Corporation Private Limited and GIC Special Investments Private Limited.

Mr Ang is a member of the Audit Committee and Nominating Committee.

BART JOSEPH BROADMAN, *Director*

Appointed on 17 December 2008, Dr Broadman, 50, is Managing Director of Alphadyne Asset Management based in Singapore. Prior to forming Alphadyne, Dr Broadman spent 14 years in Asia working for J.P. Morgan, most recently as Vice Chairman of Asia and Head of Markets (Credit, Rates and Equities) in Asia.

He is currently a board member of the Central Provident Fund and serves on its Investment Committee. He is also a board member of the Singapore American School. Dr Broadman also sits on the Nanyang Technological University Investment Committee and has recently been appointed Chairman of the Financial Research Council of the Monetary Authority of Singapore.

Dr Broadman is a member of the Compensation and Management Development Committee and the Board Risk Management Committee.

ANDREW ROBERT FOWELL BUXTON, *Director*

Appointed on 17 February 2006, Mr Buxton, 71, was a career banker with Barclays Bank PLC and retired in 1999 having served as Chairman from 1993 to 1999. Following his retirement, he served as senior advisor to the Barclays Group on its Middle East business until 2003. He was President of the British Bankers Association from 1998 to 2002 and a Member of the Court of the Bank of England from 1997 to 2001. He was a Director of CapitaLand Limited from 2003 to 2007.

He is currently Chairman of Validata Holdings Ltd, a Fellow of the Institute of Financial Services, and a Patron of the Institute for Education Business Excellence.

Mr Buxton was honoured for his services to international trade at the Queen's Birthday Honours in June 2003 when he was made a Companion of the Most Distinguished Order of St. Michael and St. George.

Mr Buxton is a member of the Board Risk Management Committee, and sits on the board of Islamic Bank of Asia Limited and also chairs its Audit Committee.

CHRISTOPHER CHENG WAI CHEE, *Director*

Appointed on 1 June 2007, Mr Cheng, 62, is Chairman of Wing Tai Properties Limited (formerly known as USI Holdings Limited) and Winsor Properties Holdings Limited.

Amongst several other directorships, Mr Cheng is Chairman of Governance Committee of the Exchange Fund Advisory Committee (Hong Kong Monetary Authority), a steward of Hong Kong Jockey Club, a non-executive Director of Temasek Foundation CLG Limited, a member of the Yale University President's Council on International Activities, a member of the Board of Overseers of Columbia Business School, a member of the International Advisory Board of Hong Kong Polytechnic University and a council member of The University of Hong Kong.

Mr Cheng is a member of the Audit Committee and the Compensation and Management Development Committee. In addition, he is a Director of DBS Bank (China) Limited and also chairs its Audit Committee.

EULEEN GOH YIU KIANG, *Director*

Appointed on 1 December 2008, Ms Goh, 55, is currently non-executive Chairman of the Singapore International Foundation.

She is a non-executive Director of Aviva PLC, Singapore Airlines Limited and Singapore Exchange Limited. She also acts as Chairperson of the Accounting Standards Council and is a member of the Management Advisory Board of NUS Business School. Ms Goh was CEO of Standard Chartered Bank, Singapore from 2001 to March 2006. She held various senior management positions in Standard Chartered Bank, retiring in March 2006 after some 21 years with the Bank.

Ms Goh chairs the Board Risk Management Committee and is a member of the Nominating Committee, Compensation and Management Development Committee and Executive Committee.

KWA CHONG SENG, *Director*

Appointed on 29 July 2003, Mr Kwa, 64, is Chairman and Managing Director of ExxonMobil Asia Pacific Pte Ltd and the Lead Country Manager for the ExxonMobil group of companies in Singapore.

He is also Deputy Chairman of Temasek Holdings (Private) Limited and a Director of Sinopec SenMei (Fujian) Petroleum Company Limited. Mr Kwa serves as a member of the Public Service Commission.

Mr Kwa is Chairman of the Compensation and Management Development Committee.

AMBAT RAVI SHANKAR MENON, *Director*

Appointed on 1 May 2009, Mr Menon, 47, is the Permanent Secretary of Singapore's Ministry of Trade & Industry (MTI). Prior to that, he was Second Permanent Secretary of MTI, Deputy Secretary of the Ministry of Finance, and Assistant Managing Director of the Monetary Authority of Singapore, where he worked from 1987 to 2003.

Mr Menon is a member of the Board of Trustees of SINDA and the Board of Governors of Raffles Institution. He is Chairman of Singapore Co-operation Enterprise and a Director of the National Research Foundation and Singapore- India Partnership Foundation.

Mr Menon is a member of the Audit Committee and Nominating Committee.

JOHN ALAN ROSS, *Director*

Appointed on 6 February 2003, Mr Ross, 66, was Corporate Chief Operating Officer for the Deutsche Bank Group until his retirement in February 2002. Before joining Deutsche Bank in 1992, he spent 21 years at the Bank of New York, where he was last its Executive Vice President, Head of Global Asset and Liability Management.

He was recently appointed as a board member of TPG Specialty Lending, Inc.

Mr Ross is Chairman of the Nominating Committee and a member of the Board Risk Management Committee. In addition, he is Chairman of DBS Bank (China) Limited and also chairs its Board Risk Management Committee.

Danny Teoh Leong Kay, *Director*

Appointed on 1 October 2010, Mr Teoh, 55, spent 27 years in KPMG LLP, Singapore and was the Managing Partner since 2005 before he retired from KPMG in September 2010. Mr Teoh is a qualified Chartered Accountant in the UK and is an associate member of the Institute of Chartered Accountants of England and Wales.

He is currently a board member of Changi Airport Group (Singapore) Pte Ltd and also chairs its Audit Committee. In addition, he is also a Director of Keppel Corporation Limited, JTC Corporation and the Singapore Olympic Foundation.

Mr Teoh is Chairman of the Audit Committee and a member of the Board Risk Management Committee.

The business address of the directors of DBS Bank is 6 Shenton Way, DBS Building Tower One, Singapore 068809.

As a company whose shares are quoted on the Singapore Exchange, DBSH is required to make periodic and/or continuous disclosures under the relevant listing rules of such stock exchange. Up-to-date information, including financial information and/or any major development on DBSH including filings requested by such exchange may be viewed from www.dbs.com.

INFORMATION ON THE LIQUIDITY PROVIDER

Will there be a market for the structured products?

The stock exchange requires us to provide liquidity in the structured products to ensure that there will always be a market price available for the purchase and sale of the structured products (subject to the circumstances described below). You should read the relevant supplemental listing document for information about the liquidity provider.

What is a liquidity provider?

The liquidity provider is a third party broker who has entered into an agreement with us. The liquidity provider is a stock exchange participant and is therefore subject to prudential and conduct regulation by the stock exchange and the Securities and Futures Commission. The liquidity provider has agreed to act as our agent in providing liquidity in the structured products. If the liquidity provider is unable to perform its functions, we will appoint a substitute liquidity provider for the structured products.

How will the liquidity provider provide liquidity?

The liquidity provider will use its reasonable endeavours to make a market in the structured products by responding to requests for bid and offer prices. You can request for a price by calling the relevant liquidity provider. Please refer to the relevant supplemental listing document for details.

All quotes will be displayed on the designated stock page for the structured products. The liquidity provider will provide quotes with a maximum spread (where 'spread' is as prescribed under the rules and regulation of the stock exchange) between bid and offer prices, for a minimum number of board lots of the structured products. The applicable maximum spread and minimum number of board lots will be specified in the relevant supplemental listing document. The liquidity provider will provide you with prices for the structured products in the secondary

market during the life of the structured products. Such prices will be available on each business day on which the structured products are traded on the stock exchange from five minutes after each morning trading session or after trading commences for the first time on any business day until the end of the Continuous Trading Session as defined in the Rules and Regulations of the stock exchange.

How are the prices calculated?

Any price provided by the liquidity provider on our behalf will be based on our pricing model which takes into account such factors as we deem appropriate, including, without limitation, the volatility and price or level of the underlying, the time left to the expiry of the structured products, the exercise price of the structured products, the dividend history of the underlying and the prevailing interest rate climate.

Are there circumstances that the liquidity provider cannot provide liquidity?

There will be circumstances under which the liquidity provider may not be able to, and will not be obliged to, provide liquidity. Such circumstances may include:

- (i) when the structured products are suspended from trading for any reason including, but without limitation, as a result of the shares being suspended from trading;
- (ii) when there are no structured products available for market making activities by the liquidity provider (in which event, only a bid price for the structured products will be available), and for the avoidance of doubt, in determining whether structured products are available for market making activities, structured products held by us or any of our affiliates in a fiduciary or agency (as opposed to proprietary) capacity shall be deemed to be not available for market making activities;

- (iii) if the liquidity provider is not able to short sell the underlying (in which case, for a put structured product an offer price will not be available and for a call structured product a bid price will not be available);
- (iv) during the period of five business days immediately prior to the expiry date of the structured products;
- (v) operational and technical problems affecting the ability of the liquidity provider to provide liquidity or operational and technical problems affecting the proper functioning of the stock exchange;
- (vi) if the stock market experiences exceptional price movement and volatility, i.e. during fast markets;
- (vii) the occurrence of market disruption events, including, without limitation, any suspension of or limitation imposed on trading (caused by movements in price exceeding limits permitted by the relevant exchange or otherwise) in the underlying or any structured products, options contracts or futures contracts relating to the underlying;
- (viii) when the ability of the liquidity provider acting on our behalf to source a hedge or unwind an existing hedge, as determined by the liquidity provider in its discretion acting in good faith, is materially affected by prevailing market conditions (in which case either only a bid price or only an offer price of the structured products shall be made but not both); and
- (ix) when the theoretical value of each structured product (as determined by the liquidity provider based on our pricing model) is less than HK\$0.01, then the liquidity provider will not be obliged to provide liquidity for the structured products. Nonetheless, if the liquidity provider elects (in its sole and absolute discretion) to provide liquidity in respect of such structured products, it will do so by providing both bid and offer prices for the structured products.

GENERAL INFORMATION

Are we regulated by any bodies under the rules?

Other than our Hong Kong branch being regulated by the Hong Kong Monetary Authority, we are not regulated by any of the bodies referred to in rule 15A.13(2) or (3) of the rules. We are regulated by the Monetary Authority of Singapore.

Have we been rated by any credit rating agency?

As at the date of this document, our long term debt was rated Aa1 by Moody's Investors Service, Inc. and AA- by Standard and Poor's Ratings Group.

Are we involved in any litigation?

Other than as may be disclosed in this document, we are not involved in any litigation, claims or arbitration proceedings which are material in the context of the issue of the structured products, and we are not aware of any such proceedings or claims which are threatened or pending against us.

Has there been any material adverse change?

There has been no material adverse change in our financial position since 31 December 2010.

If, after the date of this document, you receive this document or purchase any structured products issued pursuant to this document you should not assume that there have been no changes in our affairs or financial condition since the date of this document. You should ask us if we have published any addenda to this document or any subsequent base programme document relating to our programme. Any such addenda will be available for inspection in the manner described under the section headed "*Where can you find out information about us?*" below.

Who is authorised to give information or make representations?

No person has been authorised to give any information or make any representations other than those contained in this document and the applicable supplemental listing document. If any person gives any such information or makes any such representations you should not rely on them as having been authorised by us.

Who are our authorised representatives?

Our authorised representatives are Catherine So Man Ching and Felix Ng Kam Yuen of DBS Bank Ltd, Hong Kong Branch, 10th Floor, The Center, 99 Queen's Road, Central, Hong Kong.

Who has been authorised to accept service of process on us?

DBS Bank Ltd, Hong Kong Branch, 10th Floor, The Center, 99 Queen's Road, Central, Hong Kong, has been authorised to accept service of process and any other notices required to be served on us.

Who makes determinations and calculations?

The Issuer will make any necessary determinations or calculations in respect of the structured products.

Where can you find out information about us?

You can find out more about us on the website of the group of companies to which we belong, which is www.dbs.com.

You may also inspect copies of the following documents at DBS Bank Ltd, Hong Kong Branch, 10th Floor, The Center, 99 Queen's Road, Central, Hong Kong during the period when the structured products are listed on the stock exchange:

- (a) a copy of this document and any addendum to this document (both the English version and the Chinese translation);

- (b) a copy of the relevant supplemental listing document (both the English version and the Chinese translation) in respect of any issue of structured products;
- (c) our most recent audited financial statements (including the notes thereto) and interim report (if any); and
- (d) a copy of the consent letter of our auditor referred to in this document.

Are there any experts/auditors involved?

Our auditor, PricewaterhouseCoopers LLP, has given and has not withdrawn its written consent to the inclusion of its auditor's report dated 10 February 2011 on our audited consolidated financial statements for the year ended 31 December 2010 in this document and/or the references to its name in this document, in the form and context in which they are included. The auditor's report was not prepared for incorporation in this document. Our auditor does not have any shareholding in our company or in any member of our group, nor does it have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities or securities in any member of our group.

Do the stock exchange and the Securities and Futures Commission charge any fees?

The stock exchange charges a trading fee of 0.005 per cent. and the Securities and Futures Commission charges a transaction levy of 0.003 per cent. in respect of each transaction effected on the stock exchange payable by each of the seller and the buyer and calculated on the value of the consideration for the relevant securities. The levy for the investor compensation fund is currently suspended. Under the terms and conditions of the structured products, you are required to pay all charges arising on the transfer of underlying shares following the exercise of structured products.

How are dealings in the structured products settled?

Dealings in the securities on the stock exchange are required to be settled within two trading days from the transaction date. Such settlement can either be effected by physical delivery of the certificates and executed instruments of transfer or, if the securities are admitted for deposit, clearing and settlement in the CCASS, through CCASS. Dealings in the structured products will take place in the relevant Board Lots in Hong Kong dollars. You should refer to the terms and conditions of the relevant structured products for further details.

EXHIBIT

FINANCIAL STATEMENTS OF THE ISSUER AND ITS SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2010, DIRECTORS' REPORT, STATEMENT BY THE DIRECTORS AND INDEPENDENT AUDITOR'S REPORT

Audited annual consolidated financial information relating to DBS Bank Ltd and its group of companies for the financial year ended 31 December 2010 and the audit report thereon

The information in this Exhibit is extracted from the 2010 Statutory Accounts of DBS Bank Ltd and its subsidiaries for the fiscal year ended 31 December 2010. References to page numbers in this Exhibit are to pages in such document. References to "\$" in this section are to Singapore dollars. The page numbers of such document appear at the bottom of the following pages with no surrounding dashes.

Financial Statements Table of Contents

	<u>Page</u>		<u>Page</u>
Financial Statements		Balance Sheet: Liabilities	
Income Statements	1	29	Due to Non-Bank Customers 37
Statements of Comprehensive Income	1	30	Financial Liabilities at Fair Value through Profit or Loss 38
Balance Sheets	2	31	Other Liabilities 39
Consolidated Statement of Changes in Equity	3	32	Other Debt Securities in Issue 39
Statement of Changes in Equity	4	33	Due to Subsidiaries 40
Consolidated Cash Flow Statement	5	34	Subordinated Term Debts 41
Notes to the Financial Statements		Balance Sheet: Share Capital and Reserves	
1 Domicile and Activities	6	35	Share Capital 42
2 Summary of Significant Accounting Policies	6	36	Other Reserves and Revenue Reserves 42
3 Effects on Financial Statements on Adoption of New or Revised FRS	14	37	Non-controlling Interests 43
4 Critical Accounting Estimates	14	Off-Balance Sheet Information	
Income Statement		38	Contingent Liabilities and Commitments 44
5 Net Interest Income	16	39	Financial Derivatives 45
6 Net Fee and Commission Income	16	Additional Information	
7 Net Trading Income/(Loss)	16	40	Cash and Cash Equivalents 49
8 Net (Loss)/Income from Financial Instruments Designated at Fair Value	17	41	Share-based Compensation Plans 49
9 Net Income from Financial Investments	17	42	Related Party Transactions 51
10 Other Income	17	43	Fair Value of Financial Investments 53
11 Employee Benefits	17	44	Risk Governance 58
12 Other Expenses	18	45	Credit Risk 58
13 Allowances for Credit and Other Losses	18	46	Market Risk 69
14 Income Tax Expense	19	47	Liquidity Risk 73
		48	Operational Risk 80
		49	Capital Management 80
		50	Segment Reporting 80
		51	List of Subsidiaries, Joint Ventures, Associates and Special Purpose Entities 83
Balance Sheet: Assets		52	Asset Held for Sale 86
15 Measurement Basis of Financial Instruments	20	53	Subsequent Event 86
16 Cash and Balances with Central Banks	24	Directors' Report	87
17 Singapore Government Securities and Treasury Bills	24	Statement by the Directors	92
18 Financial Assets at Fair Value through Profit or Loss	25	Independent Auditor's Report	93
19 Loans and Advances to Customers	26		
20 Financial Investments	30		
21 Securities Pledged	31		
22 Subsidiaries	31		
23 Investments in Joint Ventures	32		
24 Investments in Associates	32		
25 Goodwill on Consolidation	33		
26 Properties and Other Fixed Assets	34		
27 Deferred Tax Assets/Liabilities	36		
28 Other Assets	37		

DBS BANK LTD AND ITS SUBSIDIARIES
INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

In \$ millions	Note	Bank Group		Bank	
		2010	2009	2010	2009
Income					
Interest income		5,699	6,114	4,256	4,530
Interest expense		1,381	1,659	1,126	1,419
Net interest income	5	4,318	4,455	3,130	3,111
Net fee and commission income	6	1,397	1,394	910	952
Net trading income/(loss)	7	915	700	1,022	287
Net (loss)/income from financial instruments designated at fair value	8	(20)	(267)	(1)	114
Net income from financial investments	9	310	254	386	364
Other income	10	146	67	23	9
Total income		7,066	6,603	5,470	4,837
Expenses					
Employee benefits	11	1,422	1,292	906	808
Depreciation of properties and other fixed assets	26	193	195	113	119
Other expenses	12	1,307	1,115	791	743
Goodwill charges	25	1,018	-	-	-
Allowances for credit and other losses	13	911	1,552	757	1,199
Total expenses		4,851	4,154	2,567	2,869
Share of profits of associates		102	66	-	-
Profit before tax		2,317	2,515	2,903	1,968
Income tax expense	14	454	285	357	199
Net profit for the year		1,863	2,230	2,546	1,769
Attributable to:					
Shareholders		1,720	2,109	2,546	1,769
Non-controlling interests		143	121	-	-
		1,863	2,230	2,546	1,769

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

In \$ millions	Bank Group		Bank	
	2010	2009	2010	2009
Net profit for the year	1,863	2,230	2,546	1,769
Other comprehensive income:				
Foreign currency translation differences for foreign operations	(186)	37	-	-
Share of other comprehensive income of associates	12	18	-	-
Available-for-sale financial assets				
Net valuation taken to equity	598	932	577	774
Transferred to income statement on sale	(315)	(312)	(292)	(323)
Tax on items taken directly to or transferred from equity	(28)	(100)	(30)	(71)
Other comprehensive income for the year, net of tax	81	575	255	380
Total comprehensive income	1,944	2,805	2,801	2,149
Attributable to:				
Shareholders	1,917	2,684	2,801	2,149
Non-controlling interests	27	121	-	-
	1,944	2,805	2,801	2,149

(see notes on pages 6 to 86, which form part of these financial statements)

DBS BANK LTD AND ITS SUBSIDIARIES
BALANCE SHEETS AT 31 DECEMBER 2010

In \$ millions	Note	Bank Group		Bank	
		2010	2009	2010	2009
Assets					
Cash and balances with central banks	16	31,200	22,515	29,217	21,415
Singapore government securities and treasury bills	17	11,546	15,960	11,546	15,960
Due from banks		20,306	22,203	14,200	19,086
Financial assets at fair value through profit or loss	18	10,179	11,257	9,304	9,976
Positive fair values for financial derivatives	39	16,767	16,015	16,632	16,212
Loans and advances to customers	19	151,698	129,973	117,747	97,074
Financial investments	20	26,550	25,731	21,633	18,774
Securities pledged	21	1,982	784	712	279
Subsidiaries	22	-	-	11,880	11,920
Due from special purpose entities		-	-	-	67
Investments in joint ventures	23	-	-	1	93
Investments in associates	24	813	672	988	884
Goodwill on consolidation	25	4,802	5,847	-	-
Properties and other fixed assets	26	1,025	1,134	451	473
Investment properties	26	358	398	54	31
Deferred tax assets	27	102	144	50	77
Other assets	28	6,400	6,032	4,057	3,758
Total assets		283,728	258,665	238,472	216,079
Liabilities					
Due to banks		18,811	9,108	17,548	8,297
Due to non-bank customers	29	187,695	178,448	147,763	138,004
Financial liabilities at fair value through profit or loss	30	10,228	9,217	6,612	7,502
Negative fair values for financial derivatives	39	17,222	16,406	16,903	16,550
Bills payable		601	501	560	468
Current tax liabilities		879	807	782	672
Deferred tax liabilities	27	40	54	-	-
Other liabilities	31	6,570	6,487	3,554	3,514
Other debt securities in issue	32	2,160	413	1,194	-
Due to holding company		2,362	2,970	2,362	2,970
Due to subsidiaries	33	-	-	7,549	8,293
Due to special purpose entities		-	-	130	224
Subordinated term debts	34	6,398	7,702	6,398	7,702
Total liabilities		252,966	232,113	211,355	194,196
Net assets		30,762	26,552	27,117	21,883
Equity					
Share capital	35	15,945	12,096	15,945	12,096
Other reserves	36	2,734	2,537	2,740	2,485
Revenue reserves	36	9,204	8,900	8,432	7,302
Shareholders' funds		27,883	23,533	27,117	21,883
Non-controlling interests	37	2,879	3,019	-	-
Total equity		30,762	26,552	27,117	21,883
Off-balance sheet items					
Contingent liabilities and commitments	38	111,949	98,207	87,762	76,595
Financial derivatives	39	1,347,522	1,396,855	1,322,421	1,388,961

(see notes on pages 6 to 86, which form part of these financial statements)

DBS BANK LTD AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

Bank Group	Ordinary shares	Non-cumulative non-convertible preference shares	Other reserves	Revenue reserves	Total	Non-controlling interests	Total equity
In \$ millions							
2010							
Balance at 1 January 2010	10,996	1,100	2,537	8,900	23,533	3,019	26,552
Ordinary shares issued	1,350				1,350		1,350
Preference shares issued		2,500			2,500		2,500
Shares issue expenses		(1)			(1)		(1)
Dividends paid to holding company				(1,350)	(1,350)		(1,350)
Dividends paid on preference shares				(66)	(66)		(66)
Dividends paid to non-controlling interests					-	(167)	(167)
Total comprehensive income			197	1,720	1,917	27	1,944
Balance at 31 December 2010	12,346	3,599	2,734	9,204	27,883	2,879	30,762
2009							
Balance at 1 January 2009	10,996	1,100	1,962	6,857	20,915	3,071	23,986
Dividends paid on preference shares				(66)	(66)		(66)
Dividends paid to non-controlling interests					-	(173)	(173)
Total comprehensive income			575	2,109	2,684	121	2,805
Balance at 31 December 2009	10,996	1,100	2,537	8,900	23,533	3,019	26,552

(see notes on pages 6 to 86, which form part of these financial statements)

**DBS BANK LTD AND ITS SUBSIDIARIES
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010**

Bank		Non- cumulative non- convertible			
In \$ millions	Ordinary shares	preference shares	Other reserves	Revenue reserves	Total equity
2010					
Balance at 1 January 2010	10,996	1,100	2,485	7,302	21,883
Ordinary shares issued	1,350				1,350
Preference shares issued		2,500			2,500
Shares issue expenses		(1)			(1)
Dividends paid to holding company				(1,350)	(1,350)
Dividends paid on preference shares				(66)	(66)
Total comprehensive income			255	2,546	2,801
Balance at 31 December 2010	<u>12,346</u>	<u>3,599</u>	<u>2,740</u>	<u>8,432</u>	<u>27,117</u>
2009					
Balance at 1 January 2009	10,996	1,100	2,105	5,599	19,800
Dividends paid on preference shares				(66)	(66)
Total comprehensive income			380	1,769	2,149
Balance at 31 December 2009	<u>10,996</u>	<u>1,100</u>	<u>2,485</u>	<u>7,302</u>	<u>21,883</u>

(see notes on pages 6 to 86, which form part of these financial statements)

DBS BANK LTD AND ITS SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

In \$ millions	2010	2009
Cash flows from operating activities		
Net profit for the year	1,863	2,230
Adjustments for non-cash items:		
Allowances for credit and other losses	911	1,552
Depreciation of properties and other fixed assets	193	195
Goodwill charges	1,018	-
Share of profits of associates	(102)	(66)
Net gain on disposal of properties and other fixed assets	(103)	(13)
Net gain on disposal of financial investments	(310)	(254)
Income tax expense	454	285
Profit before changes in operating assets and liabilities	<u>3,924</u>	<u>3,929</u>
Increase/(Decrease) in:		
Due to banks	9,703	87
Due to non-bank customers	9,247	15,089
Financial liabilities at fair value through profit or loss	1,011	(2,065)
Other liabilities including bills payable	706	(15,962)
Debt securities and borrowings	1,405	307
Due to holding and related companies	(608)	2,953
(Increase)/Decrease in:		
Change in restricted balances with central banks	(2,857)	(122)
Singapore Government securities and treasury bills	4,414	(1,163)
Due from banks	1,895	(1,749)
Financial assets at fair value through profit or loss	1,078	(1,856)
Loans and advances to customers	(22,521)	(5,579)
Financial investments	(529)	(2,746)
Other assets	(2,283)	17,183
Tax paid	(382)	(321)
Net cash generated from operating activities (1)	<u><u>4,203</u></u>	<u><u>7,985</u></u>
Cash flows from investing activities		
Dividends from associates	57	41
Purchase of properties and other fixed assets	(176)	(179)
Proceeds from disposal of properties and other fixed assets	192	57
Acquisition of interest in associates	(75)	-
Proceeds from disposal of associates/joint ventures	136	-
Net cash generated from/(used in) investing activities (2)	<u><u>134</u></u>	<u><u>(81)</u></u>
Cash flows from financing activities		
Increase in share capital	3,849	-
Payment upon maturity of subordinated term debts	(705)	(1,099)
Dividends paid to shareholders of the Bank	(1,416)	(66)
Dividends paid to non-controlling interests	(167)	(173)
Net cash generated from/(used in) financing activities (3)	<u><u>1,561</u></u>	<u><u>(1,338)</u></u>
Exchange translation adjustments (4)	(70)	37
Net change in cash and cash equivalents (1)+(2)+(3)+(4)	<u><u>5,828</u></u>	<u><u>6,603</u></u>
Cash and cash equivalents at 1 January	<u><u>19,281</u></u>	<u><u>12,678</u></u>
Cash and cash equivalents at 31 December (Note 40)	<u><u>25,109</u></u>	<u><u>19,281</u></u>

(see notes on pages 6 to 86, which form part of these financial statements)

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

These Notes are integral to the financial statements.

The consolidated financial statements for the year ended 31 December 2010 were authorised for issue by the directors on 10 February 2011.

1 Domicile and Activities

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

The Bank is principally engaged in the provision of retail, small and medium-sized enterprise, corporate and investment banking services, including the operations of an Asian Currency Unit under terms and conditions specified by the Monetary Authority of Singapore. The principal activities of the subsidiaries of the Bank are disclosed in Note 51.

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

2 Summary of Significant Accounting Policies

2.1 Basis of preparation

The consolidated financial statements of the Bank Group are prepared in accordance with Singapore Financial Reporting Standards (FRS) including related Interpretations promulgated by the Accounting Standards Council (ASC). In accordance with Section 201(19) of the Companies Act, the requirements of FRS 39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning are modified by the requirements of Notice to Banks No. 612 "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore.

The financial statements of the Bank are prepared in accordance with FRS including related Interpretations to FRS promulgated by the ASC.

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

The preparation of financial statements in conformity with FRS requires management to exercise judgement, use estimates and make assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Although these

estimates are based on management's best knowledge of current events and actions, actual results may differ from these estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a higher degree of judgement and complexity, are disclosed in Note 4.

On 1 January 2010, the Bank Group adopted the new or revised FRS and Interpretations to FRS (INT FRS) that are applicable in the current financial year. The financial statements have been prepared in accordance with the relevant transitional provisions in the respective FRS and INT FRS.

FRS 27: Consolidated and Separate Financial Statements

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

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

FRS 103: Business Combinations

The revised FRS 103 introduces a number of changes in the accounting for business combinations. For example, there is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

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

The following amendments to FRS and INT FRS are of a technical or clarifying nature and their adoption does not have any material impact on the Bank Group's financial statements.

FRS 39 (Amendments)	Financial Instruments: Recognition and Measurement
FRS 102 (Amendments)	Share-based Payment – Group Cash-settled Share-based Payment Transaction
General amendments	Improvements to FRS (where applicable)
INT FRS 117	Distributions of Non-cash Assets to Owners

2.2 Group accounting

Subsidiaries

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

For business combinations occurring on or after 1 January 2010, the acquisition method is used to account for business combinations by the Bank Group. Subsidiaries are consolidated from the date control is transferred to the Bank Group to the date control ceases. The consideration transferred for an acquisition is measured as the acquisition date fair value of the assets transferred, the liabilities incurred and the equity interests issued. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value on the date of acquisition.

For business combinations occurring before 1 January 2010, the purchase method is used to account for the acquisition of subsidiaries. Subsidiaries are consolidated from the date control is transferred to the Bank Group to the date control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus cost directly attributable to the acquisition. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value on the date of acquisition.

Refer to Note 2.10 for the Bank Group's accounting policy on "Goodwill on consolidation".

Special purpose entities

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

Joint ventures

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

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

Associates

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

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

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

Investment cost at Bank level

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

Intra-group transactions

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

Alignment of accounting policies

Where necessary, adjustments are made to the financial statements of subsidiaries, associates and joint ventures to ensure consistency with the accounting policies adopted by the Bank Group.

2.3 Foreign currency translation

Functional and presentation currency

Items in the financial statements of the Bank and each of the Bank Group's subsidiaries are measured using the entities' functional currency, being the currency of the primary economic environment in which the entity operates. The financial statements are presented in Singapore dollars, which is the Bank's functional and the Bank Group's presentation currency.

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

Foreign currency transactions

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

Unrealised foreign exchange differences arising from non-monetary financial assets classified as fair value through profit or loss are recognised in the income statement. For non-monetary financial assets classified as available-for-sale, unrealised foreign exchange differences are recorded in other comprehensive income and accumulated in equity until the assets are disposed of or become impaired.

Foreign operations

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

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

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

Consolidation adjustments

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

2.4 Segment reporting

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

assets and segment liabilities are also measured on a basis that is consistent with internal reporting.

The Bank Group's financial businesses are organised into Consumer/ Private Banking, Institutional Banking, Treasury and Others. In total, the Bank Group has four reportable segments.

2.5 Revenue recognition

Net interest income

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

When a receivable is impaired, the Bank Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument. Interest earned on the recoverable amount is recognised as interest income in the income statement.

Fee and commission income

The Bank Group earns fee and commission income from a diverse range of products and services provided to its customers. Fee and commission income is recognised on the completion of a transaction. For a service that is provided over a period of time, fee and commission income is recognised over the period during which the related service is provided or credit risk is undertaken.

Dividend income

Dividend income is recognised when the right to receive payment is established. Dividend income arising from held for trading financial assets is recognised in "Net trading income", while that arising from available-for-sale financial assets is recognised in "Net income from financial investments".

Rental income

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

2.6 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and non-restricted balances with central banks which are readily convertible into cash.

2.7 Financial assets

Financial assets are classified according to the purpose for which the assets were acquired. Management determines the classification at initial recognition.

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

The classification of financial assets is as follows:

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

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

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

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

- b) **Financial assets classified as loans and receivables** are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the Bank Group intends to sell immediately or in the short term, which are classified as held for trading, or those that the entity upon initial recognition designates as at fair value through profit or loss; or
- those that the Bank Group upon initial recognition designates as available-for-sale.

- c) **Financial assets classified as available-for-sale** are non-derivatives that are either designated in this category or not classified in any other categories. These financial assets are intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Recognition and derecognition

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

Reclassification of financial assets

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

- (a) financial assets that would meet the definition of loans and receivables may be classified out

of the fair value through profit or loss and available-for-sale categories if the Bank Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity; and

- (b) financial assets (except financial assets that would have met the definition of loans and receivables) may be reclassified out of the fair value through profit or loss category in rare circumstances.

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

Initial measurement

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

Subsequent measurement

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

Realised or unrealised gains or losses on financial assets held for trading and financial assets designated under the fair value option, except interest income, are taken to "Net trading income" and "Net income from financial instruments designated at fair value" respectively in the income statement in the period they arise. Unrealised gains or losses arising from changes in fair value of financial assets classified as available-for-sale are recognised in other comprehensive income and accumulated in available-for-sale revaluation reserves. When financial assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments in the available-for-sale revaluation reserves are reclassified to profit or loss.

Determination of fair value

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

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

2.8 Impairment of financial assets

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

(a) Financial assets classified as loans and receivables

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

The criteria that the Bank Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor, including breach of covenants and/or financial conditions;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- Granting of a concession to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, that the Bank Group would not otherwise consider; and
- High probability of bankruptcy or other financial reorganisation of the borrower.

Specific allowances for credit losses

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

A specific allowance for credit losses is recorded as a reduction in the carrying value of a claim on the balance sheet. For an off-balance sheet item such as a commitment, a specific allowance for credit loss is recorded as a component within other liabilities.

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

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

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

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

General allowances for credit losses

Apart from specific allowances, the Bank Group also carries general allowances for credit losses. The Bank Group maintains a level of allowances that is deemed sufficient to absorb the estimated credit losses inherent in its loan portfolio (including off-balance sheet credit exposures). In determining the level of general allowances, the Bank Group considers country and portfolio risks, as well as industry practices. The Bank Group maintains general allowances of at least 1% of credit exposures on and off the balance sheet (against which specific allowances have not been made) adjusted for collaterals held. This is in accordance with the transitional arrangements under Notice to Banks No. 612 "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore.

(b) Financial assets classified as available-for-sale

The Bank Group assesses at each balance sheet date whether there is objective evidence that an available-for-sale financial asset is impaired. In the case of an equity investment, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the asset is impaired. When there is objective evidence of an impairment of an available-for-sale financial asset, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is reclassified from the revaluation reserve within equity to profit or loss. Impairment losses recognised in the income statement on equity investments are not reversed through the income statement, until the equity investments are disposed of. A subsequent recovery in the value of an available-for-sale debt instrument whose value has been impaired is reversed through the income statement if there has been an identifiable event that led to the recovery.

2.9 Repurchase agreements

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

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

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

Amounts paid and received in excess of the amounts borrowed and lent on the repos and reverse repos are amortised as interest expense and interest income respectively using the effective interest method

2.10 Goodwill on consolidation

Goodwill arising from business combination on or after 1 January 2010 represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired. Goodwill in a business acquisition prior to 1 January 2010 represents the excess of acquisition cost over the fair values of the identifiable assets acquired, liabilities and contingent liabilities assumed at the date of exchange. Goodwill is stated at cost less impairment losses and it is tested at least annually for impairment.

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

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

2.11 Properties and other fixed assets

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

The basis of depreciation is as follows:

Properties

Leasehold land, where the balance of the leasehold period is 100 years or less, is depreciated on a straight-line basis over the remaining period of the lease.

Leasehold land where the unexpired lease period is more than 100 years is not depreciated.

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

Other fixed assets

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

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

The estimated useful life and residual values of fixed assets are reviewed on each balance sheet date.

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

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

2.12 Impairment of non-financial assets

Goodwill

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

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

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

Properties (including investment properties) and other fixed assets, and investment in subsidiaries, associates and joint ventures are reviewed for impairment at each balance sheet date to determine if events or changes in circumstances indicate that the carrying value may not be recoverable. If such an indication exists, the carrying value of the asset is written down to its recoverable amount (being the higher of the fair value less cost to sell and the value-in-use). The impairment loss is charged to the income statement.

2.13 Financial liabilities

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

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

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

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

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

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

Financial liabilities are initially recognised at fair value, net of transaction costs incurred, except for financial liabilities at fair value through profit or loss, for which transaction costs are expensed off immediately.

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

The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Bank Group for similar financial instruments. Where applicable, a valuation reserve or pricing adjustment is applied to arrive at the fair value.

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

2.14 Provisions and other liabilities

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

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

2.15 Derivative financial instruments and hedge accounting

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

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

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

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

Fair value hedge

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

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item is amortised to the income statement over its remaining maturity, using the effective interest method.

Cash flow hedge

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

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the cash flow hedge reserve remains until the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss in the cash flow hedge reserve is reclassified from equity to profit or loss.

Hedge of net investment in a foreign operation

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

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

disposal of the foreign operations, the cumulative gain or loss in the capital reserve is reclassified to profit or loss under "Net trading income".

2.16 Employee benefits

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

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

2.17 Share-based compensation

Employee benefits also include share-based compensation, namely, the DBSH Share Ownership Scheme (the Scheme), the DBSH Share Option Plan, the DBSH Share Plan and the DBSH Employee Share Plan (the Plans). The details of the Scheme and Plans are described in Note 41.

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

2.18 Current and deferred taxes

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

Deferred income tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill that is not deductible for tax purposes and for the initial recognition of assets or liabilities that neither affects accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted by the balance sheet date.

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

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

Deferred tax related to fair value re-measurement of available-for-sale investments, which are recognised outside profit or loss, is also recognised outside profit or loss i.e. in other comprehensive income and accumulated in the available-for-sale revaluation reserves.

2.19 Financial guarantees

A financial guarantee is initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Bank Group's liability under each guarantee is measured at the higher of the initial measurement less amortisation and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date.

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

2.20 Share capital

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

2.21 Dividend payments

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

2.22 Offsetting financial instruments

Certain financial assets and liabilities offset each other and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle them on a net basis, or realise the asset and settle the liability simultaneously.

2.23 Operating leases

Operating leases are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment that has to be made

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

to the lessor is recognised as an expense in the period the termination takes place.

2.24 Fiduciary activities

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

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

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

FRS 24 (Amendments): Related Party Disclosures

The revised standard simplifies the definition of a related party. It clarifies its intended meaning and eliminates inconsistencies from the definition.

The amendment also removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and replaces it with a requirement to disclose information which is considered sufficient for the financial statements users to understand the effects of related party transactions. For example, the nature and amount of each individually significant transaction needs to be disclosed.

FRS 32 (Amendments): Financial Instruments: Presentation

The amendment clarifies that rights issues are to be classified as equity if they are issued for a fixed amount of cash regardless of the currency in which the exercise price is denominated, provided they are offered on a pro rata basis to all owners of the same class of equity.

INT FRS 119: Extinguishing Financial Liabilities with Equity Instruments

The Interpretation provides guidance on the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditors.

It requires the gain or loss to be recognised in profit or loss when a liability is settled through the issuance of the entity's own equity instruments. The amount of gain or loss will be the difference between the carrying value of the financial liability and the fair value of the equity instruments issued.

4 Critical Accounting Estimates

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

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

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

4.1 Impairment allowances

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

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

In determining general allowance, management considers country and portfolio risks, as well as industry practices. General allowances of at least 1% of credit exposures on and off-balance sheet (against which specific allowances have not been made) are maintained and adjusted for collaterals held. This is in accordance with the transitional arrangements under Notice to Banks No. 612, "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore.

4.2 Fair value of financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. The majority of the Bank Group's financial instruments reported at fair value are based on quoted and observable market prices or on internally developed models that are based on independently sourced market parameters, such as interest rate yield curves, option volatilities and foreign exchange rates. Valuation reserves or pricing adjustments where applicable will be used to converge to fair value.

The determination of fair value is subject to the Valuation Framework approved by the Board Risk Management Committee and the oversight of senior management committees. The Valuation Framework is implemented by the Bank Group through policies and procedures approved by the committees. These policies and procedures facilitate the exercise of judgement in determining the risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors used in the valuation process. Sound

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

judgment may also be applied in adjusting prices for less readily observable external parameters such as through the use of valuation reserves. Other factors such as model assumptions and market dislocations leading to market anomalies can also materially affect these estimates. Refer to Note 43 for more details about the fair value hierarchy of the Bank Group's financial instruments measured at fair value.

4.3 Impairment review of goodwill on consolidation

The Bank Group performs an impairment review to ensure that the carrying value of the goodwill does not exceed its recoverable amount from the CGU to which the goodwill is allocated. The recoverable amount represents the present value of the estimated future cash flows expected to arise from continuing operations. Therefore, in arriving at the recoverable amount, management exercises judgement in estimating the future cash flows, growth rate and discount rate. Refer to Note 25 for more details.

4.4 Income taxes

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

4.5 Provisions for customer compensation

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

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

5 Net Interest Income

In \$ millions	Bank Group		Bank	
	2010	2009	2010	2009
Cash and balances with central banks and Due from banks	358	378	301	356
Loans and advances to customers	3,937	4,075	2,778	2,840
Debt securities	1,404	1,661	1,177	1,334
Total interest income	5,699	6,114	4,256	4,530
Due to banks	137	109	154	171
Due to non-bank customers	970	1,131	567	700
Others	274	419	405	548
Total interest expense	1,381	1,659	1,126	1,419
Net interest income	4,318	4,455	3,130	3,111
Comprising:				
Interest income for financial assets at fair value through profit or loss	270	413	266	418
Interest income for financial assets not at fair value through profit or loss	5,429	5,701	3,990	4,112
Interest expense for financial liabilities at fair value through profit or loss	(118)	(196)	(113)	(190)
Interest expense for financial liabilities not at fair value through profit or loss	(1,263)	(1,463)	(1,013)	(1,229)
Total	4,318	4,455	3,130	3,111

6 Net Fee and Commission Income

In \$ millions	Bank Group		Bank	
	2010	2009	2010	2009
Fee and commission income	1,737	1,688	1,056	1,068
Fee and commission expense	340	294	146	116
Net fee and commission income	1,397	1,394	910	952
Comprising:				
Loan-related	333	375	272	316
Trade and remittances	227	244	135	157
Stock broking	179	170	-	-
Investment banking	154	146	130	126
Credit card	149	143	117	108
Wealth management	136	101	84	68
Deposit-related	85	84	69	72
Guarantees	59	57	57	55
Others	53	54	46	50
Fund management	22	20	-	-
Net fee and commission income^(a)	1,397	1,394	910	952

(a) Bank Group - Includes net fee and commission income of \$47 million (2009: \$44 million), which is derived from the provision of trust and other fiduciary services during the year. Net fee and commission income earned from financial assets or liabilities not at fair value through profit or loss is \$571 million (2009: \$612 million) during the year.

Bank - Includes net fee and commission income of \$18 million (2009: \$15 million), which is derived from the provision of trust and other fiduciary services during the year. Net fee and commission income earned from financial assets or liabilities not at fair value through profit or loss is \$467 million (2009: \$505 million) during the year.

7 Net Trading Income/(Loss)

In \$ millions	Bank Group		Bank	
	2010	2009	2010	2009
From trading businesses				
- Foreign exchange	649	774	562	644
- Interest rates, credit and equities ^(a)	220	(21)	55	(404)
Other businesses	46	(53)	405	47
Total	915	700	1,022	287

(a) Includes dividend income of \$9 million (2009: \$7 million) for the Bank Group; and \$9 million (2009: \$7 million) for the Bank.

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

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

In \$ millions	Bank Group		Bank	
	2010	2009	2010	2009
Financial assets designated at fair value	5	365	(7)	151
Financial liabilities designated at fair value	(25)	(632)	6	(37)
Total	(20)	(267)	(1)	114

Gains or losses from changes in fair value of financial liabilities designated at fair value, not attributable to changes in market conditions, are not material. Refer to Note 30.

9 Net Income from Financial Investments

In \$ millions	Bank Group		Bank	
	2010	2009	2010	2009
Debt securities				
- Available-for-sale	192	9	164	(4)
- Loans and receivables	5	2	(4)	3
Equity securities ^{(a) (b)}	113	243	226	365
Total	310	254	386	364
Comprising net gains transferred from:				
Available-for-sale revaluation reserves	315	312	292	323

(a) There was no sale of unquoted securities, which were stated at cost in 2010 and 2009.

(b) Includes dividend income of \$22 million (2009: \$20 million) for the Bank Group; and \$137million (2009: \$123 million) for the Bank.

10 Other Income

In \$ millions	Bank Group		Bank	
	2010	2009	2010	2009
Rental income	19	17	5	3
Net gain/ (loss) on properties and other fixed assets	103	13	8	(1)
Others	24	37	10	7
Total	146	67	23	9

11 Employee Benefits

In \$ millions	Bank Group		Bank	
	2010	2009	2010	2009
Salary and bonus	1,207	1,124	750	698
Contributions to defined contribution plans	69	67	40	35
Share-based expenses	40	44	34	38
Others ^(a)	106	57	82	37
Total	1,422	1,292	906	808

(a) For Bank Group, \$4 million (2009: \$22 million) of cash grants (Job Credit Scheme) was received from the government in 2010. The amount received was deducted against the staff expenses.

For Bank, \$4 million (2009: \$20 million) of cash grants (Job Credit Scheme) was received from the government in 2010. The amount received was deducted against the staff expenses.

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

In \$ millions	Bank Group		Bank	
	2010	2009	2010	2009
Compensation paid to Bank directors	6	11	6	11
Compensation paid to subsidiaries' directors	18	19	-	-
Total	24	30	6	11

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

12 Other Expenses

In \$ millions	Bank Group		Bank	
	2010	2009	2010	2009
Computerisation expenses ^(a)	463	367	334	256
Occupancy expenses ^(b)	240	236	142	130
Revenue-related expenses	136	132	100	103
Others ^(c)	468	380	215	254
Total	1,307	1,115	791	743

(a) Includes hire and maintenance of computer hardware and software.

(b) Includes rental expenses of office and branch premises of \$139 million (2009: \$125 million) for the Bank Group, and \$84 million (2009: \$71 million) for the Bank; as well as amounts incurred in the maintenance and service of buildings owned by the Bank Group's subsidiary companies.

(c) Includes office administration expenses (e.g. printing and stationary, telecommunications, etc), legal and professional fees.

Included in the above table are:

In \$ millions	Bank Group		Bank	
	2010	2009	2010	2009
Hire and maintenance of fixed assets, including building-related expenses	267	242	171	150
Audit fees payable to external auditors ^(a)				
- Singapore	3	3	3	3
- Outside Singapore	3	2	1	1
Non audit fees payable to external auditors ^(a)				
- Singapore	1	2	1	1
- Outside Singapore	2	#	#	#
Directors' fees payable to:				
- Bank directors	#	#	#	#
- Subsidiaries' directors	1	1	-	-

Amount under \$500,000

(a) PricewaterhouseCoopers network firms

13 Allowances for Credit and Other Losses

In \$ millions	Bank Group		Bank	
	2010	2009	2010	2009
Loans and advances to customers (Note 19)	796	1,414	647	1,023
Financial investments				
- Available-for-sale ^(a)	(18)	31	(18)	34
- Loans and receivables (Note 20)	38	20	38	18
Investment in subsidiaries (Note 22)	-	-	13	38
Properties and other fixed assets (Note 26)	(2)	2	(2)	2
Off-balance sheet credit exposures (Note 31)	36	4	34	4
Others (bank loans and sundry debtors)	61	81	45	80
Total	911	1,552	757	1,199

(a) Includes one-time impairment charges for a Thailand investment of (2010: Nil, 2009: \$23 million) for Bank Group and Bank.

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

14 Income Tax Expense

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

In \$ millions	Bank Group		Bank	
	2010	2009	2010	2009
Current tax expense				
- Current year	490	473	382	339
- Prior years' provision	(35)	(124)	(22)	(120)
Deferred tax expense				
- Effect of change in tax rate	-	1	-	1
- Origination of temporary differences	(1)	(65)	(1)	(21)
- Prior years' provision	-	-	(2)	-
Total	454	285	357	199

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

In \$ millions	Bank Group		Bank	
	2010	2009	2010	2009
Accelerated tax depreciation	(9)	(17)	(1)	(7)
Allowances for loan losses	10	(75)	9	(62)
Other temporary differences	1	28	(11)	49
Available-for-sale investments	(3)	-	-	-
Deferred tax credit to income statement	(1)	(64)	(3)	(20)

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

In \$ millions	Bank Group		Bank	
	2010	2009	2010	2009
Profit	2,215	2,449	2,903	1,968
Prima facie tax calculated at a tax rate of 17% (2009: 17%)	376	416	493	335
Effect of different tax rates in other countries	35	25	28	21
Effect of change in tax rate	-	1	-	1
Income not subject to tax	(70)	(47)	(47)	(17)
Income taxed at concessionary rate	(121)	(97)	(118)	(104)
Non-tax deductible provisions	-	3	2	10
Goodwill charges not deductible for tax purposes	173	-	-	-
Others	61	(16)	(1)	(47)
Income tax expense charged to income statement	454	285	357	199

Refer to Note 27 for further information on deferred tax assets/liabilities.

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

15 Measurement Basis of Financial Instruments

In \$ millions	Bank Group 2010					Total
	Held for trading	Designated at fair value through profit or loss	Loans and receivables /amortised cost	Available-for-sale	Hedging derivatives	
ASSETS						
Cash and balances with central banks	-	-	31,200	-	-	31,200
Singapore Government securities and treasury bills	1,815	-	-	9,731	-	11,546
Due from banks	-	-	20,074	232	-	20,306
Financial assets at fair value through profit or loss	9,618	561	-	-	-	10,179
Positive fair values for financial derivatives	16,563	-	-	-	204	16,767
Loans and advances to customers	-	-	151,698	-	-	151,698
Financial investments	-	-	7,140	19,410	-	26,550
Securities pledged	992	-	-	990	-	1,982
Other assets	-	-	6,400	-	-	6,400
Total financial assets	28,988	561	216,512	30,363	204	276,628
Other asset items outside the scope of FRS 39 ^(a)						7,100
Total assets						283,728
LIABILITIES						
Due to banks	-	-	18,811	-	-	18,811
Due to non-bank customers	-	-	187,695	-	-	187,695
Financial liabilities at fair value through profit or loss	7,196	3,032	-	-	-	10,228
Negative fair values for financial derivatives	16,907	-	-	-	315	17,222
Bills payable	-	-	601	-	-	601
Other liabilities	-	-	6,352	-	-	6,352
Other debt securities in issue	-	-	2,160	-	-	2,160
Due to holding company	-	-	2,362	-	-	2,362
Subordinated term debts	-	-	6,398	-	-	6,398
Total financial liabilities	24,103	3,032	224,379	-	315	251,829
Other liability items outside the scope of FRS 39 ^(b)						1,137
Total liabilities						252,966

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

(b) Includes current tax liabilities, deferred tax liabilities and provision for loss in respect of off-balance sheet credit exposures

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

In \$ millions	Bank Group 2009					Total
	Held for trading	Designated at fair value through profit or loss	Loans and receivables /amortised cost	Available-for-sale	Hedging derivatives	
ASSETS						
Cash and balances with central banks	-	-	22,515	-	-	22,515
Singapore Government securities and treasury bills	2,715	-	-	13,245	-	15,960
Due from banks	-	-	22,203	-	-	22,203
Financial assets at fair value through profit or loss	10,043	1,214	-	-	-	11,257
Positive fair values for financial derivatives	15,757	-	-	-	258	16,015
Loans and advances to customers	-	-	129,973	-	-	129,973
Financial investments	-	-	5,055	20,676	-	25,731
Securities pledged	534	-	-	250	-	784
Other assets	-	-	6,032	-	-	6,032
Total financial assets	29,049	1,214	185,778	34,171	258	250,470
Other asset items outside the scope of FRS 39 ^(a)						8,195
Total assets						258,665
LIABILITIES						
Due to banks	-	-	9,108	-	-	9,108
Due to non-bank customers	-	-	178,448	-	-	178,448
Financial liabilities at fair value through profit or loss	7,469	1,748	-	-	-	9,217
Negative fair values for financial derivatives	16,142	-	-	-	264	16,406
Bills payable	-	-	501	-	-	501
Other liabilities	-	-	6,288	-	-	6,288
Other debt securities in issue	-	-	413	-	-	413
Due to holding company	-	-	2,970	-	-	2,970
Subordinated term debts	-	-	7,702	-	-	7,702
Total financial liabilities	23,611	1,748	205,430	-	264	231,053
Other liability items outside the scope of FRS 39 ^(b)						1,060
Total liabilities						232,113

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

(b) Includes current tax liabilities, deferred tax liabilities and provision for loss in respect of off-balance sheet credit exposures.

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

In \$ millions	Bank 2010					Total
	Held for trading	Designated at fair value through profit or loss	Loans and receivables /amortised cost	Available-for-sale	Hedging derivatives	
ASSETS						
Cash and balances with central banks	-	-	29,217	-	-	29,217
Singapore Government securities and treasury bills	1,815	-	-	9,731	-	11,546
Due from banks	-	-	13,968	232	-	14,200
Financial assets at fair value through profit or loss	8,762	542	-	-	-	9,304
Positive fair values for financial derivatives	16,457	-	-	-	175	16,632
Loans and advances to customers	-	-	117,747	-	-	117,747
Financial investments	-	-	6,655	14,978	-	21,633
Securities pledged	28	-	-	684	-	712
Due from subsidiaries	-	-	1,913	-	-	1,913
Due from special purpose entities	-	-	-	-	-	-
Other assets	-	-	4,057	-	-	4,057
Total financial assets	27,062	542	173,557	25,625	175	226,961
Other asset items outside the scope of FRS 39 ^(a)						11,511
Total assets						238,472
LIABILITIES						
Due to banks	-	-	17,548	-	-	17,548
Due to non-bank customers	-	-	147,763	-	-	147,763
Financial liabilities at fair value through profit or loss	6,226	386	-	-	-	6,612
Negative fair values for financial derivatives	16,640	-	-	-	263	16,903
Bills payable	-	-	560	-	-	560
Other liabilities	-	-	3,346	-	-	3,346
Other debt securities in issue	-	-	1,194	-	-	1,194
Due to holding company	-	-	2,362	-	-	2,362
Due to subsidiaries	-	-	7,549	-	-	7,549
Due to special purpose entities	-	-	130	-	-	130
Subordinated term debts	-	-	6,398	-	-	6,398
Total financial liabilities	22,866	386	186,850	-	263	210,365
Other liability items outside the scope of FRS 39 ^(b)						990
Total liabilities						211,355

(a) Includes investments in subsidiaries, joint ventures and associates, properties and other fixed assets, investment properties and deferred tax assets.
(b) Includes current tax liabilities, deferred tax liabilities and provision for loss in respect of off-balance sheet credit exposures.

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

In \$ millions	Bank 2009					Total
	Held for trading	Designated at fair value through profit or loss	Loans and receivables /amortised cost	Available-for-sale	Hedging derivatives	
ASSETS						
Cash and balances with central banks	-	-	21,415	-	-	21,415
Singapore Government securities and treasury bills	2,715	-	-	13,245	-	15,960
Due from banks	-	-	19,086	-	-	19,086
Financial assets at fair value through profit or loss	8,921	1,055	-	-	-	9,976
Positive fair values for financial derivatives	15,965	-	-	-	247	16,212
Loans and advances to customers	-	-	97,074	-	-	97,074
Financial investments	-	-	4,030	14,744	-	18,774
Securities pledged	116	-	-	163	-	279
Due from subsidiaries	-	-	1,916	-	-	1,916
Due from special purpose entities	-	-	67	-	-	67
Other assets	-	-	3,758	-	-	3,758
Total financial assets	27,717	1,055	147,346	28,152	247	204,517
Other asset items outside the scope of FRS 39 ^(a)						11,562
Total assets						216,079
LIABILITIES						
Due to banks	-	-	8,297	-	-	8,297
Due to non-bank customers	-	-	138,004	-	-	138,004
Financial liabilities at fair value through profit or loss	6,776	726	-	-	-	7,502
Negative fair values for financial derivatives	16,340	-	-	-	210	16,550
Bills payable	-	-	468	-	-	468
Other liabilities	-	-	3,322	-	-	3,322
Other debt securities in issue	-	-	-	-	-	-
Due to holding company	-	-	2,970	-	-	2,970
Due to subsidiaries	-	-	8,293	-	-	8,293
Due to special purpose entities	-	-	224	-	-	224
Subordinated term debts	-	-	7,702	-	-	7,702
Total financial liabilities	23,116	726	169,280	-	210	193,332
Other liability items outside the scope of FRS 39 ^(b)						864
Total liabilities						194,196

(a) Includes investments in subsidiaries, joint ventures and associates, properties and other fixed assets, investment properties and deferred tax assets.
(b) Includes current tax liabilities, deferred tax liabilities and provision for loss in respect of balance sheet credit exposures.

In 2008, the Bank Group and Bank reclassified certain financial assets which were no longer held for selling in the near term, out of the held for trading category into the available-for-sale category. If the Bank Group and Bank had not reclassified the financial assets, fair value gains recognised for the year in respect of the reclassified assets outstanding at year end would have amounted to \$37 million (2009: gains of \$105 million) in the income statement.

In the previous financial years, the Bank Group and Bank also reclassified certain financial assets out of the held for trading and available-for-sale categories into the loans and receivables category. The Bank Group and Bank has the intention and ability to hold these reclassified assets for the foreseeable future or until maturity. If the Bank Group and Bank had not reclassified the available-for-sale assets, fair value losses recognised for the year in respect of the reclassified assets outstanding at year end would have amounted to \$4 million (2009: gains of \$132 million) and \$1 million (2009: gains of \$98 million) in the revaluation reserves of the Bank Group and Bank respectively. If the Bank Group and Bank had not reclassified the held for trading assets, fair value gains or losses recognised for the year in respect of the reclassified assets outstanding at year end would have been insignificant.

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

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

		Bank Group			
In \$ millions		2010		2009	
Reclassified from	Reclassified to	Fair values	Carrying amounts	Fair values	Carrying amounts
<u>Reclassified in 2009</u>					
Held for trading	Loans and receivables	51	51	83	83
<u>Reclassified in 2008</u>					
Held for trading	Available-for-sale	895	895	1,720	1,720
Available-for-sale	Loans and receivables	741	730	1,598	1,544
Total		1,687	1,676	3,401	3,347

		Bank			
In \$ millions		2010		2009	
Reclassified from	Reclassified to	Fair values	Carrying amounts	Fair values	Carrying amounts
<u>Reclassified in 2009</u>					
Held for trading	Loans and receivables	51	51	83	83
<u>Reclassified in 2008</u>					
Held for trading	Available-for-sale	895	895	1,720	1,720
Available-for-sale	Loans and receivables	350	341	677	628
Total		1,296	1,287	2,480	2,431

16 Cash and Balances with Central Banks

In \$ millions	Bank Group		Bank	
	2010	2009	2010	2009
Cash on hand	1,366	1,388	1,261	1,195
Balances with central banks				
- Restricted balances ^(a)	6,091	3,234	4,795	2,606
- Non-restricted balances	23,743	17,893	23,161	17,614
Total	31,200	22,515	29,217	21,415

(a) Mandatory balances with central banks

17 Singapore Government Securities and Treasury Bills

In \$ millions	Bank Group		Bank	
	2010	2009	2010	2009
Held for trading	1,815	2,715	1,815	2,715
Available-for-sale	9,731	13,245	9,731	13,245
Total	11,546	15,960	11,546	15,960
Market value	11,546	15,960	11,546	15,960

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

18 Financial Assets at Fair Value through Profit or Loss

In \$ millions	Bank Group		Bank	
	2010	2009	2010	2009
Trading				
Other government securities and treasury bills	2,845	3,893	2,187	2,778
Corporate debt securities	3,435	3,874	3,237	3,869
Equity securities	346	284	346	282
Loans and advances to customers	-	6	-	6
Other financial assets (due from banks)	2,992	1,986	2,992	1,986
Sub-total	9,618	10,043	8,762	8,921
Fair value designated				
Other government securities and treasury bills	-	25	-	25
Corporate debt securities	166	585	147	469
Loans and advances to customers	395	604	395	561
Sub-total	561	1,214	542	1,055
Total	10,179	11,257	9,304	9,976
Analysed by industry				
Manufacturing	482	578	482	536
Building and construction	188	243	188	243
General commerce	126	85	93	85
Transportation, storage and communications	361	378	311	378
Financial institutions, investment and holding companies	5,129	4,857	5,062	4,722
Government	2,845	3,918	2,187	2,803
Others	1,048	1,198	981	1,209
Total	10,179	11,257	9,304	9,976
Fair value designated loans and advances and related credit derivatives/enhancements				
Maximum credit exposure	395	604	395	561
Credit derivatives/enhancements – protection bought	(395)	(604)	(395)	(561)
Cumulative change in fair value arising from changes in credit risk	(14)	(16)	(14)	(15)
Cumulative change in fair value of related credit derivatives/enhancements	14	16	14	14

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

Bank Group:

During the year, the amount of change in the fair value of the loans and advances attributable to credit risk was \$2 million (2009: \$39 million). During the year, the amount of change in the fair value of the related credit derivatives/enhancements was \$2 million (2009: \$39 million).

Bank:

During the year, the amount of change in the fair value of the loans and advances attributable to credit risk was \$1 million (2009: \$34 million). During the year, the amount of change in the fair value of the related credit derivatives/enhancements was nil (2009: \$36 million).

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

19 Loans and Advances to Customers

In \$ millions	Bank Group		Bank	
	2010	2009	2010	2009
Gross	154,326	132,810	119,756	99,109
Less: Specific allowances	1,152	1,512	786	960
General allowances	1,476	1,325	1,223	1,075
Net total	151,698	129,973	117,747	97,074
Comprising:				
Bills receivable	8,287	5,023	7,999	4,646
Loans	143,411	124,950	109,748	92,428
Net total	151,698	129,973	117,747	97,074
Analysed by industry ^(a)				
Manufacturing	19,173	16,120	14,315	10,942
Building and construction	21,353	18,426	15,587	13,148
Housing loans	38,675	33,120	30,201	24,171
General commerce	16,706	13,304	10,143	8,247
Transportation, storage and communications	14,378	12,277	12,171	9,832
Financial institutions, investment and holding companies	18,509	16,674	17,409	15,926
Professionals and private individuals (except housing loans)	11,142	10,873	7,992	7,345
Others	14,390	12,016	11,938	9,498
Gross total	154,326	132,810	119,756	99,109
Analysed by product				
Long-term loans	72,265	65,622	56,738	49,101
Short-term facilities	31,751	25,659	22,517	18,849
Overdrafts	3,261	3,410	2,195	2,267
Housing loans	38,675	33,120	30,201	24,171
Trade financing	8,374	4,999	8,105	4,721
Gross total	154,326	132,810	119,756	99,109
Analysed by currency				
Singapore dollar	67,439	56,703	67,366	56,619
Hong Kong dollar	30,478	30,274	8,683	7,607
US dollar	37,743	28,938	31,736	24,102
Other	18,666	16,895	11,971	10,781
Gross total	154,326	132,810	119,756	99,109

(a) The industry classifications have been prepared at the level of the borrowing entity. A loan to an entity is classified by the industry in which it operates, even though its parent or group's main business may be in a different industry.

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

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

In \$ millions	Bank Group 2010				Balance at 31 December
	Balance at 1 January	Charge/(Write back) to income statement	Net write-off during the year	Exchange and other movements	
Specific allowances					
Manufacturing	368	21	(63)	(21)	305
Building and construction	23	6	(2)	(3)	24
Housing loans	28	(11)	(1)	(1)	15
General commerce	228	84	(203)	(8)	101
Transportation, storage and communications	97	100	(10)	(7)	180
Financial institutions, investment and holding companies	589	354	(539)	(24)	380
Professionals and private individuals (except housing loans)	89	48	(63)	(5)	69
Others	90	12	(18)	(6)	78
Total specific allowances	1,512	614	(899)	(75)	1,152
General allowances					
Manufacturing	199	36	-	(5)	230
Building and construction	232	34	-	(5)	261
Housing loans	56	(7)	-	(1)	48
General commerce	165	42	-	(4)	203
Transportation, storage and communications	154	23	-	(4)	173
Financial institutions, investment and holding companies	204	22	-	(5)	221
Professionals and private individuals (except housing loans)	136	2	-	(3)	135
Others	179	30	-	(4)	205
Total general allowances	1,325	182	-	(31)	1,476
Total allowances	2,837	796	(899)	(106)	2,628

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

In \$ millions	Bank Group 2009				
	Balance at 1 January	Charge/(Write back) to income statement	Net write-off during the year	Exchange and other movements	Balance at 31 December
Specific allowances					
Manufacturing	340	229	(189)	(12)	368
Building and construction	29	3	(8)	(1)	23
Housing loans	41	(6)	(7)	-	28
General commerce	174	152	(92)	(6)	228
Transportation, storage and communications	5	94	(1)	(1)	97
Financial institutions, investment and holding companies	66	526	1	(4)	589
Professionals and private individuals (except housing loans)	109	75	(92)	(3)	89
Others	104	7	(18)	(3)	90
Total specific allowances	868	1,080	(406)	(30)	1,512
General allowances					
Manufacturing	150	53	-	(4)	199
Building and construction	179	57	-	(4)	232
Housing loans	48	9	-	(1)	56
General commerce	129	39	-	(3)	165
Transportation, storage and communications	125	32	-	(3)	154
Financial institutions, investment and holding companies	144	64	-	(4)	204
Professionals and private individuals (except housing loans)	104	34	-	(2)	136
Others	137	46	-	(4)	179
Total general allowances	1,016	334	-	(25)	1,325
Total allowances	1,884	1,414	(406)	(55)	2,837

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

In \$ millions	Bank 2010				Balance at 31 December
	Balance at 1 January	Charge/(Write- back) to income statement	Net write-off during the year	Exchange and other movements	
Specific allowances					
Manufacturing	148	8	(15)	(5)	136
Building and construction	13	(2)	-	-	11
Housing loans	27	(9)	(2)	(1)	15
General commerce	133	81	(162)	(2)	50
Transportation, storage and communications	91	88	(9)	(6)	164
Financial institutions, investment and holding companies	472	283	(403)	(13)	339
Professionals and private individuals (except housing loans)	44	27	(38)	(1)	32
Others	32	13	(5)	(1)	39
Total specific allowances	960	489	(634)	(29)	786
General allowances					
Manufacturing	144	38	-	(1)	181
Building and construction	176	25	-	(2)	199
Housing loans	40	-	-	-	40
General commerce	109	21	-	(1)	129
Transportation, storage and communications	130	24	-	(1)	153
Financial institutions, investment and holding companies	207	12	-	(2)	217
Professionals and private individuals (except housing loans)	98	4	-	(1)	101
Others	171	34	-	(2)	203
Total general allowances	1,075	158	-	(10)	1,223
Total allowances	2,035	647	(634)	(39)	2,009

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

In \$ millions	Bank 2009				Balance at 31 December
	Balance at 1 January	Charge/(Write- back) to income statement	Net write-off during the year	Exchange and other movements	
Specific allowances					
Manufacturing	181	100	(132)	(1)	148
Building and construction	15	-	(2)	-	13
Housing loans	40	(5)	(8)	-	27
General commerce	101	91	(58)	(1)	133
Transportation, storage and communications	2	91	(1)	(1)	91
Financial institutions, investment and holding companies	64	410	1	(3)	472
Professionals and private individuals (except housing loans)	41	40	(37)	-	44
Others	39	(2)	(4)	(1)	32
Total specific allowances	483	725	(241)	(7)	960
General allowances					
Manufacturing	98	48	-	(2)	144
Building and construction	118	61	-	(3)	176
Housing loans	74	(33)	-	(1)	40
General commerce	71	40	-	(2)	109
Transportation, storage and communications	100	32	-	(2)	130
Financial institutions, investment and holding companies	139	71	-	(3)	207
Professionals and private individuals (except housing loans)	73	27	-	(2)	98
Others	123	52	-	(4)	171
Total general allowances	796	298	-	(19)	1,075
Total allowances	1,279	1,023	(241)	(26)	2,035

20 Financial Investments

In \$ millions	Bank Group		Bank	
	2010	2009	2010	2009
Available-for-sale				
Quoted other government securities and treasury bills	8,345	7,539	6,384	6,526
Quoted corporate debt securities	9,922	12,121	7,501	7,224
Quoted equity securities	818	691	785	681
Unquoted equity securities	325	325	308	313
Available-for-sale financial investments	19,410	20,676	14,978	14,744
Loans and receivables				
Other government securities and treasury bills	128	146	-	-
Corporate debt securities	7,140	5,079	6,781	4,198
Less: Impairment allowances for Corporate debt securities	128	170	126	168
Loans and receivables financial investments	7,140	5,055	6,655	4,030
Total	26,550	25,731	21,633	18,774
Market value of debt securities and quoted equity securities	26,286	25,578	21,380	18,626
Analysed by industry				
Manufacturing	726	656	701	643
Building and construction	1,257	887	1,141	760
General commerce	612	582	313	237
Transportation, storage and communications	1,769	1,260	1,722	1,174
Financial institutions, investment and holding companies	9,698	10,513	7,609	5,542
Government	8,473	7,685	6,384	6,526
Others	4,015	4,148	3,763	3,892
Total carrying value	26,550	25,731	21,633	18,774

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

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

Bank Group					
In \$ millions	Balance at 1 January	Charge to income statement	Net write-off during the year	Exchange and other movements	Balance at 31 December
2010					
Loans and receivables					
Corporate debt securities	170	38	(76)	(4)	128
2009					
Loans and receivables					
Corporate debt securities	483	20	(331)	(2)	170
Bank					
In \$ millions	Balance at 1 January	Charge to income statement	Net write-off during the year	Exchange and other movements	Balance at 31 December
2010					
Loans and receivables					
Corporate debt securities	168	38	(76)	(4)	126
2009					
Loans and receivables					
Corporate debt securities	483	18	(331)	(2)	168

21 Securities Pledged

In \$ millions	Bank Group		Bank	
	2010	2009	2010	2009
Securities pledged				
Singapore Government securities and treasury bills	414	55	414	55
Other government securities and treasury bills	1,556	702	286	197
Corporate debt securities	12	27	12	27
Total securities pledged ^(a)	1,982	784	712	279
Related liabilities	1,981	776	705	276

(a) Includes financial assets at fair value through profit or loss of \$992 million (2009: \$534 million) for the Bank Group; and \$28 million (2009: \$116 million) for the Bank.

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

22 Subsidiaries

In \$ millions	Bank	
	2010	2009
Unquoted equity shares ^(a)	10,786	10,810
Less: Impairment allowances	819	806
Sub-total	9,967	10,004
Due from subsidiaries	1,913	1,916
Total	11,880	11,920

(a) The carrying amounts of certain investments which are designated as hedged items in a fair value hedge are adjusted for fair value changes attributable to the hedged risks

Movements in impairment allowances during the year are as follows:

In \$ millions	Bank	
	2010	2009
Balance at 1 January	806	768
Charge to income statement	13	38
Balance at 31 December	819	806

Refer to Note 51 for details of significant subsidiaries.

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

23 Investments in Joint Ventures

In \$ millions	Bank	
	2010	2009
Quoted investments in joint ventures	-	102
Unquoted investments in joint ventures at cost	1	1
Less: Impairment allowances	-	10
Net book value	1	93
Market value of quoted joint ventures	-	52

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

In \$ millions	Bank Group	
	2010	2009
Income statement		
Share of income	24	72
Share of expenses	(20)	(95)
Balance sheet		
Share of total assets	190	896
Share of total liabilities	146	772

The joint ventures are Hutchinson DBS Card Limited for 2010 and Cholamandalam DBS Finance Limited and Hutchinson DBS Card Limited for 2009.

Refer to Note 51 for details of significant joint ventures.

24 Investments in Associates

In \$ millions	Bank Group	
	2010	2009
Unquoted		
Cost	105	52
Share of post acquisition reserves	117	107
Sub-total	222	159
Quoted		
Cost	1,263	1,231
Net exchange translation adjustments	(40)	(31)
Share of post acquisition reserves	205	150
Less: Impairment allowances	837	837
Sub-total	591	513
Total	813	672
Market value of quoted associates	1,309	1,015

In \$ millions	Bank	
	2010	2009
Quoted investments in associates ^(a)	1,202	1,155
Unquoted investments in associates at cost	66	9
Less: Impairment allowances	280	280
Net book value	988	884
Market value of quoted associates	1,249	966

(a) The carrying amounts of certain investments which are designated as hedged items in a fair value hedge are adjusted for fair value changes attributable to the hedged risks.

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

In \$ millions	Bank Group	
	2010	2009
Income statement		
Share of income	432	411
Share of expenses	(330)	(319)
Balance sheet		
Share of total assets	5,847	5,220
Share of total liabilities	5,034	4,548
Off-balance sheet		
Share of contingent liabilities and commitments	54	48

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

Refer to Note 51 for details of significant associates.

25 Goodwill on Consolidation

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

In \$ millions	Bank Group	
	2010	2009
Balance at 1 January	5,847	5,847
Impairment charge	(1,018)	-
Disposal of joint venture	(27)	-
Balance at 31 December	4,802	5,847

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

In \$ millions	2010	2009
DBS Bank (Hong Kong) Limited	4,631	5,649
DBS Vickers Securities Holdings Pte Ltd	154	154
Cholamandalam DBS Finance Limited	-	27
Primefield Company Pte Ltd	17	17
Total	4,802	5,847

Key assumptions ^(a) used for value-in-use calculations:

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

(a) No change from 2009

The recoverable amounts are determined based on a value-in-use calculation. These calculations use cash flow projections based on financial budgets and forecasts approved by senior management, taking into account projected regulatory capital requirements. The recoverable value is determined by discounting the cash flow projections to their present values. The terminal value reflecting all periods beyond the fifth year is calculated based on the forecast fifth year profit, the cost of equity and the long term growth rate stated above. The growth rates do not exceed the long-term average growth rate for the market in which the businesses operate.

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

For the year ended 31 December 2010, an impairment charge of \$1,018 million has been recorded in the income statement for the goodwill arising from the Bank Group's acquisition of DBS Bank (Hong Kong) Limited. This resulted from a decline in the value-in-use of the cash generating unit as cash flow projections were reduced. The decline in cash flow projection for the cash generating unit was driven by the increased likelihood of interest margin compression as a result of heightened deposit competition.

If the estimated long term growth rates for DBS Bank (Hong Kong) Limited and DBS Vickers Securities Holdings Pte Ltd are reduced by 25 basis points or the estimated discount rates increased by 25 basis points, the impact on the recoverable amounts for these entities are not material. On this basis, the Bank Group concluded that goodwill remains recoverable at 31 December 2010. However, if conditions in Hong Kong and the banking industry deteriorate and turn out to be significantly worse than anticipated in the Bank Group's performance forecast, the goodwill may be further impaired in future periods.

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

26 Properties and Other Fixed Assets

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

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

In \$ millions	Bank Group	
	2010	2009
Minimum lease receivable		
Not later than 1 year	13	15
Later than 1 year but not later than 5 years	18	18
Total	31	33

In \$ millions	Bank Group				Total
	Investment property	Owner-occupied property	Other fixed assets ^(a)	Subtotal of non-investment property	
	(1)	(2)	(3)	(4)=(2+3)	(5)=(1+4)
2010					
Cost					
Balance at 1 January	502	944	919	1,863	2,365
Additions	-	21	155	176	176
Disposals	(71)	(45)	(126)	(171)	(242)
Transfer	31	(31)	-	(31)	-
Exchange differences	3	(64)	(37)	(101)	(98)
Balance at 31 December	465	825	911	1,736	2,201
Less: Accumulated depreciation					
Balance at 1 January	104	164	491	655	759
Depreciation charge	6	23	164	187	193
Disposals	(16)	(24)	(113)	(137)	(153)
Transfer	3	(3)	-	(3)	-
Exchange differences	10	(34)	(25)	(59)	(49)
Balance at 31 December	107	126	517	643	750
Less: Allowances for impairment	-	68	-	68	68
Net book value at 31 December	358	631	394	1,025	1,383
Market value at 31 December	497	999	-	-	-
2009					
Cost					
Balance at 1 January	350	1,122	848	1,970	2,320
Additions	-	4	175	179	179
Disposals	(6)	(12)	(105)	(117)	(123)
Transfer	158	(158)	-	(158)	-
Exchange differences	-	(12)	1	(11)	(11)
Balance at 31 December	502	944	919	1,863	2,365
Less: Accumulated depreciation					
Balance at 1 January	57	188	399	587	644
Depreciation charge	6	24	165	189	195
Disposals	-	(5)	(74)	(79)	(79)
Transfer	41	(41)	-	(41)	-
Exchange differences	-	(2)	1	(1)	(1)
Balance at 31 December	104	164	491	655	759
Less: Allowances for impairment	-	74	-	74	74
Net book value at 31 December	398	706	428	1,134	1,532
Market value at 31 December	509	1,106	-	-	-

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

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

In \$ millions	Bank				Total
	Investment property	Owner-occupied property	Other fixed assets ^(a)	Subtotal of non-investment property	
	(1)	(2)	(3)	(4)=(2+3)	(5)=(1+4)
2010					
Cost					
Balance at 1 January	46	354	553	907	953
Additions	-	3	130	133	133
Disposals	(5)	(22)	(101)	(123)	(128)
Transfer	31	(31)	-	(31)	-
Exchange differences	-	-	-	-	-
Balance at 31 December	72	304	582	886	958
Less: Accumulated depreciation					
Balance at 1 January	15	73	306	379	394
Depreciation charge	1	9	103	112	113
Disposals	(1)	(8)	(94)	(102)	(103)
Transfer	3	(3)	-	(3)	-
Exchange differences	-	-	-	-	-
Balance at 31 December	18	71	315	386	404
Less: Allowances for impairment	-	49	-	49	49
Net book value at 31 December	54	184	267	451	505
Market value at 31 December	89	245	-	-	-
2009					
Cost					
Balance at 1 January	-	403	527	930	930
Additions	-	-	108	108	108
Disposals	-	(3)	(82)	(85)	(85)
Transfer	46	(46)	-	(46)	-
Exchange differences	-	-	-	-	-
Balance at 31 December	46	354	553	907	953
Less: Accumulated depreciation					
Balance at 1 January	-	79	264	343	343
Depreciation charge	-	10	109	119	119
Disposals	-	(1)	(66)	(67)	(67)
Transfer	15	(15)	-	(15)	-
Exchange differences	-	-	(1)	(1)	(1)
Balance at 31 December	15	73	306	379	394
Less: Allowances for impairment	-	55	-	55	55
Net book value at 31 December	31	226	247	473	504
Market value at 31 December	49	296	-	-	-

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

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

In \$ millions	Bank Group		Bank	
	2010	2009	2010	2009
Balance at 1 January	74	72	55	53
Charge to income statement	(2)	2	(2)	2
Exchange and other movement	(4)	-	(4)	-
Balance at 31 December	68	74	49	55

26.1 The net book value of PWC Building, being property held both for the purpose of generating rental income and for owner occupancy, was \$416 million as at 31 December 2010 (2009: \$423 million). Its fair value was independently appraised at \$560 million (2009: \$542 million).

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

27 Deferred Tax Assets/Liabilities

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

In \$ millions	Bank Group		Bank	
	2010	2009	2010	2009
Deferred tax assets	102	144	50	77
Deferred tax liabilities	(40)	(54)	-	-
Total	62	90	50	77

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

In \$ millions	Bank Group			
	2010			
Deferred income tax assets		Allowances for losses	Other temporary differences	Total
Balance at 1 January		173	44	217
Disposal of joint venture		(13)	-	(13)
Charge to income statement		(10)	(5)	(15)
Balance at 31 December		150	39	189
Deferred income tax liabilities	Accelerated tax depreciation	Available-for-sale investments	Other temporary differences	Total
Balance at 1 January	(107)	(9)	(11)	(127)
Credit to income statement	9	3	4	16
Credit/ (Charge) to equity	12	(28)	-	(16)
Balance at 31 December	(86)	(34)	(7)	(127)

In \$ millions	Bank Group			
	2009			
Deferred income tax assets		Allowances for losses	Other temporary differences	Total
Balance at 1 January		98	62	160
Credit/(Charge) to income statement		75	(18)	57
Balance at 31 December		173	44	217
Deferred income tax liabilities	Accelerated tax depreciation	Available-for-sale investments	Other temporary differences	Total
Balance at 1 January	(124)	91	(1)	(34)
Credit/(Charge) to income statement	17	-	(10)	7
Charge to equity	-	(100)	-	(100)
Balance at 31 December	(107)	(9)	(11)	(127)

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

Bank			
2010			
In \$ millions			
Deferred income tax assets		Allowances for losses	Other temporary differences
Balance at 1 January		105	16
Credit/(Charge) to income statement		(9)	2
Balance at 31 December		96	18
Deferred income tax liabilities	Accelerated tax depreciation	Available-for-sale investments	Other temporary differences
Balance at 1 January	(29)	(2)	(13)
Credit to income statement	1	-	9
Charge to equity	-	(30)	-
Balance at 31 December	(28)	(32)	(4)
			Total
			121
			(7)
			114
			(44)
			10
			(30)
			(64)

Bank			
2009			
In \$ millions			
Deferred income tax assets		Allowances for losses	Other temporary differences
Balance at 1 January		43	52
Credit/(Charge) to income statement		62	(36)
Balance at 31 December		105	16
Deferred income tax liabilities	Accelerated tax depreciation	Available-for-sale investments	Other temporary differences
Balance at 1 January	(36)	69	-
Credit/(Charge) to income statement	7	-	(13)
Charge to equity	-	(71)	-
Balance at 31 December	(29)	(2)	(13)
			Total
			95
			26
			121
			33
			(6)
			(71)
			(44)

28 Other Assets

In \$ millions	Bank Group		Bank	
	2010	2009	2010	2009
Accrued interest receivable	713	855	509	561
Deposits and prepayments	277	183	218	210
Clients' monies receivable from securities business	798	783	-	-
Sundry debtors and others	4,612	4,211	3,330	2,987
Total	6,400	6,032	4,057	3,758

29 Due to Non-Bank Customers

In \$ millions	Bank Group		Bank	
	2010	2009	2010	2009
Analysed by currency				
Singapore dollar	108,791	99,608	108,319	99,137
US dollar	29,900	28,939	20,922	19,731
Hong Kong dollar	23,162	23,543	3,065	2,397
Others	25,842	26,358	15,457	16,739
Total	187,695	178,448	147,763	138,004
Analysed by product				
Savings accounts	88,789	82,751	77,303	69,971
Current accounts	30,114	27,705	25,491	23,006
Fixed deposits	65,534	64,124	42,188	41,946
Other deposits	3,258	3,868	2,781	3,081
Total	187,695	178,448	147,763	138,004

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

30 Financial Liabilities at Fair Value through Profit or Loss

In \$ millions	Bank Group		Bank	
	2010	2009	2010	2009
Trading				
Other debt securities in issue (Note 30.1)	1,909	1,622	1,897	1,595
Due to non-bank customers				
– structured investments	3,387	3,426	3,387	3,426
– others	151	853	151	853
Payable in respect of short sale of securities	1,706	1,356	748	690
Other financial liabilities	43	212	43	212
Sub-total	7,196	7,469	6,226	6,776
Fair value designated^(a)				
Due to non-bank customers	2,459	705	-	-
– structured investments				
Other debt securities in issue (Note 30.2)	573	1,043	386	726
Sub-total	3,032	1,748	386	726
Total	10,228	9,217	6,612	7,502

(a) Changes in fair value arising from changes in credit risk are determined as the amount of change in their fair value that is not attributable to changes in market conditions that give rise to market risk. Changes in market conditions that give rise to market risk include changes in benchmark interest rate, foreign exchange rate or index of prices or rates. Change in fair value arising from change in credit risk is not significant. Net unrealised gain or loss for the fair value designated liabilities at 31 December 2010 amount to \$13 million loss (2009: \$13 million gain) for the Bank Group and \$2 million gain (2009: \$5 million loss) for the Bank.

30.1 Other debt securities in issue (Trading)

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

In \$ millions	Type	Issue Date	Maturity Date	Bank Group		Bank	
				2010	2009	2010	2009
Issued by the Bank and other subsidiaries							
	Equity linked notes	6 Jun 2006 to 31 Dec 2010	3 Jan 2011 to 20 Jan 2015	694	644	694	644
	Credit linked notes	27 Aug 2004 to 18 Aug 2010	7 Mar 2011 to 20 Jun 2016	596	846	584	819
	Interest linked notes	19 Sep 2008 to 16 Nov 2010	25 May 2011 to 26 Nov 2040	569	58	569	58
	Foreign exchange linked notes	29 Jul 2010 to 31 Dec 2010	3 Jan 2011 to 29 Mar 2011	50	74	50	74
	Total			1,909	1,622	1,897	1,595
	Due within 1 year			998	934	998	934
	Due after 1 year			911	688	899	661
	Total			1,909	1,622	1,897	1,595

30.2 Other debt securities in issue (Fair value designated)

In \$ millions	Bank Group		Bank	
	2010	2009	2010	2009
Negotiable certificates of deposit	54	-	-	-
Other debt securities	519	1,043	386	726
Total	573	1,043	386	726
Due within 1 year	423	892	335	676
Due after 1 year	150	151	51	50
Total	573	1,043	386	726

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

In \$ millions	Interest Rate and Repayment Terms	Issue Date	Maturity Date	Bank Group		Bank	
				2010	2009	2010	2009
Issued by other subsidiaries							
HK\$307.5m	3M HIBOR* + 0.4% to 0.7%, payable quarterly	12 Apr 2010 to 12 May 2010	29 Apr 2011 to 12 Apr 2013	51	-	-	-
US\$2.2m	3M LIBOR** + 0.4% payable quarterly	14 Apr 2010	14 Oct 2011	3	-	-	-
Total				54	-	-	-

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

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

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

In \$ millions Type	Issue Date	Maturity Date	Bank Group		Bank	
			2010	2009	2010	2009
Issued by the Bank						
Credit linked notes	28 Feb 2010 to 21 Dec 2010	11 Jan 2011 to 23 Dec 2015	386	726	386	726
Issued by other subsidiaries						
Credit linked notes	8 Feb 2006 to 5 Sep 2007	8 Feb 2011 to 5 Sep 2014	112	227	-	-
Equity linked notes	10 Nov 2006	10 Nov 2011	21	90	-	-
Total			519	1,043	386	726

31 Other Liabilities

In \$ millions	Bank Group		Bank	
	2010	2009	2010	2009
Sundry creditors	3,985	4,028	2,019	2,169
Cash collaterals received in respect of derivative portfolios	483	336	483	336
Interest payable	229	291	143	162
Provision for loss in respect of off-balance sheet credit exposures	218	199	208	192
Clients' monies payable in respect of securities business	708	640	-	-
Other payable	947	993	701	655
Total	6,570	6,487	3,554	3,514

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

Bank Group In \$ millions	Balance at 1 January	Charge to income statement	Exchange and other movements	Balance at 31 December
2010				
Contingent liabilities and commitments	199	36	(17)	218
2009				
Contingent liabilities and commitments	177	4	18	199
Bank In \$ millions 2010				
Contingent liabilities and commitments	192	34	(18)	208
2009				
Contingent liabilities and commitments	174	4	14	192

32 Other Debt Securities in Issue

In \$ millions	Bank Group		Bank	
	2010	2009	2010	2009
Negotiable certificates of deposit	964	281	-	-
Other debt securities	1,196	132	1,194	-
Total	2,160	413	1,194	-
Due within 1 year	505	44	-	-
Due after 1 year	1,655	369	1,194	-
Total	2,160	413	1,194	-

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

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

In \$ millions Face Value	Interest Rate and Repayment Terms	Issue Date	Maturity Date	Bank Group		Bank	
				2010	2009	2010	2009
Issued by other subsidiaries							
HK\$2,282m	0.61% to 4.22%, payable quarterly	22 Aug 2008 to 16 Nov 2010	03 Jun 2011 to 21 Jan 2020	386	141	-	-
HK\$1,280m	3M HIBOR + 0.2% to 0.3%, payable quarterly	01 Apr 2010 to 4 Aug 2010	01 Jun 2011 to 02 Apr 2013	212	-	-	-
HK\$1,894m	0.56% to 4.20%, payable yearly	21 Aug 2008 to 14 Oct 2010	21 Apr 2011 to 28 Aug 2018	320	140	-	-
HK\$280m	Zero Coupon Certificate of Deposit, payable on maturity	18 Nov 2010	18 Nov 2011	46	-	-	-
Total				964	281	-	-

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

In \$ millions Face Value/ Type	Interest Rate and Repayment Terms	Issue Date	Maturity Date	Bank Group		Bank	
				2010	2009	2010	2009
Issued by the Bank							
US\$1,000m Medium term notes	2.375%, payable half yearly	14 Sep 2010	14 Sep 2015	1,194	-	1,194	-
Type							
Issued by other subsidiaries/ joint ventures							
Notes issued		30 Nov 2010 to 21 Dec 2010	5 Jan 2011 to 19 Jan 2011	2	2	-	-
Redeemable non-convertible debentures ^(a)				-	130	-	-
Total				1,196	132	1,194	-

(a) These notes comprised fixed rate notes issued by Cholamandalam DBS Finance Limited, a joint venture company, which was disposed in 2010.

33 Due to Subsidiaries

In \$ millions	Bank	
	2010	2009
Subordinated term debts issued to DBS Capital Funding Corporation (Note 33.1)	1,033	1,118
Subordinated term debts issued to DBS Capital Funding Corporation II (Note 33.2)	1,500	1,500
Due to subsidiaries	5,016	5,675
Total	7,549	8,293

33.1 The subordinated term debts were issued by the Bank to DBS Capital Funding Corporation, both wholly-owned subsidiaries of DBSH, on 21 March 2001 and mature on 15 March 2051. The notes comprised Series A Subordinated Note of US\$725 million and Series B Subordinated Note of S\$100 million. Interest is payable in arrears on 15 March and 15 September each year at a fixed rate of 7.66% per annum (Series A) and 5.35% per annum (Series B), up to 15 March 2011. Thereafter, interest is payable quarterly in arrears on 15 March, 15 June, 15 September and 15 December each year at a floating rate of three-month London Interbank Offer Rate ("LIBOR") + 3.20% per annum

(Series A) and three-month Singapore Swap Offer Rate + 2.52% per annum (Series B).

33.2 The \$1,500 million 5.75% subordinated note was issued on 27 May 2008 by the Bank to DBS Capital Funding II Corporation, both wholly-owned subsidiaries of DBSH. Interest is payable in arrears on 15 June and 15 December each year at a fixed rate of 5.75% per annum up to 15 June 2018. Thereafter, interest is payable quarterly in arrears on 15 March, 15 June, 15 September and 15 December each year at a floating rate of three-month Singapore Swap Offer Rate + 3.415% per annum.

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

34 Subordinated Term Debts

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

In \$ millions Face Value	Issue Date	Maturity Date	Bank Group		Bank		
			2010	2009	2010	2009	
Issued by the Bank							
US\$500m	7.88% Subordinated Notes (Note 34.1)	15 Apr 2000	15 Apr 2010	-	715	-	715
US\$850m	7.13% Subordinated Notes (Note 34.2)	15 May 2001	15 May 2011	1,116	1,274	1,116	1,274
US\$750m	5.00% Subordinated Notes callable with step-up in 2014 (Note 34.3)	1 Oct 2004	15 Nov 2019	1,014	1,089	1,014	1,089
US\$900m	Floating Rate Subordinated Notes callable with step-up in 2016 (Note 34.4)	16 Jun 2006	15 Jul 2021	1,158	1,264	1,158	1,264
S\$500m	4.47% Subordinated Notes callable with step-up in 2016 (Note 34.5)	11 Jul 2006	15 Jul 2021	500	500	500	500
US\$500m	5.13% Subordinated Notes callable with step-up in 2012 (Note 34.6)	15 May 2007	16 May 2017	680	753	680	753
US\$1,500m	Floating Rate Subordinated Notes callable with step-up in 2012 (Note 34.7)	15 May 2007	16 May 2017	1,930	2,107	1,930	2,107
Total				6,398	7,702	6,398	7,702
Due within 1 year				1,116	715	1,116	715
Due after 1 year				5,282	6,987	5,282	6,987
Total				6,398	7,702	6,398	7,702

34.1 Interest is payable semi-annually on 15 April and 15 October commencing 15 October 2000. The fixed rate funding has been converted to floating rate at six-month LIBOR + 0.96% via interest rate swaps. In computing the Bank Group's capital adequacy ratio, these notes qualify as Tier 2 capital, the eligible amount being dependent on regulatory amortisation rules. The notes expired in 2010.

34.2 Interest is payable semi-annually on 15 May and 15 November commencing 15 November 2001. The fixed rate funding has been converted to floating rate at three-month LIBOR + 1.25% via interest rate swaps. In computing the Bank Group's capital adequacy ratio, these notes qualify as Tier 2 capital, the eligible amount being dependent on regulatory amortisation rules.

34.3 Interest is payable semi-annually on 15 May and 15 November commencing 15 May 2005. Part of the fixed rate funding has been converted to floating rate at three-month LIBOR + 0.61% via interest rate swaps. If the notes are not called at the tenth year, the interest rate steps up and will be reset at six-month LIBOR + 1.61% on the call date. In computing the Bank Group's capital adequacy ratio, these notes qualify as Tier 2 capital.

34.4 Interest is payable quarterly on 15 January, 15 April, 15 July and 15 October commencing 15 October 2006. Interest on the notes will be paid initially at three-month LIBOR + 0.61%. If the notes are not called at the tenth year, the interest rate steps up and

will be set at three-month LIBOR + 1.61% on the call date. In computing the Bank Group's capital adequacy ratio, these notes qualify as Tier 2 capital.

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

34.6 Interest is payable semi-annually on 16 May and 16 November commencing 16 November 2007. The fixed rate funding has been converted to floating rate at three-month LIBOR + 0.22% via interest rate swaps. If the notes are not called at the fifth year, the interest rate steps up and will be set at three-month LIBOR + 1.22% on the call date. In computing the Bank Group's capital adequacy ratio, these notes qualify as Tier 2 capital.

34.7 Interest is payable quarterly on 16 February, 16 May, 16 August and 16 November commencing 16 August 2007. Interest on the notes will be paid initially at three-month LIBOR + 0.22%. If the notes are not called at the fifth year, the interest rate steps up and will be set at three-month LIBOR + 1.22% on the call date. In computing the Bank Group's capital adequacy ratio, these notes qualify as Tier 2 capital.

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

35 Share Capital

Share Capital	Bank	
	2010	2009
Number of shares (millions)		
Balance at 1 January	1,973	1,973
Issue of shares	103	-
Balance at 31 December	2,076	1,973
The balance includes the following:		
2,056,642,320 (2009 : 1,962,302,697) ordinary shares (Note 35.1)	2,057	1,962
11,000,000 6% non-cumulative non-convertible perpetual preference shares (Note 35.2)	11	11
6,800 4.7% non-cumulative non-convertible perpetual preference shares (Note 35.3)	#	-
8,000,000 4.7% non-cumulative non-convertible perpetual preference shares (Note 35.4)	8	-
Total number of shares (millions)	2,076	1,973

Amount under 500,000

- 35.1** The ordinary shares are fully paid-up and do not have par value. In 2010, the Bank issued 95 million ordinary shares for a total cash consideration of \$1,350 million. The newly issued shares rank pari passu in all respect with the previously issued shares.
- 35.2** \$1,100 million 6% non-cumulative non-convertible perpetual preference shares and a liquidation preference of \$100 each, was issued on 28 May 2001 by the Bank to third parties. They qualify as Tier 1 capital for the calculation of the Bank Group's capital adequacy ratios. Dividends, if declared by the Board of Directors, are payable semi-annually on 15 May and 15 November at a fixed rate of 6% of the liquidation preference per annum, ending on or prior to 15 May 2011, and thereafter on 15 February, 15 May, 15 August and 15 November in each year at a floating rate per annum equal to the three-month Singapore Swap Offer Rate + 2.28%.
- 35.3** \$1,700 million 4.7% non-cumulative non-convertible perpetual preference shares and a liquidation preference of \$250,000 each, was issued on 22 October 2010 by the Bank to third parties. They qualify as Tier 1 capital for the calculation of the Bank Group's capital adequacy ratios. Dividends, if declared by the Board of Directors of the Bank, are payable semi-annually on 22 April and 22 October at a fixed rate of 4.7% of the liquidation preference per annum.
- 35.4** \$800 million 4.7% non-cumulative non-convertible perpetual preference shares and a liquidation preference of \$100 each, was issued on 22 November 2010 by the Bank to third parties. They qualify as Tier 1 capital for the calculation of the Bank Group's capital adequacy ratios. Dividends, if declared by the Board of Directors of the Bank, are payable semi-annually on 22 May and 22 November at a fixed rate of 4.7% of the liquidation preference.

36 Other Reserves and Revenue Reserves

36.1 Other reserves

In \$ millions	Bank Group		Bank	
	2010	2009	2010	2009
Available-for-sale revaluation reserves	387	132	380	125
General reserves	2,453	2,453	2,360	2,360
Capital reserves	(106)	(48)	-	-
Total	2,734	2,537	2,740	2,485

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

In \$ millions	Available-for-sale revaluation reserves	General reserves ^(a)	Capital reserves ^(b)	Total
Balance at 1 January 2010	132	2,453	(48)	2,537
Net exchange translation adjustments	-	-	(70)	(70)
Share of associates' capital reserves	-	-	12	12
Available-for-sale:				
- net valuation taken to equity	598	-	-	598
- transferred to income statement on sale	(315)	-	-	(315)
- tax on items taken directly to or transferred from equity	(28)	-	-	(28)
Balance at 31 December 2010	387	2,453	(106)	2,734

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

In \$ millions	Available-for-sale revaluation reserves			Capital reserves(b)	Total
	reserves	General reserves(a)			
Balance at 1 January 2009	(388)	2,453	(103)	1,962	
Net exchange translation adjustments	-	-	37	37	
Share of associates' capital reserves	-	-	18	18	
Available-for-sale:					
- net valuation taken to equity	932	-	-	932	
- transferred to income statement on sale	(312)	-	-	(312)	
- tax on items taken directly to or transferred from equity	(100)	-	-	(100)	
Balance at 31 December 2009	132	2,453	(48)	2,537	

(a) General reserves are maintained in accordance with the provisions of applicable laws and regulations. These reserves are non distributable unless otherwise approved by the relevant authorities. Under the Banking (Reserve Fund) (Transitional Provision) regulations 2007, which came into effect on 11 June 2007, the Bank may distribute or utilise its statutory reserves provided that the amount distributed or utilised for each financial year does not exceed 20% of the reserves as at 30 March 2007.

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

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

In \$ millions	Available-for-sale revaluation reserves		General reserves (a)	Total
	reserves			
Balance at 1 January 2010	125	2,360	2,485	
Available-for-sale:				
- net valuation taken to equity	577	-	577	
- transferred to income statement on sale	(292)	-	(292)	
- tax on items taken directly to or transferred from equity	(30)	-	(30)	
Balance at 31 December 2010	380	2,360	2,740	
Balance at 1 January 2009	(255)	2,360	2,105	
Available-for-sale:				
- net valuation taken to equity	774	-	774	
- transferred to income statement on sale	(323)	-	(323)	
- tax on items taken directly to or transferred from equity	(71)	-	(71)	
Balance at 31 December 2009	125	2,360	2,485	

(a) General reserves are maintained in accordance with the provisions of applicable laws and regulations. These reserves are non distributable unless otherwise approved by the relevant authorities. Under the Banking (Reserve Fund) (Transitional Provision) regulations 2007, which came into effect on 11 June 2007, the Bank may distribute or utilise its statutory reserves provided that the amount distributed or utilised for each financial year does not exceed 20% of the reserves as at 30 March 2007.

36.2 Revenue reserves

In \$ millions	Bank Group		Bank	
	2010	2009	2010	2009
Balance at 1 January	8,900	6,857	7,302	5,599
Net profit attributable to shareholders	1,720	2,109	2,546	1,769
Amount available for distribution	10,620	8,966	9,848	7,368
Less: Special dividend (2009 : Nil)	1,350	-	1,350	-
6% tax exempt preference dividends (2009: 6% tax exempt)	66	66	66	66
Balance at 31 December	9,204	8,900	8,432	7,302

37 Non-controlling interests

In \$ millions	Bank Group	
	2010	2009
Preference shares issued by DBS Capital Funding Corporation (Note 37.1)	1,033	1,118
Preference shares issued by DBS Capital Funding II Corporation (Note 37.2)	1,500	1,500
Other subsidiaries	346	401
Total	2,879	3,019

37.1 US\$725 million 7.66% non-cumulative guaranteed preference shares, Series A, each with a liquidation preference of US\$1,000 and \$100 million 5.35% non-cumulative guaranteed preference shares, Series B, each with a liquidation preference of \$10,000 were issued on 21 March 2001 by DBS Capital Funding Corporation, a subsidiary of the Bank. Dividends, when declared by the Board of Directors of DBS Capital Funding Corporation, are payable in arrears on 15 March and 15 September each year at a fixed rate of 7.66% per annum (Series A) and 5.35% per annum (Series B), up to 15 March 2011. Thereafter, dividends are payable

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

quarterly in arrears on 15 March, 15 June, 15 September and 15 December each year at a floating rate of three-month LIBOR + 3.20% per annum (Series A) and three-month Singapore Swap Offer Rate + 2.52% per annum (Series B). In computing the Bank Group's capital adequacy ratio, these guaranteed preference shares qualify as Tier 1 capital.

- 37.2** \$1,500 million 5.75% non-cumulative non-convertible non-voting guaranteed preference shares, with a liquidation preference of \$250,000 was issued on 27 May 2008 by DBS Capital Funding II Corporation, a subsidiary of the Bank. Dividends, when declared by the Board of Directors of DBS Capital Funding II Corporation, are payable in arrears on 15 June and 15 December each year at a fixed rate of 5.75% per annum up to 15 June 2018. Thereafter, dividends are payable quarterly in arrears on 15 March, 15 June, 15 September and 15 December each year at a floating rate of three-month Singapore Swap Offer Rate + 3.415% per annum. In computing the Bank Group's capital adequacy ratio, these guaranteed preference shares qualify as Tier 1 capital.

38 Contingent Liabilities and Commitments

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

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

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

In \$ millions	Bank Group		Bank	
	2010	2009	2010	2009
Guarantees on account of customers	9,876	10,465	9,504	10,119
Endorsements and other obligations on account of customers				
- Letters of credit	5,343	4,616	4,084	3,818
- Others	777	595	151	191
Other contingent items (Note 38.2)	35	35	35	35
Undrawn loan commitments ^(a)	94,752	81,419	73,035	61,558
Undisbursed commitments in securities	204	108	204	108
Sub-total	110,987	97,238	87,013	75,829
Operating lease commitments (Note 38.3)	921	920	721	733
Capital commitments	41	49	28	33
Total	111,949	98,207	87,762	76,595
Analysed by industry (except for operating lease commitments and capital commitments)				
Manufacturing	19,605	16,872	15,450	12,551
Building and construction	7,163	5,811	5,923	4,935
Housing loans	5,207	5,010	5,157	4,923
General commerce	14,743	11,579	9,714	6,967
Transportation, storage and communications	6,396	5,006	5,372	4,405
Government	372	189	372	188
Financial institutions, investment and holding companies	15,271	15,633	14,079	15,372
Professionals and private individuals (except housing loans)	24,515	22,856	15,048	13,863
Others	17,715	14,282	15,898	12,625
Total	110,987	97,238	87,013	75,829

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

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

- 38.2** Included in "Other contingent items" at 31 December 2010, is an amount of \$35 million (2009: \$35 million), representing the termination fee payable by the Bank should a distribution agreement be terminated prematurely prior to December 2010. Under the terms of the agreement, the termination fee reduces by \$7 million each year until the expiry of the agreement in December 2015.

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

39 Financial Derivatives

Financial derivatives are financial instruments whose characteristics are derived from the underlying assets, or from interest and exchange rates or indices. These include forwards, swaps, futures and options. The following sections outline the nature and terms of the most common types of derivatives used by the Bank Group.

Interest rate contracts

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

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

Interest rate futures are exchange-traded agreements to buy or sell a standard amount of a specified fixed income security or time deposit at an agreed interest rate on a standard future date.

Interest rate options give the buyer on payment of a premium the right, but not the obligation, to fix the rate of interest on a future deposit or loan, for a specified period and commencing on a specified future date.

Interest rate caps and floors give the buyer the ability to fix the maximum or minimum rate of interest. There is no facility to deposit or draw down funds; instead the writer pays to the buyer the amount by which the market rate exceeds or is less than the cap rate or the floor rate respectively. This category includes combinations of interest rate caps and floors, which are known as interest rate collars.

Exchange rate contracts

Forward foreign exchange contracts are agreements to buy or sell fixed amounts of currency at agreed rates of exchange on a specified future date.

Cross currency swaps are agreements to exchange, and on termination of the swap, re-exchange principal amounts denominated in different currencies. Cross currency swaps may involve the exchange of interest payments in one specified currency for interest payments in another specified currency for a specified period.

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

Equity-related contracts

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

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

Credit-related contracts

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

Commodity-related contracts

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

Commodity options give the buyer the right, but not the obligation, to buy or sell a specific amount of commodity at an agreed contract price on or before a specified date.

39.1 Trading derivatives

Most of the Bank Group's derivatives relate to sales and trading activities. Sales activities include the structuring and marketing of derivatives to customers to enable them to take, transfer, modify or reduce current or expected risks. Trading activities are entered into principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. Trading includes mainly market making and warehousing to facilitate customer orders. Market making involves quoting bid and offer prices to other market participants with the intention of generating revenues based on spread and volume. Warehousing involves holding on to positions in order to liquidate in an orderly fashion with timing of unwinding determined by market conditions and traders' views of markets as they evolve.

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

39.2 Hedging derivatives

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

Fair value hedges

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

At the Bank Group, for the year ended 31 December 2010, the loss on hedging instruments was \$96 million (2009: loss of \$4 million). The total gain on hedged

items attributable to the hedged risk amounted to \$102 million (2009: gain of \$8 million).

At the Bank, for the year ended 31 December 2010, the gain on hedging instruments was \$40 million (2009: gain of \$39 million). The total loss on hedged items attributable to the hedged risk amounted to \$47 million (2009: loss of \$36 million).

Net investment hedges

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

The tables below analyses the currency exposure of Bank Group and Bank by functional currency at 31 December:

Bank Group			
In \$ millions	Net investments in foreign operations^(a)	Financial instruments which hedge the net investments^(b)	Remaining unhedged currency exposures
2010			
Hong Kong dollar	4,442	4,351	91
US dollar	770	597	173
Others	3,545	2,040	1,505
Total	8,757	6,988	1,769
2009			
Hong Kong dollar	4,218	4,152	66
US dollar	695	697	(2)
Others	3,359	2,481	878
Total	8,272	7,330	942
Bank			
In \$ millions	Net investments in foreign operations^(a)	Financial instruments which hedge the net investments^(b)	Remaining unhedged currency exposures
2010			
Hong Kong dollar	4,379	4,293	86
US dollar	760	587	173
Others	3,478	1,999	1,479
Total	8,617	6,879	1,738
2009			
Hong Kong dollar	4,146	4,087	59
US dollar	685	687	(2)
Others	3,285	2,436	849
Total	8,116	7,210	906

(a) Refer to net tangible assets of subsidiaries, joint ventures and associates and capital funds/retained earnings of overseas branches operations.

(b) Include forwards, non-deliverable forwards and borrowings used to hedge the investments.

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

In the financial statements, trading derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected as assets (Positive fair values for financial derivatives) or liabilities (Negative fair values for financial derivatives). Derivative assets and liabilities arising from different transactions are only offset if the transactions are done with the same counterparty, a legal right of offset exists, and the parties intend to settle the cash flows on a net basis. There was no offset of derivative assets and liabilities in 2010 and 2009.

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

Bank Group	2010			2009		
	Underlying notional	Year-end positive fair values	Year-end negative fair values	Underlying notional	Year-end positive fair values	Year-end negative fair values
In \$ millions						
Derivatives held for trading						
Interest rate derivatives						
Forward rate agreements bought	6,453	-	13	22,067	1	33
Forward rate agreements sold	3,108	7	-	18,599	27	1
Interest rate swaps	671,379	7,022	7,608	658,889	7,146	7,420
Financial futures bought	7,587	1	2	27,378	10	4
Financial futures sold	3,310	6	1	11,536	12	6
Interest rate options bought	3,845	37	-	2,201	32	-
Interest rate options sold	4,541	-	50	2,761	-	31
Interest rate futures options bought	2,484	1	-	7,022	1	-
Interest rate futures options sold	1,737	-	2	7,748	-	1
Interest rate caps/floors bought	7,301	168	-	10,409	99	-
Interest rate caps/floors sold	10,137	-	246	9,214	-	113
Sub-total	721,882	7,242	7,922	777,824	7,328	7,609
Foreign exchange (FX) derivatives						
FX contracts	315,484	3,238	3,051	305,666	2,967	2,716
Currency swaps	79,190	3,907	3,603	84,521	3,029	3,162
Currency options bought	65,952	1,449	-	58,232	1,203	-
Currency options sold	73,467	-	1,384	59,714	-	999
Sub-total	534,093	8,594	8,038	508,133	7,199	6,877
Equity derivatives						
Equity options bought	1,599	135	-	1,177	13	-
Equity options sold	1,513	-	101	633	-	15
Equity swaps	2,280	18	21	2,421	35	47
Sub-total	5,392	153	122	4,231	48	62
Credit derivatives						
Credit default swaps and others	75,327	572	822	94,970	1,180	1,593
Sub-total	75,327	572	822	94,970	1,180	1,593
Commodity derivatives						
Commodity contracts	181	-	3	216	1	1
Commodity options bought	67	2	-	39	1	-
Commodity options sold	42	-	-	5	-	-
Sub-total	290	2	3	260	2	1
Total derivatives held for trading	1,336,984	16,563	16,907	1,385,418	15,757	16,142
Derivatives held for hedging						
Interest rate swaps held for fair value hedge	6,651	150	270	6,406	222	224
FX contracts held for fair value hedge	348	10	3	185	2	1
FX contracts held for hedge of net investment	1,815	44	13	2,261	34	22
Currency swaps held for hedge of net investment	1,724	-	29	2,585	-	17
Total derivatives held for hedging	10,538	204	315	11,437	258	264
Total derivatives	1,347,522	16,767	17,222	1,396,855	16,015	16,406
Impact of netting arrangements recognised for computation of Capital Adequacy Ratio (CAR)						
		(8,496)	(8,496)		(8,569)	(8,569)
		8,271	8,726		7,446	7,837

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

Bank	2010			2009		
	Underlying notional	Year-end positive fair values	Year-end negative fair values	Underlying notional	Year-end positive fair values	Year-end negative fair values
Derivatives held for trading						
Interest rate derivatives						
Forward rate agreements bought	6,453	-	13	22,067	1	33
Forward rate agreements sold	3,108	7	-	18,599	27	1
Interest rate swaps	666,481	7,069	7,416	662,829	7,218	7,514
Financial futures bought	7,575	1	2	26,756	9	4
Financial futures sold	3,307	6	1	11,130	9	6
Interest rate options bought	3,935	40	-	2,221	32	-
Interest rate options sold	4,546	-	50	2,766	-	31
Interest rate futures options bought	2,484	1	-	7,022	1	-
Interest rate futures options sold	1,737	-	2	7,303	-	-
Interest rate caps/floors bought	7,325	155	-	10,409	99	-
Interest rate caps/floors sold	10,161	-	255	9,214	-	113
Sub-total	717,112	7,279	7,739	780,316	7,396	7,702
Foreign exchange ("FX") derivatives						
FX contracts	296,035	3,069	2,878	294,815	2,904	2,668
Currency swaps	78,989	3,907	3,610	84,506	3,024	3,174
Currency options bought	66,128	1,449	-	58,513	1,229	-
Currency options sold	73,601	-	1,384	59,495	-	1,027
Sub-total	514,753	8,425	7,872	497,329	7,157	6,869
Equity derivatives						
Equity options bought	1,705	145	-	1,584	124	-
Equity options sold	1,557	-	181	1,022	-	94
Equity swaps	2,294	18	21	2,584	60	93
Sub-total	5,556	163	202	5,190	184	187
Credit derivatives						
Credit default swaps and others	75,585	585	823	95,554	1,226	1,581
Sub-total	75,585	585	823	95,554	1,226	1,581
Commodity derivatives						
Commodity contracts	208	3	3	220	1	1
Commodity options bought	67	2	-	40	1	-
Commodity options sold	16	-	1	5	-	-
Sub-total	291	5	4	265	2	1
Total derivatives held for trading	1,313,297	16,457	16,640	1,378,654	15,965	16,340
Derivatives held for hedging						
Interest rate swaps held for fair value hedge	5,641	130	220	5,576	214	171
FX contracts held for fair value hedge	707	7	2	1,113	4	6
FX contracts held for hedge of net investment	1,052	38	12	1,033	29	16
Currency swaps held for fair value hedge	1,724	-	29	2,585	-	17
Total derivatives held for hedging	9,124	175	263	10,307	247	210
Total derivatives	1,322,421	16,632	16,903	1,388,961	16,212	16,550
Impact of netting arrangements recognised for computation of Capital Adequacy Ratio (CAR)						
		(9,218)	(9,218)		(8,938)	(8,938)
		7,414	7,685		7,274	7,612

The contractual or underlying principal amounts of derivative financial instruments of bank and non-bank counterparties amounted to \$1,142 billion (2009: \$1,024 billion) and \$206 billion (2009: \$373 billion) respectively for the Bank Group and \$1,164 billion (2009: \$1,039 billion) and \$158 billion (2009: \$350 billion) respectively for the Bank. These positions are mainly booked in Singapore. For purpose of managing its credit exposures, the Bank Group maintains collateral agreements and enters into master netting agreements with most of these counterparties. For those arrangements that comply with the regulatory requirements as set out in MAS Notice 637, the Bank Group recognises the netting arrangements in the computation of its Capital Adequacy Ratios.

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

40 Cash and Cash Equivalents

In \$ millions	Bank Group		Bank	
	2010	2009	2010	2009
Cash on hand (Note 16)	1,366	1,388	1,261	1,195
Non-restricted balances with central banks (Note 16)	23,743	17,893	23,161	17,614
Total	25,109	19,281	24,422	18,809

41 Share-based Compensation Plans

41.1 DBSH Share Ownership Scheme

The DBSH Share Ownership Scheme is a fund set up to hold units of DBSH's ordinary shares. All employees with at least one year of service and who are not participating in the DBSH Share Option Plan or DBSH Share Plan are eligible.

Under the Scheme, participants and the Bank Group contribute up to 10% and 5% of monthly base salary respectively to buy units of DBSH's ordinary shares. Amounts contributed by the Bank Group under the Scheme are recognised as employee benefits when paid.

Bank Group	Ordinary shares			
	Number		Market value (\$ millions)	
	2010	2009	2010	2009
Balance at 1 January	5,335,157	3,522,570	82	30
Balance at 31 December	5,473,697	5,335,157	78	82

41.2 DBSH Share Option Plan

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

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

These share options vest over a period in accordance with a vesting schedule determined by the Compensation and Management Development Committee (Committee), and are exercisable after the first anniversary of the date of the grant up to the date of expiration of the options. The fair value of options granted is determined using the Binomial model.

The Option Plan has expired on 19 June 2009 and it was not extended or replaced. The termination of the Option Plan will not affect the rights of holders of any outstanding existing options.

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

Bank Group	2010		2009	
	Unissued number of ordinary shares under outstanding options	Weighted average exercise price (\$)	Unissued number of ordinary shares under outstanding options	Weighted average exercise price (\$) ^(a)
Balance at 1 January	14,920,398	13.26	14,373,192	13.15
Movements during the year:				
- Issue of rights	-	-	2,537,599	13.15
- Exercised	(1,362,039)	11.66	(1,011,601)	11.63
- Forfeited/ Expired	(2,140,540)	17.91	(978,792)	13.00
Balance at 31 December	11,417,819	12.58	14,920,398	13.26
Additional information:				
Outstanding options exercisable at 31 December	11,417,819	12.58	14,920,398	13.26
Weighted average remaining contractual life of options outstanding at 31 December	1.77 years		2.5 years	
Range of exercise price of options outstanding at 31 December	\$8.84 to \$15.05		\$8.84 to \$18.99	

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

In 2010, 1,362,039 options (2009: 1,011,601) were exercised at their contractual exercise prices for the Bank Group. During the year, the weighted average market price of DBSH's shares was \$14.36 (2009: \$12.80).

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

DBSH Options	Number of unissued ordinary shares		During the year		Number of unissued ordinary shares 31 December 2010	Exercise price per share ^(a)	Expiry date
	1 January 2010	Exercised	Forfeited/Expired				
Bank Group							
March 2000 ^(b)	1,036,318	-	1,036,318	-	-	\$17.75	06 March 2010
July 2000 ^(b)	875,153	-	875,153	-	-	\$18.99	27 July 2010
March 2001	3,486,521	24,444	195,270	-	3,266,807	\$15.05	15 March 2011
August 2001	153,395	33,408	-	-	119,987	\$11.00	01 August 2011
March 2002	2,865,806	397,116	-	-	2,468,690	\$12.53	28 March 2012
August 2002	149,272	9,410	3,529	-	136,333	\$10.43	16 August 2012
December 2002	11,763	-	-	-	11,763	\$9.75	18 December 2012
February 2003	2,371,584	332,987	8,233	-	2,030,364	\$8.84	24 February 2013
March 2004	2,652,353	370,731	16,704	-	2,264,918	\$12.53	02 March 2014
March 2005	1,318,233	193,943	5,333	-	1,118,957	\$12.81	01 March 2015
	14,920,398	1,362,039	2,140,540	-	11,417,819		

(a) Adjusted for effects of rights issue in January 2009
(b) Expired in 2010

Bank	2010		2009	
	Unissued number of ordinary shares under outstanding options	Weighted average exercise price (\$)	Unissued number of ordinary shares under outstanding options	Weighted average exercise price ^(a)
Balance at 1 January	12,630,439	13.43	12,268,030	13.31
Movements during the year:				
- Issue of rights	-	-	2,165,145	13.31
- Exercised	(1,135,529)	11.65	(869,031)	11.80
- Forfeited/ Expired	(2,075,760)	17.64	(933,705)	13.10
Balance at 31 December	9,419,150	12.66	12,630,439	13.43
Additional information:				
Outstanding options exercisable at 31 December	9,419,150	12.66	12,630,439	13.43
Weighted average remaining contractual life of options outstanding at 31 December	1.72 years		2.4 years	
Range of exercise price of options outstanding at 31 December	\$8.84 to \$15.05		\$8.84 to \$18.99	

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

In 2010, 1,135,529 options (2009: 869,031) were exercised at their contractual exercise prices for the Bank. During the year, the weighted average market price of DBSH's shares was \$14.35 (2009: \$12.66).

41.3 DBSH Share Plan

Under the DBSH Share Plan (the Share Plan), DBSH's ordinary shares may be granted to Bank Group executives who hold such rank as may be determined by the Committee appointed to administer the Share Plan from time to time. The awards could be performance-based and/or time-based.

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

A time-based award comprises two elements, namely, the main award and the "kicker" award. The shares comprised in the "kicker" award constitute twenty percent of the shares

comprised in the main award. Effective 2010, the deferral period for unvested shares were extended from a 3-year period to a 4-year period showing a more prudent risk management arrangement. Under the new vesting schedule, thirty-three percent of the shares comprised in the main award will vest two years after the date of grant. A further thirty-three percent of the shares comprised in the main award will vest three years after the date of grant. The remainder thirty-four percent of the shares comprised in the main award, together with the shares comprised in the "kicker" award, will vest four years after the date of grant. For time-based awards, the fair value of the shares awarded are computed based on the market price of the ordinary shares at the time of the award and is amortised through the income statement over the vesting period. At each balance sheet date, the Bank Group revises its estimates of the number of shares expected to vest based

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

on non-market vesting conditions and the corresponding adjustments are made to the income statement.

The following table sets out the movement of time-based awards granted in the current and previous financial years pursuant to the Share Plan and their fair values at grant dates.

Bank Group		
Number of shares	2010 grant	2009 grant
Balance at 1 January 2010	Not applicable	4,115,463
Granted in 2010	4,367,999	Not applicable
Vested in 2010	(31,468)	-
Forfeited in 2010	(204,884)	(170,803)
Balance at 31 December 2010	4,131,647	3,944,660
Weighted average fair value per share at grant date	\$14.28	\$8.18

Bank		
Number of shares	2010 grant	2009 grant
Balance at 1 January 2010	Not applicable	3,633,142
Granted in 2010	3,732,508	Not applicable
Vested in 2010	(31,468)	-
Forfeited in 2010/ Others	(190,129)	(219,294)*
Balance at 31 December 2010	3,510,911	3,413,848
Weighted average fair value per share at grant date	\$14.28	\$8.19

* Includes shares of employees who were transferred to other subsidiaries of the Bank

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

41.4 DBSH Employee Share Plan

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

Under the ESP, eligible employees are awarded ordinary shares of DBSH, their equivalent cash value or combinations of both (at the discretion of the Committee)

when time-based conditions are met. The ESP awards are granted at the absolute discretion of the Compensation and Management Development Committee.

Time-based awards were granted in the current and previous financial years. The time-based awards will only vest after the satisfactory completion of time-based service conditions. Similar to the DBSH Share Plan, effective from the 2010 grant, shares will vest at thirty three percent two years after the date of grant under such awards. A further thirty three percent will vest three years after the date of grant and the remainder thirty-four percent four years after the date of grant. For grants in 2009, the vesting was over a 3-year period with fifty percent of the shares granted vesting two years after the date of grant and the remainder fifty percent vesting three years after the date of grant. The fair value of the shares awarded are computed based on the market price of the ordinary shares at the time of the award and is amortised through the income statement over the vesting period. At each balance sheet date, the Bank Group revises its estimates of the number of shares expected to vest based on non-market vesting conditions and the corresponding adjustments are made to the income statement.

The following table sets out the movement of time-based awards granted in the current and previous financial years pursuant to the ESP and their fair values at grant dates.

Bank Group		
Number of shares	2010 grant	2009 grant
Balance at 1 January 2010	Not applicable	177,000
Granted in 2010	389,900	Not applicable
Forfeited in 2010	(47,700)	(21,400)
Balance at 31 December 2010	342,200	155,600
Fair value per share at grant date	\$14.26	\$8.05

Bank		
Number of shares	2010 grant	2009 grant
Balance at 1 January 2010	Not applicable	88,000
Granted in 2010	206,800	Not applicable
Forfeited in 2010	(24,700)	(12,400)
Balance at 31 December 2010	182,100	75,600
Fair value per share at grant date	\$14.26	\$8.05

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

42 Related Party Transactions

42.1 Transactions between the Bank and its subsidiaries, including consolidated special purpose entities, which are related parties of the Bank, have been eliminated on consolidation and are disclosed in Notes 42.6 and 42.7.

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

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

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

42.3 Total compensation and fees to key management personnel^(a) are as follows:

In \$ millions	Bank Group		Bank	
	2010	2009	2010	2009
Short-term benefits	37	31	32	27
Post-employment benefits	#	#	#	#
Share-based payments	11	13	9	13
Total ^(b)	48	44	41	40

Amount under \$500,000

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

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

42.4 Income received and expenses paid to related parties

In \$ millions	Bank	
	2010	2009
Income received from:		
-Subsidiaries	101	104
-Associates/joint ventures	38	43
Total	139	147
Expenses paid to:		
-Subsidiaries	207	273
-Special purpose entities	4	14
-Associates/joint ventures	4	3
Total	215	290

42.5 Amounts due to and from related parties

In \$ millions	Bank	
	2010	2009
Amounts due from:		
-Subsidiaries	1,913	1,916
-Special purpose entities	-	67
-Associates/joint ventures	#	#
Total	1,913	1,983
Amounts due to:		
-DBSH	2,362	2,970
-Subsidiaries	7,549	8,293
-Subsidiaries of DBSH	#	#
-Special purpose entities	130	224
-Associates/joint ventures	#	#
Total	10,041	11,487

Amount under \$500,000

42.6 Loans and guarantees to related parties

Loans granted to subsidiaries amounted to \$1,024 million (2009: \$864 million) and will be settled in cash. There were no loans granted by subsidiaries to the Bank.

Guarantees granted to and from subsidiaries amounted to \$515 million (2009: \$572 million) and \$6 million (2009: \$10 million) respectively.

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

43 Fair Value of Financial Investments

43.1 Fair Value Measurements

The following table presents assets and liabilities measured at fair value and classified by level with the following fair value measurement hierarchy:

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

Bank Group	Level 1	Level 2	Level 3	Total
In \$ millions				
2010				
Assets				
Singapore Government securities and treasury bills	11,546	-	-	11,546
Financial assets at fair value through profit or loss ^(a)				
- Debt securities	5,578	379	489	6,446
- Equity securities	346	-	-	346
- Other financial assets	-	3,387	-	3,387
Available-for-sale financial investments				
- Debt securities	15,599	2,438	230	18,267
- Equity securities ^(b)	713	168	137	1,018
- Other financial assets	-	232	-	232
Securities pledged	1,982	-	-	1,982
Positive fair values for financial derivatives	12	16,730	25	16,767
Liabilities				
Financial liabilities at fair value through profit or loss ^(c)				
- Other debt securities in issue	-	2,306	176	2,482
- Other financial liabilities	1,706	5,958	82 ^(d)	7,746
Negative fair values for financial derivatives	7	17,180	35	17,222

Bank Group	Level 1	Level 2	Level 3	Total
In \$ millions				
2009				
Assets				
Singapore Government securities and treasury bills	15,960	-	-	15,960
Financial assets at fair value through profit or loss ^(a)				
- Debt securities	6,755	859	763	8,377
- Equity securities	272	10	2	284
- Other financial assets	-	2,596	-	2,596
Available-for-sale financial investments				
- Debt securities	16,439	2,632	589	19,660
- Equity securities ^(b)	559	182	141	882
Securities pledged	784	-	-	784
Positive fair values for financial derivatives	24	15,923	68	16,015
Liabilities				
Financial liabilities at fair value through profit or loss ^(c)				
- Other debt securities in issue	-	2,424	241	2,665
- Other financial liabilities	332	3,880	2,340 ^(d)	6,552
Negative fair values for financial derivatives	12	16,309	85	16,406

(a) Includes other government securities, corporate debt securities, equity securities and other financial assets at fair value through profit or loss.

(b) Excludes unquoted equities stated at cost of \$125 million (2009: \$134 million).

(c) Includes debt securities in issue, due to non-bank customers (structured investments) and other financial liabilities at fair value through profit or loss.

(d) Comprises deposits with variable returns linked to performance of foreign exchange, equities, interest rates or other market drivers. Principal amounts totalling \$82 million (2009: \$2,317 million) are included within the \$82 million (2009: \$2,340 million) fair value figures for structured investments. Unrealised loss for the structured investments is not significant (2009: \$23 million)

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

Bank	Level 1	Level 2	Level 3	Total
In \$ millions				
2010				
Assets				
Singapore Government securities and treasury bills	11,546	-	-	11,546
Financial assets at fair value through profit or loss ^(a)				
- Debt securities	4,716	366	489	5,571
- Equity securities	346	-	-	346
- Other financial assets	-	3,387	-	3,387
Available-for-sale financial investments				
- Debt securities	12,031	1,741	113	13,885
- Equity securities ^(b)	680	168	134	982
- Other financial assets	-	232	-	232
Securities pledged	712	-	-	712
Positive fair values for financial derivatives	12	16,585	35	16,632
Liabilities				
Financial liabilities at fair value through profit or loss ^(c)				
- Other debt securities in issue	-	2,273	10	2,283
- Other financial liabilities	748	3,499	82 ^(d)	4,329
Negative fair values for financial derivatives	7	16,861	35	16,903

Bank	Level 1	Level 2	Level 3	Total
In \$ millions				
2009				
Assets				
Singapore Government securities and treasury bills	15,960	-	-	15,960
Financial assets at fair value through profit or loss ^(a)				
- Debt securities	5,629	749	763	7,141
- Equity securities	272	10	-	282
- Other financial assets	-	2,553	-	2,553
Available-for-sale financial investments				
- Debt securities	12,285	1,203	262	13,750
- Equity securities ^(b)	549	181	140	870
Securities pledged	279	-	-	279
Positive fair values for financial derivatives	20	16,085	107	16,212
Liabilities				
Financial liabilities at fair value through profit or loss ^(c)				
- Other debt securities in issue	-	2,307	14	2,321
- Other financial liabilities	332	2,509	2,340 ^(d)	5,181
Negative fair values for financial derivatives	12	16,453	85	16,550

(a) Includes other government securities, corporate debt securities, equity securities and other financial assets at fair value through profit or loss.

(b) Excludes unquoted equities stated at cost of \$111 million (2009: \$124 million).

(c) Includes debt securities in issue, due to non-bank customers (structured investments) and other financial liabilities at fair value through profit or loss.

(d) Comprises deposits with variable returns linked to performance of foreign exchange, equities, interest rates or other market drivers. Principal amounts totalling \$82 million (2009: \$2,317 million) are included within the \$82 million (2009: \$2,340 million) fair value figures for structured investments. Unrealised loss for the structured investments is not significant (2009: \$23 million)

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

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

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

The Group classifies financial instruments as Level 3 when there is reliance on unobservable inputs to the valuation model attributing to a significant contribution to the instrument value. Valuation reserves or pricing adjustments where applicable will be used to converge to fair value.

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

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

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

The following table presents the changes in Level 3 instruments for the financial year ended 31 December for Bank Group.

In \$ millions	Opening balance	Gains or losses		Purchases	Issues	Settlement	Transfer in	Transfer out	Closing balance
		Profit or loss	Other comprehensive income						
2010									
Assets									
Financial assets at fair value through profit or loss									
- Debt securities	763	(44)	-	96	-	(326)	50 ^(b)	(50) ^(d)	489
- Equity securities	2	-	-	3	-	(5)	-	-	-
Available-for-sale financial investments									
- Debt securities	589	1	2	3	-	(165)	68 ^(b)	(268) ^(d)	230
- Equity securities	141	(12)	-	19	-	(13)	2	-	137
Positive fair values for financial derivatives	68	6	-	-	-	(1)	18 ^(c)	(66) ^(e)	25
Liabilities									
Financial liabilities at fair value through profit or loss									
- Other debt securities in issue	241	16	-	-	59	(145)	5	-	176
- Other financial liabilities	2,340	(7)	-	-	11	(135)	19	(2,146) ^(f)	82 ^(a)
Negative fair values for financial derivatives	85	-	-	-	-	(1)	28	(77)	35

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

In \$ millions 2009	Opening balance	Gains or losses		Purchases	Settlement	Transfer in	Transfer out	Closing balance
		Profit or loss	Other compre- hensive income					
Assets								
Financial assets at fair value through profit or loss								
- Debt securities	1,194	31	-	24	(342)	277 ^(b)	(421) ^(d)	763
- Equity securities	2	-	-	6	(6)	-	-	2
Available-for-sale financial investments								
- Debt securities	1,115	43	-	306	(417)	153 ^(b)	(611) ^(d)	589
- Equity securities	116	-	25	-	-	-	-	141
Positive fair values for financial derivatives	135	(12)	-	-	(54)	1 ^(c)	(2) ^(e)	68
Liabilities								
Financial liabilities at fair value through profit or loss								
- Other debt securities	277	269	-	-	(305)	-	-	241
- Other financial liabilities	2,483	(143)	-	-	-	-	-	2,340 ^(a)
Negative fair values for financial derivatives								
	359	(157)	-	-	(112)	-	(5)	85

(a) Principal amounts totalling \$82 million (2009: \$2,317 million) are included within the \$82 million (2009: \$2,340 million) fair value figures for structured investments.

(b) Principally reflects transfers from Levels 1 & 2 within the fair value hierarchy due to reduced price transparency or use of proxy pricing over different asset classes.

(c) Principally reflects transfers from Level 2 within the fair value hierarchy for interest rate and credit derivatives due to reduced transparency of correlation inputs and credit spreads having significant impact on overall fair value of instrument.

(d) Principally reflects transfers to Levels 1 & 2 within the fair value hierarchy as recent improved liquidity conditions provided improved price transparency and/or due to the use of developed in-house models with significant observable inputs.

(e) Principally reflects transfers to Level 2 within the fair value hierarchy for interest rate derivatives due to availability of in-house pricing model with significant observable inputs.

(f) Principally reflects transfers to Level 2 within the fair value hierarchy for structured deposits with variable returns linked to performance of some asset class(es) due to availability of in-house pricing model with significant observable inputs.

Total losses for the year included in profit or loss for Level 3 assets/(liabilities) held at the end of 2010	<u>(51)</u>
Total gains for the year included in profit or loss for Level 3 assets/(liabilities) held at the end of 2009	<u>50</u>

Economic hedges entered into for Level 2 exposures may be classified within a different category (i.e. Level 1) and similarly, hedges entered for Level 3 exposures may also be classified within a different category (i.e. Level 1 and/or Level 2). The effects are presented gross in the table.

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

The following table presents the changes in Level 3 instruments for the financial year ended 31 December 2010 for the Bank.

In \$ millions 2010	Opening balance	Gains or losses		Pur- chases	Issues	Settle- ment	Transfer in	Transfer out	Closing balance
		Profit or loss	Other compre- hensive income						
Assets									
Financial assets at fair value through profit or loss									
- Debt securities	763	(44)	-	96	-	(326)	50 ^(b)	(50) ^(d)	489
Available-for-sale financial investments									
- Debt securities	262	-	(7)	3	-	(145)	-	-	113
- Equity securities	140	(12)	-	19	-	(13)	-	-	134
Positive fair values for financial derivatives	107	(22)	-	-	-	(2)	18 ^(e)	(66) ^(e)	35
Liabilities									
Financial liabilities at fair value through profit or loss									
- Other debt securities	14	(1)	-	-	5	(13)	5	-	10
- Other financial liabilities	2,340	(7)	-	-	11	(135)	19	(2,146) ^(f)	82 ^(a)
Negative fair values for financial derivatives	85	-	-	-	-	(1)	28	(77)	35

- (a) Principal amounts totalling \$82 million (2009: \$2,317 million) are included within the \$82 million (2009: \$2,340 million) fair value figures for structured investments.
- (b) Principally reflects transfers from Levels 1 & 2 within the fair value hierarchy due to reduced price transparency or use of proxy pricing over different asset classes.
- (c) Principally reflects transfers from Level 2 within the fair value hierarchy for interest rate derivatives and credit derivatives due to reduced transparency of correlation inputs and credit spreads having significant impact on overall fair value of instrument.
- (d) Principally reflects transfers to Levels 1 & 2 within the fair value hierarchy as recent improved liquidity conditions provided improved price transparency and/or due to the use of developed in-house models with significant observable inputs.
- (e) Principally reflects transfers to Level 2 within the fair value hierarchy for interest rate derivatives due to availability of in-house pricing model with significant observable inputs.
- (f) Principally reflects transfers to Level 2 within the fair value hierarchy for structured deposits with variable returns linked to performance of some asset class(es) due to availability of in-house pricing model with significant observable inputs.

Total losses for the year included in profit or loss for Level 3 assets/(liabilities) held at the end of 2010 (55)

Effect of changes in significant unobservable assumptions to reasonably possible alternatives

As at 31 December 2010, financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) mainly include some of the following: private equity investments, corporate debt securities, equity, interest rate and credit derivatives and financial liabilities from structured product issuances.

In estimating its significance, the Bank Group used an approach that is currently based on methodologies used for fair value adjustments. These adjustments reflect the values that the Bank Group estimates are appropriate to adjust from the valuations produced to reflect for uncertainties in the inputs used. The methodologies used can be a statistical or other relevant approved techniques.

For many of the Level 3 financial instruments considered, in particular derivatives, unobservable input parameters represent only a small portion of the total number of parameters required to value a financial instrument. The Bank Group has assessed this as insignificant.

43.2 Financial assets & liabilities not carried at fair value

For financial assets and liabilities not carried at fair value on the financial statements, the Bank Group has ascertained that their fair values were not materially different from the carrying amounts at year-end.

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

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

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

For unquoted equities not carried at fair value, fair values have been estimated by reference to the net tangible asset backing of the investee. Unquoted equities of \$125 million (2009: \$134 million) for the Bank Group, and \$111 million (2009: \$124 million) for the Bank, were stated at cost less accumulated impairment losses because the fair values cannot be reliably estimated using valuation techniques supported by observable market data. The Bank Group intends to dispose of such financial instruments through trade sale.

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

44 Risk Governance

Under the Bank Group's risk governance framework, the Board of Directors, through the Board Risk Management Committee, oversees the establishment of robust enterprise-wide risk management policies and processes and sets risk appetite limits to guide risk-taking.

Management is accountable to the Board for ensuring the effectiveness of risk management and adherence to risk appetite limits. To provide risk oversight, senior management risk committees are mandated to focus on specific risk areas. These oversight committees are the Risk Executive Committee, the Group Market Risk

Committee, the Group Credit Risk Committee and the Group Operational Risk Committee.

On a day-to-day basis, business units have primary responsibility for risk management. In partnership with the business units, independent control functions provide senior management with timely assessment of key risk exposures and the associated management responses. These units also recommend risk appetite and control limits for approval in line with the Bank Group's risk governance framework.

45 Credit Risk

Credit risk is the risk of loss resulting from the failure of borrowers or counterparties to meet their debt or contractual obligations. Exposure to credit risks arises from lending, sales and trading as well as derivative activities. Lending exposures are typically represented by the notional value or principal amount of on-balance sheet financial instruments. Financial guarantees and standby letters of credit, which represent undertakings that the Bank Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans even though they are of contingent nature. Documentary and commercial letters of credit, which are undertakings by the Bank Group on behalf of a customer, are usually collateralised by the underlying shipments of goods to which they relate and therefore exhibit different risk characteristics from direct lending. Commitments to extend credit include unused portions of loan commitments, guarantees or letters of credit. The majority of unused commitments are contingent upon customers observing or meeting certain credit terms and conditions.

Risk Governance and Organisation

The oversight committee for credit risk is the Group Credit Risk Committee. This Committee serves as an executive forum for discussion on credit trends and all aspects of credit risk management, including the identification, measurement, monitoring, mitigation and control processes. It also provides oversight of credit risk committees that are established in the key markets in which the Bank Group operates. This structure ensures that key credit management decisions are

effectively cascaded to the appropriate country, business and functional units.

Credit Policies

An enterprise-wide Core Credit Risk Policy sets forth the principles by which the Bank Group conducts its credit risk management activities. The policy ensures consistency in credit risk underwriting across the Bank Group, and provides guidance in the formulation of business-specific and/or location-specific credit policies. The Core Credit Risk Policy is considered and approved by the Risk Executive Committee. The business-specific and/or location-specific credit policies are established to provide greater details on the implementation of the credit principles within the Core Credit Risk Policy and are adapted to reflect different credit environments and portfolio risk profiles.

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.

Consumer Credit

Retail exposures comprise mainly residential mortgages, credit cards, auto loans and other unsecured loans. Retail exposures are typically managed on a portfolio basis and assessed based on credit scoring models supplemented by risk acceptance criteria.

Wholesale Credit

Wholesale exposures comprise sovereign, bank, corporate, corporate small business, specialised lending and securitisation exposures. Wholesale exposures are assessed using approved credit models, and reviewed and analysed by experienced credit approvers taking into consideration the relevant credit risk factors. Credit extensions are proposed by the business unit and are approved by the credit risk function based on the business strategies determined by senior management.

Traded Products and Securities

Credit risk from traded products and securities are managed within the overall credit risk appetite for corporates and financial institutions. Counterparty risk that may arise from traded products and securities is viewed similarly to loan exposures and included under the Bank Group's overall lending limits to counterparties.

The Bank Group actively monitors and manages its exposure to counterparties in over-the-counter derivative trades to protect its balance sheet in event of counterparty default. Counterparty risk exposures which may be materially and adversely affected by market risk events are identified, reviewed and acted upon by management and highlighted to the appropriate risk committees. In addition, the Bank Group takes into account any strong relationship between the creditworthiness of a counterparty and the expected future replacement value of a relevant transaction (so called wrong-way risk) during the risk onboarding process. The current exposure method is used for calculating the Bank Group's net credit exposure and regulatory capital for counterparty exposures, using the mark-to-market exposures with an appropriate add-on factor for potential future exposures.

The Bank Group further manages its credit exposure by entering into master netting arrangements with counterparties where it is appropriate and feasible to do so. 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.

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

Credit Monitoring and Control

Day-to-day monitoring of credit exposures, portfolio performance and the external environment that may have an impact on our credit risk profiles is key to our philosophy of effective credit risk management. Risk reporting on credit trends which may include industry analysis, early warning alerts and key weak credits is provided to the various credit committees, and key strategies and action plans are formulated and tracked.

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, ensure appropriate endorsement of excesses and policy exceptions, and also monitor compliance with credit standards and credit covenants established by management and regulators.

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

Credit Risk Mitigants

Collateral

Where possible, the Bank Group takes collateral as a secondary recourse to the borrower. Collateral includes cash, marketable securities, properties, trade receivables, inventory and equipment and other physical and financial collateral. The Bank Group may also take fixed and floating charges on assets of borrowers. It has put in place policies to determine the eligibility of collateral for credit risk mitigation which include requiring specific collaterals to meet minimum operational requirements in order to be considered as effective risk mitigants. Collateral taken for financial market operations is marked-to-market on a mutually agreed period with the respective counterparties. Collateral taken for commercial banking is revalued periodically ranging from daily to annually, depending on the type of collateral. While real estate properties constitute the largest percentage of collateral assets, the Bank Group generally considers the collateral assets to be diversified.

Other Risk Mitigating Factors

The Bank Group also uses guarantees, credit derivatives, master netting agreements, credit support annexes and credit insurance as credit risk mitigants. While the Bank Group may accept guarantees from any counterparty, it sets internal thresholds for considering guarantors to be eligible for credit risk mitigation. Credit derivatives are used as credit risk mitigating factors mainly in structured transactions and for financial market operations. Master netting agreements and credit support annexes are used to mitigate counterparty credit risks. Credit insurance is used for risk sharing in various products such as factoring.

Credit Concentration

The Bank Group's risk management processes aim to ensure that an acceptable level of risk diversification is maintained across the Bank Group on an ongoing basis. Limits are established and regularly monitored in

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

respect of country exposures and major industry groups, as well as for single counterparty exposures. Control structures are in place to ensure that appropriate limits are in place, exposures are monitored against these limits, and appropriate actions are taken if limits are breached.

Non-Performing Loans and Impairments

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

Performing Assets

- Pass grade indicates that the timely repayment of the outstanding credit facilities is not in doubt.
- Special mention grade indicates that the credit facilities exhibit potential weaknesses that, if not corrected in a timely manner, may adversely affect future repayments and warrant close attention by the Bank Group.

Classified or Non-Performing Assets

- Substandard grade indicates that the credit facilities exhibit definable weaknesses either in respect of business, cash flow or financial position of the borrower that may jeopardise repayment on existing terms.
- Doubtful grade indicates that the credit facilities exhibit severe weaknesses such that the prospect of full recovery of the outstanding credit facilities is

questionable and the prospect of a loss is high, but the exact amount remains undeterminable.

- Loss grade indicates the amount of recovery is assessed to be insignificant.

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

Restructured Non-Performing Assets

Credit facilities are classified as restructured assets when the Bank Group grants concessions to a borrower because of deterioration in the financial position of the borrower or the inability of the borrower to meet the original repayment schedule. A restructured credit facility is classified into the appropriate non-performing grade depending on the assessment of the financial condition of the borrower and the ability of the borrower to repay based on the restructured terms. Such credit facilities are not returned to the performing status until there are reasonable grounds to conclude that the borrower will be able to service all future principal and interest payments on the credit facility in accordance with the restructured terms.

Repossessed Collateral

When required, the Bank Group will take possession of collateral it holds as securities and will dispose of them as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. Repossessed collateral is classified in the balance sheet as other assets. The amount of such other assets for 2010 and 2009 is not material.

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

45.1 Maximum exposure to credit risk

The maximum exposure to credit risk at the balance sheet date is the amounts on the balance sheet as well as commitments to extend credit, without taking into account the fair value of any collateral and master netting arrangements. The table below shows the maximum exposure to credit risk for the components of the balance sheet:

In \$ millions	Bank Group		Bank	
	2010	2009	2010	2009
Cash and balances with central banks (excludes cash on hand)	29,834	21,127	27,956	20,220
Singapore Government securities and treasury bills	11,546	15,960	11,546	15,960
Due from banks	20,306	22,203	14,200	19,086
Financial assets at fair value through profit or loss (excludes equity securities)				
Other government securities and treasury bills	2,845	3,918	2,187	2,803
Corporate debt securities	3,601	4,459	3,384	4,338
Loans and advances to customers	395	610	395	567
Other financial assets	2,992	1,986	2,992	1,986
Positive fair values for financial derivatives	16,767	16,015	16,632	16,212
Loans and advances to customers	151,698	129,973	117,747	97,074
Financial investments (excludes equity securities)				
Other government securities and treasury bills	8,473	7,685	6,384	6,526
Corporate debt securities	16,934	17,030	14,156	11,254
Securities pledged				
Singapore Government securities and treasury bills	414	55	414	55
Other government securities and treasury bills	1,556	702	286	197
Corporate debt securities	12	27	12	27
Other assets	6,400	6,032	4,057	3,758
Credit exposure	273,773	247,782	222,348	200,063
Contingent liabilities and commitments (excludes operating lease and capital commitments)	110,987	97,238	87,013	75,829
Total credit exposure	384,760	345,020	309,361	275,892

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

45.2 Loans and advances to customers

Loans and advances to customers are summarised as follows:

In \$ millions	Bank Group		Bank	
	2010	2009	2010	2009
Loans and advances to customers				
Performing Loans				
- Neither past due nor impaired (i)	150,980	128,253	117,487	96,217
- Past due but not impaired (ii)	528	774	61	81
Non-Performing Loans				
- Impaired (iii)	2,818	3,783	2,208	2,811
Total gross loans (Note 19)	154,326	132,810	119,756	99,109

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

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

In \$ millions	Bank Group			
	2010	Pass	Special mention	Total
Manufacturing		16,887	1,748	18,635
Building and construction		20,577	581	21,158
Housing loans		38,086	335	38,421
General commerce		15,062	1,347	16,409
Transportation, storage and communication		13,122	553	13,675
Financial institutions, investments and holding companies		17,238	327	17,565
Professionals and private individuals (except housing loans)		10,855	43	10,898
Others		13,614	605	14,219
Total		145,441	5,539	150,980

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

In \$ millions	Bank			
	2010	Pass	Special mention	Total
Manufacturing		13,121	916	14,037
Building and construction		15,114	433	15,547
Housing loans		29,759	333	30,092
General commerce		9,623	362	9,985
Transportation, storage and communication		11,167	376	11,543
Financial institutions, investments and holding companies		16,283	253	16,536
Professionals and private individuals (except housing loans)		7,848	38	7,886
Others		11,721	140	11,861
Total		114,636	2,851	117,487

In \$ millions	Bank			
	2009	Pass	Special mention	Total
Manufacturing		9,368	1,158	10,526
Building and construction		12,872	246	13,118
Housing loans		23,757	251	24,008
General commerce		7,657	246	7,903
Transportation, storage and communication		8,876	701	9,577
Financial institutions, investments and holding companies		13,803	641	14,444
Professionals and private individuals (except housing loans)		7,164	47	7,211
Others		9,227	203	9,430
Total		92,724	3,493	96,217

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

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

In \$ millions 2010	Bank Group			Total
	Up to 30 days past due	30 - 59 days past due	60 - 90 days past due	
Manufacturing	48	5	2	55
Building and construction	97	3	5	105
Housing loans	126	8	2	136
General commerce	51	5	-	56
Transportation, storage and communication	61	1	-	62
Financial institutions, investment and holding companies	3	-	-	3
Professionals and private individuals (except housing loans)	65	10	3	78
Others	30	2	1	33
Total	481	34	13	528

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

In \$ millions 2010	Bank			Total
	Up to 30 days past due	30 - 59 days past due	60 - 90 days past due	
Manufacturing	17	1	1	19
Building and construction	3	-	4	7
Housing loans	-	1	1	2
General commerce	7	1	-	8
Transportation, storage and communication	5	-	-	5
Financial institutions, investment and holding companies	3	-	-	3
Professionals and private individuals (except housing loans)	13	1	-	14
Others	3	-	-	3
Total	51	4	6	61

In \$ millions 2009	Bank			Total
	Up to 30 days past due	30 - 59 days past due	60 - 90 days past due	
Manufacturing	24	2	1	27
Building and construction	3	-	-	3
Housing loans	-	-	-	-
General commerce	31	1	-	32
Transportation, storage and communication	2	-	-	2
Financial institutions, investment and holding companies	-	-	-	-
Professionals and private individuals (except housing loans)	10	1	-	11
Others	4	2	-	6
Total	74	6	1	81

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

(iii) Non-performing assets

Non-performing assets by loan grading and industry

In \$ millions 2010	Bank Group							
	NPAs ^(a)			Total	Specific allowances ^(a)			
	Sub- standard	Doubtful	Loss			Sub- standard	Doubtful	Loss
Customer loans								
Manufacturing	190	166	146	502	18	161	146	325
Building and construction	74	7	9	90	9	7	9	25
Housing loans	104	-	14	118	2	-	15	17
General commerce	139	61	48	248	5	53	49	107
Transportation, storage and communications	554	75	17	646	109	57	17	183
Financial institutions, investment and holding companies	635	299	26	960	175	198	26	399
Professional and private individuals (except housing loans)	123	10	40	173	25	8	41	74
Others	54	32	55	141	2	27	53	82
Sub-total	1,873	650	355	2,878	345	511	356	1,212
Debt securities	17	5	6	28	-	1	5	6
Contingent items and others	196	82	29	307	29	68	30	127
Total	2,086	737	390	3,213	374	580	391	1,345

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

(a) The Bank Group's NPAs and specific allowances for customer loans each includes \$60 million (2009: \$93 million) in interest receivable.

In \$ millions 2010	Bank							
	NPAs ^(a)			Total	Specific allowances ^(a)			
	Sub- standard	Doubtful	Loss			Sub- standard	Doubtful	Loss
Customer loans								
Manufacturing	126	60	85	271	9	55	85	149
Building and construction	27	1	6	34	5	1	6	12
Housing loans	94	-	14	108	2	-	14	16
General commerce	97	38	22	157	3	30	23	56
Transportation, storage and communications	551	74	1	626	109	57	1	167
Financial institutions, investment and holding companies	635	244	11	890	176	172	11	359
Professional and private individuals (except housing loans)	68	7	19	94	9	5	19	33
Others	30	26	18	74	2	20	18	40
Sub-total	1,628	450	176	2,254	315	340	177	832
Debt securities	18	5	5	28	-	1	6	7
Contingent items and others	184	81	2	267	29	68	2	99
Total	1,830	536	183	2,549	344	409	185	938

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

In \$ millions 2009	Bank							
	Sub- standard	NPAs ^(a)		Total	Sub- standard	Specific allowances ^(a)		Total
		Doubtful	Loss			Doubtful	Loss	
Customer loans								
Manufacturing	259	67	75	401	22	63	75	160
Building and construction	13	14	1	28	1	11	1	13
Housing loans	144	3	18	165	8	3	18	29
General commerce	184	32	103	319	21	18	103	142
Transportation, storage and communications	151	102	1	254	10	80	1	91
Financial institutions, investment and holding companies	738	696	70	1,504	57	369	70	496
Professional and private individuals (except housing loans)	84	18	22	124	6	18	22	46
Others	41	2	26	69	8	2	26	36
Sub-total	1,614	934	316	2,864	133	564	316	1,013
Debt securities	52	97	6	155	3	93	6	102
Contingent items and others	50	130	3	183	-	94	3	97
Total	1,716	1,161	325	3,202	136	751	325	1,212

(a) The Bank's NPAs and specific allowances for customer loans each includes \$46 million (2009: \$53 million) in interest receivable.

Non-performing assets by region

In \$ millions	Bank Group		Bank	
	NPAs	Specific allowances	NPAs	Specific allowances
2010				
Singapore	675	223	673	222
Hong Kong	362	214	2	1
Rest of Greater China	252	166	149	88
South and Southeast Asia	336	164	237	91
Rest of the World	1,588	578	1,488	536
Total	3,213	1,345	2,549	938
2009				
Singapore	754	215	752	213
Hong Kong	567	330	17	16
Rest of Greater China	353	213	213	119
South and Southeast Asia	207	99	135	46
Rest of the World	2,338	951	2,085	818
Total	4,219	1,808	3,202	1,212

Non-performing assets by past due period

In \$ millions	Bank Group		Bank	
	2010	2009	2010	2009
Not overdue	1,294	1,802	1,191	1,657
< 90 days past due	225	358	166	294
91-180 days past due	124	113	93	81
> 180 days past due	1,570	1,946	1,099	1,170
Total past due assets	1,919	2,417	1,358	1,545
Total	3,213	4,219	2,549	3,202

Collateral value for non-performing assets

In \$ millions	Bank Group		Bank	
	2010	2009	2010	2009
Properties	250	540	187	360
Shares and debentures	85	124	73	118
Fixed deposits	38	22	7	8
Others	317	300	281	254
Total	690	986	548	740

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

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

Restructured non-performing assets

In \$ millions	Bank Group		Bank	
	NPAs	Specific allowances	NPAs	Specific allowances
2010				
Substandard	443	47	374	26
Doubtful	145	128	131	115
Loss	28	28	17	17
Total	616	203	522	158
2009				
Substandard	389	51	304	27
Doubtful	90	73	72	55
Loss	54	54	38	38
Total	533	178	414	120

Restructured assets returned to the performing status but are still under concessions as at 31 December 2010 and 31 December 2009 are not material.

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

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

In \$ millions	Bank Group					Total	Financial investments		Total	Securities pledged
	Singapore Government Securities and treasury bills	Other government securities and treasury bills	Corporate debt securities	Loans and advances to customers	Other financial assets (due from banks) ^(b)		Other government securities and treasury bills	Corporate debt securities		
External rating	(1)	(2)	(3)	(4)	(5)	(6)=(2+3+4+5)	(7)	(8)	(9)=(7+8)	(10)
2010										
AAA	11,546	341	285	-	-	626	4,448	3,002	7,450	414
AA- to AA+	-	37	165	-	-	202	1,350	2,023	3,373	1,270
A- to A+	-	384	1,362	-	-	1,746	1,899	6,024	7,923	12
Lower than A-	-	2,083	1,175	-	-	3,258	776	1,748	2,524	286
Unrated	-	-	614	395	2,992	4,001	-	4,137	4,137	-
Total	11,546	2,845	3,601	395	2,992	9,833	8,473	16,934	25,407	1,982
2009										
AAA	15,960	452	296	-	-	748	3,607	1,843	5,450	55
AA- to AA+	-	463	336	-	-	799	1,134	3,199	4,333	505
A- to A+	-	993	2,267	-	-	3,260	2,046	5,584	7,630	13
Lower than A-	-	2,010	1,337	-	-	3,347	898	2,439	3,337	211
Unrated	-	-	223	610	1,986	2,819	-	3,965	3,965	-
Total	15,960	3,918	4,459	610	1,986	10,973	7,685	17,030	24,715	784

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

In \$ millions	Bank					Total	Financial investments			Securities pledged
	Singapore Government Securities and treasury bills	Other government securities and treasury bills	Corporate debt securities	Loans and advances to customers	Other financial assets (due from banks) ^(b)		Other government securities and treasury bills	Corporate debt securities	Total	
External rating	(1)	(2)	(3)	(4)	(5)	(6)=(2+ 3+4+5)	(7)	(8)	(9)=(7+8)	(10)
2010										
AAA	11,546	162	285	-	-	447	3,106	1,619	4,725	414
AA- to AA+	-	16	140	-	-	156	813	1,664	2,477	-
A- to A+	-	372	1,272	-	-	1,644	1,846	5,141	6,987	12
Lower than A-	-	1,637	1,154	-	-	2,791	619	1,616	2,235	286
Unrated	-	-	533	395	2,992	3,920	-	4,116	4,116	-
Total	11,546	2,187	3,384	395	2,992	8,958	6,384	14,156	20,540	712
2009										
AAA	15,960	156	297	-	-	453	3,311	381	3,692	55
AA- to AA+	-	463	308	-	-	771	591	1,495	2,086	-
A- to A+	-	991	2,213	-	-	3,204	1,982	3,341	5,323	13
Lower than A-	-	1,193	1,243	-	-	2,436	642	2,092	2,734	211
Unrated	-	-	277	567	1,986	2,830	-	3,945	3,945	-
Total	15,960	2,803	4,338	567	1,986	9,694	6,526	11,254	17,780	279

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

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

Cross-border exposures

At 31 December 2010, the Bank Group had exposures to various countries where net exposure exceeded 1% of the Bank Group's total assets. The exposures are determined based on the location of the credit risk of the customers and counterparties regardless of where the transactions are booked.

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

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

In \$ millions	Loans and debt securities				Total exposure	
	Banks	Central banks and Government securities	Non-banks ^(a)	Investments	Amount	As a % of Total assets
Assets in	(1)	(2)	(3)	(4)	(5)=(1+2+3+4)	(6)
2010						
Top 10 countries (Net exposure >1% of Total assets)						
Hong Kong	3,554	2,288	37,631	79	43,552	15.4
China	3,947	1,346	8,023	291	13,607	4.8
India	3,944	1,047	6,911	46	11,948	4.2
South Korea	2,133	1,965	4,491	-	8,589	3.0
Taiwan	217	1,982	5,108	20	7,327	2.6
Indonesia	191	1,700	4,394	15	6,300	2.2
United States	995	2,862	1,727	106	5,690	2.0
United Kingdom	1,479	375	2,612	9	4,475	1.6
Malaysia	1,148	143	2,837	101	4,229	1.5
Japan	1,156	1	2,375	1	3,533	1.2
Total	18,764	13,709	76,109	668	109,250	38.5
2009						
Top 10 countries (Net exposure >1% of Total assets)						
Hong Kong	1,240	1,667	34,084	116	37,107	14.3
India	3,413	1,048	5,838	194	10,493	4.1
China	1,446	784	7,434	211	9,875	3.8
South Korea	4,161	2,291	3,065	-	9,517	3.7
United Kingdom	4,199	543	2,529	7	7,278	2.8
United States	1,998	2,227	2,840	184	7,249	2.8
Indonesia	49	1,869	3,827	2	5,747	2.2
Taiwan	516	1,192	3,988	17	5,713	2.2
Australia	3,305	19	1,524	75	4,923	1.9
Japan	2,073	-	1,946	-	4,019	1.6
Total	22,400	11,640	67,075	806	101,921	39.4

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

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

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

In \$ millions	Loans and debt securities				Total exposure	
	Banks	Central banks and Government securities	Non-banks ^(a)	Investments	Amount	As a % of Total assets
Assets in	(1)	(2)	(3)	(4)	(5)=(1+2+3+4)	(6)
2010						
Top 10 countries						
(Net exposure >1% of Total assets)						
Hong Kong	1,782	500	12,890	66	15,238	6.4
India	3,943	1,047	6,909	46	11,945	5.0
South Korea	2,057	1,965	4,448	-	8,470	3.5
Taiwan	216	1,982	4,990	21	7,209	3.0
China	2,166	131	1,910	218	4,425	1.9
United States	149	2,346	1,666	106	4,267	1.8
United Kingdom	1,380	336	2,482	9	4,207	1.8
Malaysia	1,147	114	2,775	10	4,046	1.7
Japan	1,140	1	2,369	1	3,511	1.5
Indonesia	121	1,124	1,655	8	2,908	1.2
Total	14,101	9,546	42,094	485	66,226	27.8
2009						
Top 10 countries						
(Net exposure >1% of Total assets)						
Hong Kong	752	688	9,594	104	11,138	5.2
India	3,338	1,047	5,273	141	9,799	4.5
South Korea	3,688	2,291	2,990	-	8,969	4.1
United Kingdom	3,760	500	2,383	7	6,650	3.1
United States	737	2,002	2,764	183	5,686	2.6
Taiwan	515	1,192	3,862	17	5,586	2.6
Japan	1,886	-	1,940	-	3,826	1.8
Malaysia	875	480	2,121	10	3,486	1.6
Netherlands	2,278	-	1,151	-	3,429	1.6
China	820	266	1,923	151	3,160	1.5
Total	18,649	8,466	34,001	613	61,729	28.6

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

46 Market Risk

46.1 Market risk

Market risk affects the value of financial instruments held by the Bank Group and arises from the changes in interest rate yields, foreign exchange rates, equity prices, commodity prices, credit spreads and changes in the correlations and volatilities of these risk factors.

The Bank Group manages market risk in the course of market-making, structuring and packaging products for investors and other clients, as well as to benefit from market opportunities. The Bank Group also manages banking book interest rate risk arising from mismatches in the interest rate profile of assets, liabilities and capital instruments (and associated hedges), including basis risk arising from different interest rate benchmarks, interest rate re-pricing risk, yield curve risks and embedded optionality. Behavioural assumptions are applied in managing the interest rate risk of banking book deposits with indeterminable maturities. To optimise its income and balance sheet management, the Bank Group deploys funds in debt securities, equities and funds or in the interbank market. All types of foreign exchange risk (including unhedged structural foreign exchange risk arising from the Bank Group's investment in strategic foreign

currency investments) are risk managed as part of the trading book.

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

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

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

The principal market risk appetite measures for market risk are value-at-risk (VAR) and stress loss. VAR is supplemented by risk control measures, such as

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

sensitivities to risk factors, including their volatilities and loss triggers for management action.

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

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

Bank Group					
1 Jan 2010 to 31 Dec 2010					
In \$ millions	As at 31 Dec 2010	Average	High	Low	
Total	31	27	39	15	

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

Bank					
1 Jan 2010 to 31 Dec 2010					
In \$ millions	As at 31 Dec 2010	Average	High	Low	
Total	25	23	34	15	

Bank					
1 Jan 2009 to 31 Dec 2009*					
In \$ millions	As at 31 Dec 2009	Average	High	Low	
Total	24	30	46	20	

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

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

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

Bank Group				
1 Jan 2010 to 31 Dec 2010				
In \$ millions	As at 31 Dec 2010	Average	High	Low
Total	65	56	74	38

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

Bank				
1 Jan 2010 to 31 Dec 2010				
In \$ millions	As at 31 Dec 2010	Average	High	Low
Total	59	51	71	27

Bank				
28 Feb 2009 to 31 Dec 2009*				
In \$ millions	As at 31 Dec 2009	Average	High	Low
Total	83	71	83	53

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

The economic value impact of changes in interest rates is stimulated under various assumptions for the banking book. Based on a 200 basis point upward parallel shock to all yield curves, the stimulated economic value change is negative \$465 million for the Bank Group and \$367 million for the Bank. The corresponding stimulated economic value change for a 200 basis point downward shock is positive \$499 million for the Bank Group and \$431 million for the Bank.

46.2 Interest rate repricing gaps

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

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

In \$ millions	Bank Group						Non-interest bearing	Total
	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years		
2010								
Cash and balances with central banks	3,624	7,064	12,818	1,168	-	-	6,526	31,200
Due from banks	3,460	5,583	4,509	3,572	-	-	3,182	20,306
Financial assets at fair value through profit or loss	500	1,920	1,627	2,894	1,171	1,721	346	10,179
Other securities ^(a)	372	1,776	7,895	5,146	9,170	14,577	1,142	40,078
Loans and advances to customers	25,538	47,572	35,957	19,575	14,440	6,995	1,621	151,698
Other assets ^(b)	-	-	-	-	-	-	30,267	30,267
Total assets	33,494	63,915	62,806	32,355	24,781	23,293	43,084	283,728
Due to banks	5,208	9,377	2,981	753	-	-	492	18,811
Due to non-bank customers	129,670	21,085	19,201	14,486	1,497	1,756	-	187,695
Financial liabilities at fair value through profit or loss	788	1,119	1,510	2,969	2,177	1,648	17	10,228
Other liabilities ^(c)	1,509	251	244	531	388	1,541	25,370	29,834
Subordinated term debts	-	1,158	1,930	1,116	680	1,514	-	6,398
Total liabilities	137,175	32,990	25,866	19,855	4,742	6,459	25,879	252,966
Non-controlling interests	-	-	-	-	-	-	2,879	2,879
Shareholders' funds	-	-	-	-	-	-	27,883	27,883
Total equity	-	-	-	-	-	-	30,762	30,762
On-balance sheet interest rate gap	(103,681)	30,925	36,940	12,500	20,039	16,834	(13,557)	-
Off-balance sheet interest rate gap								
- Financial derivatives ^(d)	8,326	9,522	(5,684)	(4,670)	(4,205)	(3,289)	-	-
2009								
Cash and balances with central banks	2,443	8,706	7,254	-	-	-	4,112	22,515
Due from banks	5,999	6,298	5,178	3,887	70	43	728	22,203
Financial assets at fair value through profit or loss	554	2,275	2,265	3,219	1,289	1,371	284	11,257
Other securities ^(a)	1,157	3,371	9,348	6,465	10,040	11,054	1,040	42,475
Loans and advances to customers	27,404	42,809	24,052	21,077	6,593	6,910	1,128	129,973
Other assets ^(b)	-	-	-	-	-	-	30,242	30,242
Total assets	37,557	63,459	48,097	34,648	17,992	19,378	37,534	258,665
Due to banks	4,828	2,413	1,144	516	-	-	207	9,108
Due to non-bank customers	120,650	25,785	15,804	14,315	987	907	-	178,448
Financial liabilities at fair value through profit or loss	386	1,474	949	1,596	3,371	1,428	13	9,217
Other liabilities ^(c)	789	21	39	70	366	612	25,741	27,638
Subordinated term debts	-	1,264	2,107	715	2,027	1,589	-	7,702
Total liabilities	126,653	30,957	20,043	17,212	6,751	4,536	25,961	232,113
Non-controlling interests	-	-	-	-	-	-	3,019	3,019
Shareholders' funds	-	-	-	-	-	-	23,533	23,533
Total equity	-	-	-	-	-	-	26,552	26,552
On-balance sheet interest rate gap	(89,096)	32,502	28,054	17,436	11,241	14,842	(14,979)	-
Off-balance sheet interest rate gap								
- Financial derivatives ^(d)	5,064	(151)	(414)	2,852	(3,388)	(3,963)	-	-

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

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

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

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

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

In \$ millions	Bank						Non-interest bearing	Total
	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years		
2010								
Cash and balances with central banks	1,989	7,064	12,818	1,168	-	-	6,178	29,217
Due from banks	1,688	5,044	3,258	3,002	-	-	1,208	14,200
Financial assets at fair value through profit or loss	501	1,849	1,626	2,587	985	1,410	346	9,304
Other securities ^(a)	359	1,606	5,987	4,543	6,830	13,473	1,093	33,891
Loans and advances to customers	16,272	31,284	31,788	17,618	13,634	6,715	436	117,747
Other assets ^(b)	-	-	-	-	-	-	34,113	34,113
Total assets	20,809	46,847	55,477	28,918	21,449	21,598	43,374	238,472
Due to banks	4,997	9,047	2,864	638	-	-	2	17,548
Due to non-bank customers	108,270	13,799	12,584	10,711	1,113	1,286	-	147,763
Financial liabilities at fair value through profit or loss	189	748	1,032	2,059	999	1,568	17	6,612
Other liabilities ^(c)	1,017	-	-	243	305	1,195	30,274	33,034
Subordinated term debts	-	1,158	1,930	1,116	680	1,514	-	6,398
Total liabilities	114,473	24,752	18,410	14,767	3,097	5,563	30,293	211,355
Non-controlling interests	-	-	-	-	-	-	-	-
Shareholders' funds	-	-	-	-	-	-	27,117	27,117
Total equity							27,117	27,117
On-balance sheet interest rate gap	(93,664)	22,095	37,067	14,151	18,352	16,035	(14,036)	-
Off-balance sheet interest rate gap								
- Financial derivatives ^(d)	5,471	9,301	(5,803)	(4,451)	(1,224)	(3,294)	-	-
2009								
Cash and balances with central banks	1,640	8,706	7,254	-	-	-	3,815	21,415
Due from banks	4,996	5,231	4,740	3,845	-	43	231	19,086
Financial assets at fair value through profit or loss	555	1,641	1,779	3,059	1,289	1,371	282	9,976
Other securities ^(a)	1,101	2,824	7,119	5,402	8,132	9,442	993	35,013
Loans and advances to customers	18,175	28,252	22,066	18,971	3,803	5,798	9	97,074
Other assets ^(b)	-	-	-	-	-	-	33,515	33,515
Total assets	26,467	46,654	42,958	31,277	13,224	16,654	38,845	216,079
Due to banks	4,551	2,344	886	516	-	-	-	8,297
Due to non-bank customers	98,552	18,644	9,427	10,125	545	711	-	138,004
Financial liabilities at fair value through profit or loss	106	1,186	338	1,285	3,248	1,326	13	7,502
Other liabilities ^(c)	479	-	-	63	330	172	31,647	32,691
Subordinated term debts	-	1,264	2,107	715	2,027	1,589	-	7,702
Total liabilities	103,688	23,438	12,758	12,704	6,150	3,798	31,660	194,196
Non-controlling interests	-	-	-	-	-	-	-	-
Shareholders' funds	-	-	-	-	-	-	21,883	21,883
Total equity							21,883	21,883
On-balance sheet interest rate gap	(77,221)	23,216	30,200	18,573	7,074	12,856	(14,698)	-
Off-balance sheet interest rate gap								
- Financial derivatives ^(d)	5,470	(144)	(758)	2,040	(2,977)	(3,631)	-	-

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

(b) Other assets include positive fair values for financial derivatives, subsidiaries, due from special purpose entities, investments in associates and joint ventures, properties and other fixed assets, investment properties, deferred tax assets and other assets.

(c) Other liabilities include negative fair values for financial derivatives, bills payable, current and deferred tax liabilities, other debt securities in issue, other liabilities, due to holding company, subsidiaries and special purpose entities.

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

47 Liquidity Risk

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

The primary tool of monitoring liquidity risk is the maturity mismatch analysis, which presents the profile of future expected cashflows under defined scenarios. This is monitored against available funding and liquid assets across successive time bands and across major currencies under normal and adverse market scenario conditions. In addition, other monitoring metrics (for example, liquidity ratios, deposit concentration ratio and balance sheet analysis) are used as complementary tools to the maturity mismatch analysis.

On a strategic level, the Board Risk Management Committee is responsible for approving the principles and baseline standards under the Bank Group's liquidity risk management framework, as well as defining the Bank Group's tolerance towards liquidity risk. The Risk Executive Committee, which reports to the Board Risk Management Committee, provides liquidity risk control across the Bank Group and its management. On a business and tactical level, the Group Asset and Liability Committee (GALCO) and country ALCOs are the primary committees responsible for ensuring the Bank Group's liquidity management profile is in accordance with the Group's liquidity risk management framework and policies.

To manage liquidity risk within the tolerance defined by the Board, limits and triggers are set on maturity mismatches under normal and adverse scenarios and other monitoring metrics. Such limits seek to ensure that adequate funding and liquid assets are available to meet liquidity needs under both normal and stress scenarios.

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

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

The table below shows assets and liabilities of the Bank Group at 31 December based on the remaining period to contractual maturity date as at balance sheet date:

	Bank Group					
	2010			2009		
In \$ millions	Up to 1 year	More than 1 year	Total	Up to 1 year	More than 1 year	Total
Cash and balances with central banks	31,200	-	31,200	22,515	-	22,515
Singapore Government securities and treasury bills	3,329	8,217	11,546	5,822	10,138	15,960
Due from banks	18,362	1,944	20,306	19,652	2,551	22,203
Financial assets at fair value through profit or loss	6,615	3,564	10,179	7,319	3,938	11,257
Positive fair value for financial derivatives	16,767	-	16,767	16,015	-	16,015
Loans and advances to customers	55,955	95,743	151,698	44,471	85,502	129,973
Financial investments	7,655	18,895	26,550	6,910	18,821	25,731
Securities pledged	940	1,042	1,982	505	279	784
Investments in associates	-	813	813	-	672	672
Goodwill on consolidation	-	4,802	4,802	-	5,847	5,847
Properties and other fixed assets	-	1,025	1,025	-	1,134	1,134
Investment properties	-	358	358	-	398	398
Deferred tax assets	-	102	102	-	144	144
Other assets	5,486	914	6,400	5,655	377	6,032
Total assets	146,309	137,419	283,728	128,864	129,801	258,665
Due to banks	18,425	386	18,811	9,108	-	9,108
Due to non-bank customers	184,442	3,253	187,695	176,554	1,894	178,448
Financial liabilities at fair value through profit or loss	5,677	4,551	10,228	4,087	5,130	9,217
Negative fair value for financial derivatives	17,222	-	17,222	16,406	-	16,406
Bills payable	601	-	601	501	-	501
Current tax liabilities	879	-	879	807	-	807
Deferred tax liabilities	-	40	40	-	54	54
Other liabilities	5,388	1,182	6,570	5,415	1,072	6,487
Other debt securities in issue	505	1,655	2,160	44	369	413
Due to holding company	2,362	-	2,362	2,970	-	2,970
Subordinated term debts	1,116	5,282	6,398	715	6,987	7,702
Total liabilities	236,617	16,349	252,966	216,607	15,506	232,113
Non-controlling interests	-	2,879	2,879	-	3,019	3,019
Shareholders' funds	-	27,883	27,883	-	23,533	23,533
Total equity	-	30,762	30,762	-	26,552	26,552

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

In \$ millions	Bank					
	2010			2009		
	Up to 1 year	More than 1 year	Total	Up to 1 year	More than 1 year	Total
Cash and balances with central banks	29,217	-	29,217	21,415	-	21,415
Singapore Government securities and treasury bills	3,329	8,217	11,546	5,822	10,138	15,960
Due from banks	12,256	1,944	14,200	16,604	2,482	19,086
Financial assets at fair value through profit or loss	6,326	2,978	9,304	6,100	3,876	9,976
Positive fair value for financial derivatives	16,632	-	16,632	16,212	-	16,212
Loans and advances to customers	41,922	75,825	117,747	32,093	64,981	97,074
Financial investments	6,498	15,135	21,633	5,034	13,740	18,774
Securities pledged	170	542	712	173	106	279
Subsidiaries	1,913	9,967	11,880	1,916	10,004	11,920
Due from special purpose entities	-	-	-	-	67	67
Investments in joint ventures	-	1	1	-	93	93
Investments in associates	-	988	988	-	884	884
Properties and other fixed assets	-	451	451	-	473	473
Investment properties	-	54	54	-	31	31
Deferred tax assets	-	50	50	-	77	77
Other assets	3,670	387	4,057	3,499	259	3,758
Total assets	121,933	116,539	238,472	108,868	107,211	216,079
Due to banks	17,162	386	17,548	8,297	-	8,297
Due to non-bank customers	145,364	2,399	147,763	136,747	1,257	138,004
Financial liabilities at fair value through profit or loss	3,418	3,194	6,612	2,743	4,759	7,502
Negative fair value for financial derivatives	16,903	-	16,903	16,550	-	16,550
Bills payable	560	-	560	468	-	468
Current tax liabilities	782	-	782	672	-	672
Other liabilities	2,817	737	3,554	815	2,699	3,514
Other debt securities in issue	-	1,194	1,194	-	-	-
Due to holding company	2,362	-	2,362	2,970	-	2,970
Due to subsidiaries	5,016	2,533	7,549	5,675	2,618	8,293
Due to special purpose entities	130	-	130	224	-	224
Subordinated term debts	1,116	5,282	6,398	715	6,987	7,702
Total liabilities	195,630	15,725	211,355	175,876	18,320	194,196
Non-controlling interests	-	-	-	-	-	-
Shareholders' funds	-	27,117	27,117	-	21,883	21,883
Total equity	-	27,117	27,117	-	21,883	21,883

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

The table below shows the assets and liabilities of the Bank Group at 31 December based on contractual undiscounted repayment obligations.

In \$ millions	Bank Group						Total
	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	More than 1 year	No specific maturity	
2010							
Cash and balances with central banks	10,151	7,069	12,832	1,168	-	-	31,220
Due from banks	6,018	5,552	4,110	2,694	1,982	-	20,356
Financial assets at fair value through profit or loss	381	1,850	1,147	3,118	4,106	346	10,948
Other securities ^(a)	179	529	4,193	6,700	31,931	1,143	44,675
Loans and advances to customers	10,850	12,226	13,758	21,146	104,635	-	162,615
Other assets ^(b)	1,435	115	319	89	914	10,162	13,034
Total assets	29,014	27,341	36,359	34,915	143,568	11,651	282,848
Due to banks	5,701	9,380	2,599	755	386	-	18,821
Due to non-bank customers	129,678	21,112	19,239	14,569	3,332	-	187,930
Financial liabilities at fair value through profit or loss	754	797	1,059	3,091	4,538	17	10,256
Other liabilities ^(c)	3,277	876	363	1,021	3,042	4,168	12,747
Subordinated term debts	-	14	2	1,238	5,651	-	6,905
Total liabilities	139,410	32,179	23,262	20,674	16,949	4,185	236,659
Non-controlling interests	-	-	-	-	-	2,879	2,879
Shareholders' funds	-	-	-	-	-	27,883	27,883
Total equity	-	-	-	-	-	30,762	30,762
Derivatives settled on a net basis ^(d)	(284)	1	(66)	26	(485)	-	(808)
Net liquidity gap	(110,680)	(4,837)	13,031	14,267	126,134	(23,296)	14,619
2009							
Cash and balances with central banks	5,479	8,109	7,257	-	-	1,683	22,528
Due from banks	6,506	6,032	5,310	1,930	2,570	53	22,401
Financial assets at fair value through profit or loss	435	2,135	1,302	3,505	4,008	284	11,669
Other securities ^(a)	728	1,922	4,067	7,171	31,403	1,038	46,329
Loans and advances to customers	8,297	12,252	10,824	14,508	94,106	-	139,987
Other assets ^(b)	1,274	55	277	57	326	11,540	13,529
Total assets	22,719	30,505	29,037	27,171	132,413	14,598	256,443
Due to banks	5,162	2,415	1,143	516	-	-	9,236
Due to non-bank customers	120,659	25,820	15,837	14,387	1,900	-	178,603
Financial liabilities at fair value through profit or loss	385	1,298	522	1,955	5,478	13	9,651
Other liabilities ^(c)	2,768	294	770	203	1,108	6,252	11,395
Subordinated term debts	-	14	3	918	7,498	-	8,433
Total liabilities	128,974	29,841	18,275	17,979	15,984	6,265	217,318
Non-controlling interests	-	-	-	-	-	3,019	3,019
Shareholders' funds	-	-	-	-	-	23,533	23,533
Total equity	-	-	-	-	-	26,552	26,552
Derivatives settled on a net basis ^(d)	(601)	(326)	(322)	(621)	(397)	(36)	(2,303)
Net liquidity gap	(106,856)	338	10,440	8,571	116,032	(18,255)	10,270

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

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

(c) Other liabilities include bills payable, other debt securities in issue, current and deferred tax liabilities, other liabilities and due to holding company.

(d) Positive indicates inflow and negative indicates outflow of funds

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

In \$ millions	Bank						No specific maturity	Total
	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	More than 1 year			
2010								
Cash and balances with central banks	8,168	7,069	12,832	1,168	-	-	-	29,237
Due from banks	2,896	4,915	2,444	2,009	1,982	-	-	14,246
Financial assets at fair value through profit or loss	381	1,779	1,146	2,878	3,513	346	-	10,043
Other securities ^(a)	151	442	3,231	5,805	27,650	1,093	-	38,372
Loans and advances to customers	7,884	9,246	9,547	16,210	82,382	-	-	125,269
Other assets ^(b)	70	46	53	1,994	389	14,464	-	17,016
Total assets	19,550	23,497	29,253	30,064	115,916	15,903	-	234,183
Due to banks	5,001	9,050	2,482	638	386	-	-	17,557
Due to non-bank customers	108,273	13,816	12,608	10,779	2,479	-	-	147,955
Financial liabilities at fair value through profit or loss	145	454	721	2,105	3,189	17	-	6,631
Other liabilities ^(c)	1,655	91	223	413	4,580	9,197	-	16,159
Subordinated term debts	-	14	2	1,238	5,651	-	-	6,905
Total liabilities	115,074	23,425	16,036	15,173	16,285	9,214	-	195,207
Non-controlling interests	-	-	-	-	-	-	-	-
Shareholders' funds	-	-	-	-	-	27,117	-	27,117
Total equity	-	-	-	-	-	27,117	-	27,117
Derivatives settled on a net basis ^(d)	(165)	1	(59)	49	(468)	-	-	(642)
Net liquidity gap	(95,689)	73	13,158	14,940	99,163	(20,428)	-	11,217
2009								
Cash and balances with central banks	4,875	8,109	7,257	-	-	1,186	-	21,427
Due from banks	5,287	5,070	4,545	1,824	2,500	53	-	19,279
Financial assets at fair value through profit or loss	435	1,542	1,004	3,355	4,100	282	-	10,718
Other securities ^(a)	691	1,776	3,732	5,578	25,981	993	-	38,751
Loans and advances to customers	5,751	9,853	7,460	10,011	70,788	-	-	103,863
Other assets ^(b)	41	25	27	57	259	16,370	-	16,779
Total assets	17,080	26,375	24,025	20,825	103,628	18,884	-	210,817
Due to banks	4,552	2,346	886	516	-	-	-	8,300
Due to non-bank customers	98,555	18,671	9,447	10,180	1,263	-	-	138,116
Financial liabilities at fair value through profit or loss	105	1,086	130	1,482	4,874	13	-	7,690
Other liabilities ^(c)	1,094	42	78	58	3,433	11,307	-	16,012
Subordinated term debts	-	14	3	918	7,498	-	-	8,433
Total liabilities	104,306	22,159	10,544	13,154	17,068	11,320	-	178,551
Non-controlling interests	-	-	-	-	-	-	-	-
Shareholders' funds	-	-	-	-	-	21,883	-	21,883
Total equity	-	-	-	-	-	21,883	-	21,883
Derivatives settled on a net basis ^(d)	(217)	(315)	(306)	(595)	(158)	-	-	(1,591)
Net liquidity gap	(87,443)	3,901	13,175	7,076	86,402	(14,319)	-	8,792

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

(b) Other assets include subsidiaries, due from special purpose entities, investments in associates and joint ventures, properties and other fixed assets, investment properties, deferred tax assets and other assets.

(c) Other liabilities include bills payable, other debt securities in issue, current and deferred tax liabilities, other liabilities and due to holding company, subsidiaries and special purpose entities.

(d) Positive indicates inflow and negative indicates outflow of funds

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

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

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

47.1 Derivatives settled on a gross basis

The table below shows the Bank Group and Bank's derivative financial instruments in the period where they mature based on the remaining period to contractual maturity date as at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows on a gross settlement basis.

In \$ millions	Bank Group					Total
	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	More than 1 year	
2010						
Foreign exchange derivatives						
- outflow	37,345	47,079	64,501	98,369	50,635	297,929
- inflow	37,356	47,244	64,632	98,767	50,249	298,248
2009						
Foreign exchange derivatives						
- outflow	47,713	52,740	58,622	96,563	47,510	303,148
- inflow	47,617	52,060	58,806	96,724	47,464	302,671

In \$ millions	Bank					Total
	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	More than 1 year	
2010						
Foreign exchange derivatives						
- outflow	35,027	44,350	57,700	96,502	44,835	278,414
- inflow	35,059	44,540	57,893	96,922	44,479	278,893
2009						
Foreign exchange derivatives						
- outflow	46,633	50,840	58,606	88,549	47,159	291,787
- inflow	46,526	50,158	58,781	88,684	47,109	291,258

47.2 Contingent liabilities and commitments

The tables below show the Bank Group and Bank's contingent liabilities and commitments in the period where they expire based on the remaining period to contractual maturity date as at the balance sheet date:

In \$ millions	Bank Group				Total
	Less than 1 year	1 to 3 years	3 to 5 Years	Over 5 years	
2010					
Guarantees, endorsements and other contingent items	16,031	-	-	-	16,031
Undrawn loan commitments and other facilities ^(a)	90,044	2,410	1,949	553	94,956
Operating lease commitments	132	312	185	292	921
Capital commitments	40	1	-	-	41
Total	106,247	2,723	2,134	845	111,949
2009					
Guarantees, endorsements and other contingent items	15,711	-	-	-	15,711
Undrawn loan commitments and other facilities ^(a)	75,768	4,785	769	205	81,527
Operating lease commitments	127	218	178	397	920
Capital commitments	41	8	-	-	49
Total	91,647	5,011	947	602	98,207

In \$ millions	Bank				Total
	Less than 1 year	1 to 3 years	3 to 5 Years	Over 5 years	
2010					
Guarantees, endorsements and other contingent items	13,774	-	-	-	13,774
Undrawn loan commitments and other facilities ^(a)	68,811	2,245	1,812	371	73,239
Operating lease commitments	74	235	154	258	721
Capital commitments	27	1	-	-	28
Total	82,686	2,481	1,966	629	87,762
2009					
Guarantees, endorsements and other contingent items	14,163	-	-	-	14,163
Undrawn loan commitments and other facilities ^(a)	56,084	4,723	666	193	61,666
Operating lease commitments	80	148	150	355	733
Capital commitments	25	8	-	-	33
Total	70,352	4,879	816	548	76,595

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

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

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

47.3 Behavioural profiling

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

The table below shows the Bank Group's behavioural net and cumulative maturity mismatch between assets and liabilities over a 1-year period under normal business scenario without incorporating growth projections:

Bank Group	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year
In \$ millions^(a)					
2010					
Net liquidity mismatch	15,969	6,844	16,810	(2,297)	3,328
Cumulative mismatch	15,969	22,813	39,623	37,326	40,654
2009					
Net liquidity mismatch	23,111	13,349	9,793	(492)	555
Cumulative mismatch	23,111	36,460	46,253	45,761	46,316

(a) Positive indicates a position of liquidity surplus. Negative indicates a position of liquidity shortfall that has to be funded.

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

48 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events, including legal risk, but does not include strategic or reputational risk. An operational risk management framework, approved by the Board Risk Management Committee, has been developed with the objective of ensuring that operational risks within the Bank Group are identified, monitored, managed and reported in a structured, systematic and consistent manner.

To manage and control operational risk, the framework encompasses various tools including, control self-assessment, risk event management, and key risk indicator monitoring. Risk events, including any significant incidents that may impact the Bank Group's reputation, are required to be reported based on certain established thresholds. Key risk indicators with pre-defined escalation triggers are employed to facilitate risk monitoring in a forward looking manner.

A key component of the framework is a set of core operational risk standards which provides guidance on the baseline controls to ensure a controlled and sound operating environment. Each new product or service introduced or outsourcing initiative is subject to a risk review and sign-off process in which relevant risks are identified and assessed by departments independent of the risk-taking unit proposing the product or service. Variations of existing products, services and outsourcing initiatives are also subject to a similar process. Major operational risk mitigation programmes include business continuity management and global insurance programme. On an annual basis, the CEO provides an attestation to the Board on the state of business continuity management of the Bank Group, including any residual risks.

The Group Operational Risk Committee oversees the Bank Group's operational risk management infrastructure, including the Framework, policies, processes, information, methodologies and systems. The Committee also performs regular review of the operational risk profiles of the Bank Group, and endorses and recommends corporate operational risk policies to be approved by senior management.

49 Capital Management

The Bank Group's capital management policies are to diversify its sources of capital, to allocate capital efficiently, guided by the need to maintain a prudent relationship between available capital and the risks of its underlying businesses and to meet the expectations of key constituencies, including investors, regulators and rating agencies.

The capital management process, which is under the oversight of the Capital and Balance Sheet Committee, includes periodic reviews of both the demand for and supply of capital across the Bank Group. Overseas subsidiaries and non-banking subsidiaries of the Bank

Group may be required to comply with country-specific and industry-specific capital requirements depending on the applicable jurisdiction and industry they operate in. Available capital is allocated across competing demands, guided by the policies outlined above, and to ensure regulatory compliance. Quarterly updates are provided to the Board of Directors.

Capital adequacy ratios as prescribed by the regulators have been complied with. Details of the DBSH Group's capital resources and capital adequacy ratios are set out in Note 49 of the Notes to the 2010 DBSH Group's financial statements.

50 Segment Reporting

50.1 Business segment reporting

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

The presentation of the business segment results in the financial statements has been revised in 2010 to better reflect internal management reporting. In addition, the Bank Group adopted a revised capital benefit and fund transfer policy with effect from 1 January 2010. Comparative figures have been restated to conform to the current presentation.

The various business segments are described below:

Consumer/ Private Banking

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

Institutional Banking

Institutional Banking provides financial services and products to institutional clients including non bank financial institutions, government linked companies, large corporates and small and medium-sized businesses. The business focus is to broaden and deepen the financial relationship with clients. The products and services available to customers include long and short term credit facilities ranging from specialized lending such as asset financing, project financing and real estate financing to overdraft, trade, receivables financing and structured trade; cash management and deposit; treasury and markets; corporate finance and advisory banking services for mergers and acquisitions, capital raising through debt and equity markets, capital restructuring, syndicated

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

finance, securities and fiduciary services and private equity. Institutional Banking also provides equity services through DBS Vickers Securities (DBSV). DBSV offers a wide range of services to retail and corporate customers including research, sales and trading, share placement, nominees and securities custodian services and distribution of primary and secondary issues.

Treasury

Treasury provides treasury services to corporations, institutional and private investors, financial institutions and other market participants. It is primarily involved in sales, structuring, market making, and trading across a broad range of financial products including foreign exchange, interest rate, debt, credit, equity and other structured derivatives. Income from these

financial products and services offered to the customer of other business segments, such as Consumer/Private Banking and Institutional Banking, is reflected in the respective segments. Treasury is also responsible for facilitating the execution of the Bank Group's asset and liability interest rate positions and management of the investment of the Bank Group's excess liquidity and shareholders' funds.

Others

Others encompasses a range of activities from corporate decisions and income and expenses not attributed to the business segments described above.

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

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

	Consumer/ Private Banking	Institutional Banking	Treasury	Others ^(a)	Total
In \$ millions					
2010					
Net interest income	1,398	1,995	840	85	4,318
Non-interest income	667	1,518	393	170	2,748
Total income	2,065	3,513	1,233	255	7,066
Expenses	1,471	1,119	368	(36)	2,922
Goodwill charge	-	-	-	1,018	1,018
Allowances for credit and other losses	55	812	(2)	46	911
Share of profits of associates	-	25	-	77	102
Profit before tax	539	1,607	867	(696)	2,317
Income tax expense	81	274	134	(35)	454
Net profit	458	1,360	733	(831)	1,720
Total assets before goodwill	51,328	118,572	98,735	10,291	278,926
Goodwill on consolidation	-	-	-	-	4,802
Total assets	-	-	-	-	283,728
Total liabilities	117,529	80,559	42,584	12,294	252,966
Capital expenditure	45	28	10	93	176
Depreciation ^(b)	46	20	10	117	193
2009					
Net interest income	1,399	1,844	1,223	(11)	4,455
Non-interest income	609	1,328	26	185	2,148
Total income	2,008	3,172	1,249	174	6,603
Expenses	1,245	964	324	69	2,602
Allowances for credit and other losses	82	1,118	7	345	1,552
Share of profits of associates	-	28	-	38	66
Profit before tax	681	1,118	918	(202)	2,515
Income tax expense	109	197	195	(216)	285
Net profit	572	974	723	(160)	2,109
Total assets before goodwill	45,094	100,649	97,959	9,116	252,818
Goodwill on consolidation	-	-	-	-	5,847
Total assets	-	-	-	-	258,665
Total liabilities	115,194	69,084	31,262	16,573	232,113
Capital expenditure	28	22	11	118	179
Depreciation ^(b)	50	24	7	114	195

(a) 2009 includes one-time impairment charge for a Thailand investment of \$23 million

(b) Amounts for each business segment are shown before allocation of centralised cost

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

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

	Consumer /Private Banking	Institutional Banking	Treasury	Others ^(a)	Total
In \$ millions					
2010					
Net interest income	1,037	1,412	736	(55)	3,130
Non-interest income	503	900	375	562	2,340
Total income	1,540	2,312	1,111	507	5,470
Expenses	862	604	316	28	1,810
Allowances for credit and other losses	17	670	(3)	73	757
Share of profits of associates	-	-	-	-	-
Profit before tax	661	1,038	798	406	2,903
Income tax expense	109	175	118	(45)	357
Net profit	552	863	680	451	2,546
Total assets	39,724	91,673	85,626	21,449	238,472
Total liabilities	96,920	56,721	38,276	19,438	211,355
Capital expenditure	34	16	9	74	133
Depreciation ^(b)	25	10	8	70	113
2009					
Net interest income	1,008	1,221	1,100	(218)	3,111
Non-interest income	451	878	11	386	1,726
Total income	1,459	2,099	1,111	168	4,837
Expenses	784	508	287	91	1,670
Allowances for credit and other losses	42	820	8	329	1,199
Share of profits of associates	-	-	-	-	-
Profit before tax	633	771	816	(252)	1,968
Income tax expense	107	117	176	(201)	199
Net profit	526	654	640	(51)	1,769
Total assets	33,066	76,635	86,555	19,823	216,079
Total liabilities	91,488	49,828	29,688	23,192	194,196
Capital expenditure	12	8	7	81	108
Depreciation ^(b)	26	4	4	85	119

- (a) 2009 includes one-time impairment charge for a Thailand investment of \$23 million.
(b) Amounts for each business segment are shown before allocation of centralised cost.

50.2 Geographical segment reporting

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

In \$ millions	Bank Group					Total
	Singapore	Hong Kong	Rest of Greater China ^(c)	South and Southeast Asia ^(d)	Rest of the World ^(e)	
2010						
Total income	4,426	1,465	426	457	292	7,066
Net profit	758 ^(a)	579	47	203	133	1,720
Total assets before goodwill	179,831	52,489	21,033	13,710	11,863	278,926
Goodwill on consolidation	4,802	-	-	-	-	4,802
Total assets	184,633	52,489	21,033	13,710	11,863	283,728
Non-current assets ^(f)	1,623	406	129	36	2	2,196
2009						
Total income	3,991	1,366	409	501	336	6,603
Net profit	1,231 ^(b)	464	68	226	120	2,109
Total assets before goodwill	165,673	47,653	14,362	12,743	12,387	252,818
Goodwill on consolidation	5,847	-	-	-	-	5,847
Total assets	171,520	47,653	14,362	12,743	12,387	258,665
Non-current assets ^(f)	1,485	530	142	46	1	2,204

- (a) Includes goodwill charges of \$1,018 million in 2010
(b) Includes one-time impairment charges for a Thailand investment of \$23 million in 2009.
(c) Rest of Greater China includes branch, subsidiary and associate operations in Mainland China and Taiwan.
(d) South and Southeast Asia includes branch, subsidiary, joint venture and associate operations in India, Indonesia, Malaysia and the Philippines.
(e) Rest of the World includes branch operations in South Korea, Japan, United States of America and United Kingdom.
(f) Includes investment in associates, properties and other fixed assets, and investment properties.

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

In \$ millions	Bank					Total
	Singapore	Hong Kong	Rest of Greater China ^(b)	South and Southeast Asia ^(c)	Rest of the World ^(d)	
2010						
Total income	4,521	229	171	266	283	5,470
Net profit	2,181	124	-	107	134	2,546
Total assets	192,598	15,919	8,291	9,843	11,821	238,472
Non-current assets ^(e)	1,370	1	112	10	1	1,494
2009						
Total income	3,863	149	157	339	329	4,837
Net profit	1,415 ^(a)	49	11	173	121	1,769
Total assets	174,633	15,074	6,114	7,909	12,349	216,079
Non-current assets ^(e)	1,352	3	116	9	1	1,481

(a) Includes one-time impairment charges for a Thailand investment of \$23 million in 2009.

(b) Rest of Greater China includes branch operations in Mainland China and Taiwan.

(c) South and Southeast Asia includes branch operations in India, Malaysia and the Philippines.

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

(e) Includes investment in joint ventures and associates, properties and other fixed assets, and investment properties.

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

The significant subsidiaries in the Bank Group are listed below:

Name of subsidiary	Principal activities	Country of incorporation	Currency	Share capital		Effective shareholding %	
				In millions	2010	2009	
Held by the Bank							
1. DBS Asset Management Ltd	Investment management services	Singapore	SGD	64	100	100	
2. DBS China Square Ltd	Property investment holding	Singapore	SGD	229	70	70	
3. DBS Trustee Ltd	Trustee services	Singapore	SGD	3	100	100	
4. DBS Vickers Securities Holdings Pte Ltd	Investment holding	Singapore	SGD	403	100	100	
5. The Islamic Bank of Asia Limited	Provision of Shariah compliant direct investment and capital market services	Singapore	USD	500	50	50	
6. DBS Nominees Pte Ltd	Nominee services	Singapore	SGD	#	100	100	
7. DBSN Services Pte Ltd	Nominee services	Singapore	SGD	#	100	100	
8. Primefield Company Pte Ltd	Investment holding	Singapore	SGD	12	100	100	
9. DBS Capital Investments Ltd	Venture capital investment holding	Singapore	SGD	2	100	100	
10. DBS Diamond Holdings Ltd	Investment holding	Bermuda	USD	3,694	100	100	
11. DBS Group Holdings (Hong Kong) Ltd	Investment holding	Bermuda	HKD	2,619	100	100	
12. DBS Capital Funding Corporation**	Capital funding	Cayman Islands	USD	#	100	100	
13. DBS Capital Funding II Corporation**	Capital funding	Cayman Islands	USD	#	100	100	
14. DBS Bank (China) Limited*	Retail, small and medium-sized enterprise and corporate banking services	China	CNY	4,000	100	100	
15. DBS Private Equity Enterprise ^(a) *	Investment holding	China	USD	15	99	99	
16. DBS Asia Capital Limited*	Corporate finance and advisory services	Hong Kong	HKD	92	100	100	
17. PT Bank DBS Indonesia*	Commercial banking and financial services	Indonesia	IDR	2,225,000	99	99	
18. DBSAM Funds*	Collective investment scheme	Luxembourg	USD	10	100	100	
19. DBS Insurance Agency (Taiwan) Limited*	Provision of insurance agency services	Republic of Taiwan	NTD	3	100	100	
Held by subsidiaries							
20. AXS Infocomm Pte Ltd ^(b)	Development and operation of multimedia transactional pay phone kiosks	Singapore	SGD	19	86.2	86.2	
21. DBS Vickers Securities (Singapore) Pte Ltd	Securities and futures broker	Singapore	SGD	50	100	100	
22. DBS Vickers Securities Online Holdings Pte Ltd	Investment holding	Singapore	SGD	35	100	100	

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

Name of subsidiary	Principal activities	Country of incorporation	Currency	Share capital		Effective shareholding %	
				In millions		2010	2009
Held by subsidiaries							
23. DBS Vickers Research (Singapore) Pte Ltd	Market research consultants	Singapore	SGD	1	100	100	100
24. Vickers Ballas Asset Management Pte Ltd	Marketing, distributing and managing investment funds	Singapore	SGD	1	100	100	100
25. DBS Vickers Securities Nominees (Singapore) Pte Ltd	Nominee services	Singapore	SGD	#	100	100	100
26. DBS Asset Management (United States) Pte Ltd	Investment management services	Singapore	SGD	#	100	100	100
27. DBS Asset Management (Hong Kong) Ltd*	Investment management services	Hong Kong	HKD	13	100	100	100
28. DBS Bank (Hong Kong) Limited*	Retail, corporate and investment banking services	Hong Kong	HKD	7,000	100	100	100
29. DBS Corporate Services (Hong Kong) Limited*	Investment holding and corporate services	Hong Kong	HKD	1	100	100	100
30. DHB Limited*	Investment holding	Hong Kong	HKD	2,300	100	100	100
31. DBS Vickers (Hong Kong) Limited*	Securities and futures broker	Hong Kong	HKD	150	100	100	100
32. DBS Vickers Securities Nominees (Hong Kong) Limited*	Nominee services	Hong Kong	HKD	#	100	100	100
33. DBS Vickers Securities (Hong Kong) Limited*	Investment holding	Hong Kong	HKD	8	100	100	100
34. Kenson Asia Limited*	Corporate services	Hong Kong	HKD	#	100	100	100
35. Kingly Management Limited*	Corporate services	Hong Kong	HKD	#	100	100	100
36. Ting Hong Nominees Limited*	Nominee services	Hong Kong	HKD	#	100	100	100
37. Hang Lung Bank (Nominees) Limited*	Nominee services	Hong Kong	HKD	#	100	100	100
38. DBS Kwong On (Nominees) Limited*	Nominee services	Hong Kong	HKD	#	100	100	100
39. Overseas Trust Bank Nominees Limited*	Nominee services	Hong Kong	HKD	#	100	100	100
40. Worldson Services Limited*	Corporate services	Hong Kong	HKD	#	100	100	100
41. DBS Trustee (Hong Kong) Limited*	Trustee services	Hong Kong	HKD	3	100	100	100
42. PT DBS Vickers Securities (Indonesia)*	Securities broker	Indonesia	IDR	55,000	99	99	99
43. DBS Vickers Securities (Thailand) Co. Ltd*	Securities broker	Thailand	THB	690	100	100	100
44. DHJ Management Limited**	Corporate services	British Virgin Islands	USD	#	100	100	100
45. JT Administration Limited**	Corporate services	British Virgin Islands	USD	#	100	100	100
46. Market Success Limited**	Corporate services	British Virgin Islands	USD	#	100	100	100
47. Kendrick Services Limited**	Corporate directorship services	British Virgin Islands	USD	#	100	100	100
48. Lushington Investment Limited**	Corporate shareholding services	British Virgin Islands	USD	#	100	100	100
49. Quickway Limited**	Corporate directorship services	British Virgin Islands	USD	#	100	100	100
50. DBS Group (HK) Limited*	Investment holding	Bermuda	USD	588	100	100	100
51. DBS Vickers Securities (UK) Ltd*	Securities broker	United Kingdom	GBP	#	100	100	100
52. DBS Vickers Securities (USA), Inc***	Securities broker	United States	USD	3	100	100	100
53. DBS Trustee H.K. (Jersey) Limited*	Trustee services	Jersey	GBP	#	100	100	100
54. DBS Trustee H.K. (New Zealand) Limited*	Trustee services	New Zealand	NZD	#	100	100	100
5. DNZ Limited**	Nominee services	Samoa	USD	#	100	100	100
56. Asian Islamic Investment Management Sdn Bhd ^(c) *	Investment management services	Malaysia	RM	10	51	51	51
57. DBS Investment & Financial Advisory Co. Ltd***	Corporate finance and advisory services	China	USD	1	100	-	-

Amount under \$500,000

* Audited by PricewaterhouseCoopers network firms outside Singapore

** No statutory audit was performed for these companies as it is not mandatory under local laws and regulations

*** Audited by other auditors

(a) In addition to the shareholding of 99%, there is a direct shareholding of 1% (2009: 1%) held through DBS Capital Investments Ltd.

(b) Shareholding includes 26.4% (2009: 26.4%) held through the Bank. In addition, there is an indirect shareholding of 10.6% (2009: 10.6%) held through Network for Electronic Transfers (Singapore) Pte Ltd.

(c) In addition to the effective shareholding of 51%, there is an indirect shareholding of 13.6% (2009: 13.6%) held through Hwang-DBS (Malaysia) Bhd.

DBS Bank Ltd and its subsidiaries
Notes to the financial statements
Year ended 31 December 2010

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

Name of joint venture	Principal activities	Country of incorporation	Currency	Share capital		Effective shareholding %	
				In millions		2010	2009
Held by the Bank							
1. Ayala DBS Holdings Inc.***	Investment holding	The Philippines	PHP	3,340		40.0	40.0
2. Cholamandalam DBS Finance Limited***	Consumer finance	India	INR	1,193		-	37.5
Held by subsidiaries							
3. Hutchinson DBS Card Limited*	Provision of credit card services	British Virgin Islands	HKD	1		50.0	50.0

* Audited by PricewaterhouseCoopers network firms outside Singapore

*** Audited by other auditors

The significant associates in the Bank Group are listed below:

Name of associate	Principal activities	Country of incorporation	Currency	Share capital		Effective shareholding %	
				In millions		2010	2009
Quoted - Held by the Bank							
1. Bank of the Philippine Islands***	Commercial banking and financial services	The Philippines	PHP	35,561		20.3	20.3
Quoted - Held by subsidiaries							
2. Hwang - DBS (Malaysia) Bhd ^(a) *	Investment holding	Malaysia	RM	266		27.7	27.7
Unquoted - Held by the Bank							
3. Century Horse Group Limited***	Financial services	British Virgin Islands	USD	#		20.0	20.0
4. Clearing and Payment Services Pte Ltd	Provides service infrastructure for clearing payment and settlement of financial transactions	Singapore	SGD	#		33.3	33.3
5. Network for Electronic Transfers (Singapore) Pte Ltd	Electronic funds transfer	Singapore	SGD	7		33.3	33.3
6. Orix Leasing Singapore Ltd***	Leasing and hire-purchase financing of equipment, provision of installment loans and working capital financing	Singapore	SGD	3		30.0	30.0
7. Raffles Fund 1 Limited***	Investment management services	Cayman Islands	USD	13		24.2	24.2
8. Investment and Capital Corporation of the Philippines***	Financial services	The Philippines	PHP	300		20.0	20.0
9. The Asian Entrepreneur Legacy One, L.P.***	Investment holding	Cayman Islands	USD	331		12.0	-
Unquoted - Held by subsidiaries							
10. Hwang-DBS Investment Management Berhad*	Investment management services	Malaysia	RM	10		30.0	30.0
11. Hwang-DBS Vickers Research (Malaysia) Sdn Bhd ^(b) *	Investment management	Malaysia	RM	3		49.0	49.0
12. Singapore Consortium Investment Management Ltd	Investment management services	Singapore	SGD	1		33.3	33.3
13. Changsheng Fund Management Company***	Establishment and management of investment	China	RMB	150		33.0	33.0

Amount under \$500,000

* Audited by PricewaterhouseCoopers network firms outside Singapore

*** Audited by other auditors

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

(b) In addition to the effective shareholding of 49%, there is an indirect shareholding of 14.1% (2009: 14.1%) held through Hwang-DBS (Malaysia) Bhd. There is no control over indirect shareholding, thus consolidation was not applied.

The significant special purpose entities controlled and consolidated by the Bank Group in 2010 and 2009 are listed below:

Name of entity	Purpose of special purpose entity	Country of incorporation
1. Zenesis SPC	Issuance of structured products	Cayman Islands
2. Constellation Investment Ltd	Issuance of structured notes	Cayman Islands

52 Asset Held for Sale

On 6 December 2010, DBS Bank Ltd ("DBS") entered into an agreement with The Sumitomo Trust & Banking Co. and Nikko Asset Management Co., Ltd ("Nikko AM") to combine DBS Asset Management Ltd ("DBSAM") and Nikko AM.

Nikko AM, through its indirectly held 100% owned subsidiary Nikko Asset Management Singapore Limited, will acquire DBS' 100% owned subsidiary, DBSAM, for \$137 million (US\$104 million), and DBS will use the proceeds to acquire a 7.25% interest in Nikko AM, thus allowing the Bank Group to participate in the future growth of the combined business.

Shares in Changsheng Fund Management Company, an associate 33% owned by DBSAM, will not form part of the transaction and will be transfer to DBS upon regulatory approvals.

As part of the transaction, DBS and Nikko AM will enter into a non-exclusive distribution agreement through which Nikko AM's portfolio of investment products can be distributed through DBS' network of core markets in the region.

As at 31 December 2010, the assets, liabilities and reserves of DBS AM were consolidated and not classified as a held for sale as the amounts were not material. The transaction is subject to regulatory approvals and is expected to be completed in the first half of 2011.

53 Subsequent Event

On 15 December 2010, DBS Bank Ltd entered into a business migration agreement with The Royal Bank of Scotland N.V and the Royal Bank of Scotland (China) Co. Ltd (RBS China) to transfer certain RBS China's retail and commercial banking customers, business portfolios and related employees in Shanghai, Beijing and Shenzhen to DBS Bank (China) Limited. Subject to customers' consent, up to US\$898 million worth of deposits could be transferred to DBS Bank (China) Limited. The business migration is expected to be completed by the second quarter of 2011.

DBS Bank Ltd and its subsidiaries

Directors' Report

The Directors are pleased to submit their report to the Member together with the audited consolidated financial statements of DBS Bank Ltd ("the Bank") and its subsidiaries ("the Bank Group") and the financial statements of the Bank for the financial year ended 31 December 2010, which have been prepared in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards, as modified by the requirements of Notice to Banks No. 612 "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore.

Board of Directors

The Directors in office at the date of this report are:

Peter Seah Lim Huat	-	Chairman (Appointed Chairman 1 May 2010)
Piyush Gupta	-	Chief Executive Officer
Ang Kong Hua		
Andrew Robert Fowell Buxton		
Bart Joseph Broadman		
Christopher Cheng Wai Chee		
Euleen Goh Yiu Kiang		
Kwa Chong Seng		
John Alan Ross		
Ambat Ravi Shankar Menon		
Danny Teoh Leong Kay	-	(Appointed 1 October 2010)

Messrs Euleen Goh, Bart Broadman and Christopher Cheng will retire in accordance with article 95 of the Bank's Articles of Association at the forthcoming annual general meeting (AGM). Messrs Euleen Goh, Bart Broadman and Christopher Cheng will offer themselves for re-election.

Mr Danny Teoh will retire in accordance with article 74(b) of the Bank's Articles of Association at the forthcoming AGM. Mr Teoh will offer himself for re-election.

Arrangements to enable Directors to acquire shares or debentures

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

Directors' interest in shares or debentures

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

	Holdings in which Directors have a direct interest		Holdings in which Directors are deemed to have an interest	
	As at 31 Dec 2010	As at 31 Dec 2009 (or date of appointment if later)	As at 31 Dec 2010	As at 31 Dec 2009 (or date of appointment if later)
DBS Group Holdings Ltd (DBSH) ordinary shares				
Peter Seah Lim Huat	15,322	15,000	-	-
Piyush Gupta	157,161	79,113	-	-
Ang Kong Hua	-	-	-	-
Andrew Robert Fowell Buxton	9,000	9,000	-	-
Bart Joseph Broadman	10,000	10,000	-	-
Christopher Cheng Wai Chee	-	-	-	-
Euleen Goh Yiu Kiang	4,185	4,185	-	-
Kwa Chong Seng	67,102	65,000	154,856	150,000
John Alan Ross	30,000	30,000	-	-
Ambat Ravi Shankar Menon	-	-	-	-
Danny Teoh Leong Kay	6,000	-	-	6,000
DBS Bank 4.7% non-cumulative non-convertible perpetual preference shares (callable 22 November 2020)				
Euleen Goh Yiu Kiang	3,000	-	-	-
Danny Teoh Leong Kay	2,000	-	-	-
DBS Bank 6% non-cumulative non-convertible perpetual preference shares				
Euleen Goh Yiu Kiang	500	500	-	-
Danny Teoh Leong Kay	1,000	-	-	1,000
DBS Capital Funding II Corporation 5.75% non- cumulative non-convertible non- voting guaranteed preference shares				
Kwa Chong Seng	2	2	-	-

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2011.

Directors' contractual benefits

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

DBSH Share Option Plan

Particulars of the share options granted under the Option Plan in 2000, 2001, 2002, 2003, 2004 and 2005 have been set out in the Directors' Reports for the years ended 31 December 2000, 2001, 2002, 2003, 2004 and 2005 respectively. No grants were made under the Option Plan since 2006.

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

DBSH Options	Number of unissued ordinary shares	During the year		Number of unissued ordinary shares	Exercise price per share ^(a)	Expiry date
	1 January 2010	Exercised	Forfeited / Expired	31 December 2010		
March 2000 ^(b)	1,036,318	-	1,036,318	-	\$17.75	06 March 2010
July 2000 ^(b)	875,153	-	875,153	-	\$18.99	27 July 2010
March 2001	3,486,521	24,444	195,270	3,266,807	\$15.05	15 March 2011
August 2001	153,395	33,408	-	119,987	\$11.00	01 August 2011
March 2002	2,865,806	397,116	-	2,468,690	\$12.53	28 March 2012
August 2002	149,272	9,410	3,529	136,333	\$10.43	16 August 2012
December 2002	11,763	-	-	11,763	\$9.75	18 December 2012
February 2003	2,371,584	332,987	8,233	2,030,364	\$8.84	24 February 2013
March 2004	2,652,353	370,731	16,704	2,264,918	\$12.53	02 March 2014
March 2005	1,318,233	193,943	5,333	1,118,957	\$12.81	01 March 2015
	14,920,398	1,362,039	2,140,540	11,417,819		

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

(b) Expired in 2010

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

The persons to whom the DBSH Options have been granted do not have any right to participate by virtue of the DBSH Options in any share issue of any other company.

DBSH Share Plan

During the financial year, time-based awards in respect of an aggregate of 4,367,999 ordinary shares were granted pursuant to the DBSH Share Plan, to selected employees of the Bank Group. This included 227,054 ordinary shares comprised in awards granted to directors Mr Piyush Gupta and Mr Koh Boon Hwee (stepped down as Chairman of DBSH on 1 May 2010).

Information on the DBSH Share Plan is as follows:

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

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

- (ii) Where time-based awards are granted, participants are awarded ordinary shares of DBSH, their equivalent cash value or a combination of both as part of their deferred bonus, at the end of the

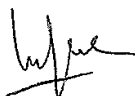
prescribed vesting periods. Awards are granted under the DBSH Share Plan at the absolute discretion of the Compensation and Management Development Committee.

- (iii) The DBSH Share Plan shall continue to be in force at the discretion of the Compensation and Management Development Committee, subject to a maximum period of ten years. At an Extraordinary Annual General Meeting ("the EGM") of DBSH held on 8 April 2009, DBSH Share Plan was extended for another ten years, from 18 September 2009 to 17 September 2019, provided always that the DBSH Share Plan may continue beyond the above stipulated period with the approval of the shareholders of DBSH by ordinary resolution in general meeting and of any relevant authorities which may then be required.
- (iv) Awards under the DBSH Share Plan may be granted at any time in the course of a financial year, and may lapse by reason of cessation of service of the participant, or the retirement, redundancy, ill health, injury, disability, death, bankruptcy or misconduct of the participant, or by reason of the participant, being a non-executive director, ceasing to be a director, or in the event of a take-over, winding up or reconstruction of DBSH.
- (v) At the EGM held on 8 April 2009, the shareholders of DBSH have also approved the reduction of total number of new ordinary shares of DBSH which may be issued pursuant to awards granted under the DBSH Share Plan, when added to the total number of new ordinary shares issued and issuable in respect of all awards granted under the DBSH Share Plan, and all options granted under the DBSH Share Option Plan, from 15% to 7.5% of the total number of issued shares in the capital of DBSH (excluding treasury shares).
- (vi) Subject to the prevailing legislation and SGX-ST guidelines, DBSH will have the flexibility to deliver ordinary shares of DBSH to participants upon vesting of their awards by way of an issue of new ordinary shares and/or the transfer of existing ordinary shares (which may include ordinary shares held by DBSH in treasury).
- (vii) The class and/or number of ordinary shares of DBSH comprised in an award to the extent not yet vested, and/or which may be granted to participants, are subject to adjustment by reason of any variation in the ordinary share capital of DBSH (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation, or distribution) or if DBSH makes a capital distribution or a declaration of a special dividend (whether in cash or in specie), upon the written confirmation of the auditor of DBSH that such adjustment (other than in the case of a capitalisation issue) is fair and reasonable.

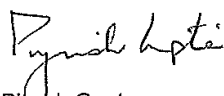
Independent Auditor

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

On behalf of the Directors



Peter Seah Lim Huat



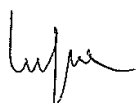
Piyush Gupta

10 February 2011
Singapore

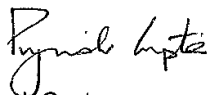
Statement by the Directors

We, Peter Seah Lim Huat and Piyush Gupta, being two of the Directors of DBS Bank Ltd ("the Bank"), state that, in the opinion of the Directors, the consolidated financial statements of the Bank Group, consisting of the Bank and its subsidiaries, and the financial statements of the Bank, together with the notes thereon as set out on pages 1 to 86, are drawn up so as to give a true and fair view of the state of affairs of the Bank and Bank Group as at 31 December 2010, and the results, changes in equity and cash flows of the Bank and Bank Group for the financial year ended on that date and there are reasonable grounds to believe that the Bank and the Bank Group will be able to pay their debts as and when they fall due.

On behalf of the Directors



Peter Seah Lim Huat



Piyush Gupta

10 February 2011
Singapore

TO THE MEMBERS OF DBS BANK LTD (INCORPORATED IN SINGAPORE)

Report on the Financial Statements

We have audited the accompanying financial statements of DBS Bank Ltd (the "Bank") and its subsidiaries (the "Bank Group") set out on pages 1 to 86, which comprise the consolidated balance sheet of the Bank Group and the balance sheet of the Bank as at 31 December 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Bank Group and the statement of comprehensive income and the statement of changes in equity of the Bank for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (Cap.50) (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition that transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Bank Group and the balance sheet, the statement of comprehensive income and the statement of changes in equity of the Bank are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards, including the modification of the requirements of FRS 39 financial Instruments: Recognition and Measurement in respect of loan loss provisioning by Notice to Banks No. 612 "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore, so as to give a true and fair view of the state of affairs of the Bank Group and of the Bank as at 31 December 2010, and the results, changes in equity and cash flows of the Bank Group and the results and changes in equity of the Bank for the financial year ended on that date.

Report on other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Bank and by those subsidiaries incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Public Accountants and Certified Public Accountants

Singapore, 10 February 2011

PARTIES INVOLVED IN THE PROGRAMME

HEAD OFFICE OF THE ISSUER

6 Shenton Way
#39-02 DBS Building Tower One
Singapore 068809

Place of Business in Hong Kong

10th Floor
The Center
99 Queen's Road Central
Central
Hong Kong

REGISTRAR, AGENT AND AGENT'S OFFICE

Computershare Hong Kong Investors Services Limited
Rooms 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTRAR'S AGENT AND REGISTRAR'S AGENT'S OFFICE

Computershare Investor Services (Channel Islands) Limited
P.O. Box 83
Ordinance House
31 Pier Road
St. Helier
Jersey
Channel Islands JE4 8PW

LEGAL ADVISERS

As to Hong Kong law

Allen & Overy
9th Floor
Three Exchange Square
Central
Hong Kong

AUDITOR

PricewaterhouseCoopers LLP
8 Cross Street
#17-00
PWC Building
Singapore 048424