

DBS Group Holdings Ltd and its Subsidiary Companies

Notes to the Consolidated Financial Statements

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

1. GENERAL

The consolidated financial statements are expressed in Singapore dollars. DBS Group Holdings Ltd ("DBSH") is incorporated and domiciled in Singapore. It is an investment holding company. The principal activities of the subsidiary companies of DBSH are disclosed in Notes 31.2 and 31.3.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PRESENTATION

These financial statements of DBSH Group are prepared in accordance with the historical cost convention, modified by the revaluation of certain treasury instruments to market value. They are prepared and complied in accordance with Singapore Companies Act and Singapore Statements of Accounting Standard ("SAS").

In 2002, DBSH Group has adopted the following SASs:

SAS 12 (Revised 2001)	Income Taxes
SAS 30 (2001)	Interim Financial Reporting

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of DBSH and its subsidiary companies. These subsidiary companies are companies in which DBSH has an interest of more than 50% in the issued share capital at balance sheet date or other entities (including Special Purpose Entities ("SPEs")) in which the Group, directly or indirectly, has power to govern the financial and operating policies. The names of these SPEs are disclosed in Note 31.4.

The results of subsidiary companies acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal except for those investments that are excluded for reasons as disclosed in Note 31.2.

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. The Group determines parent and minority interests in preparing consolidated financial statements based on present ownership interests.

Intercompany balances and transactions and resulting unrealised profits or losses are eliminated on consolidation. Where necessary, accounting policies for subsidiary companies have been changed to ensure consistency with the policies adopted by DBSH.

2.3 SUBSIDIARY COMPANIES

Investments in subsidiary companies (as defined in Note 2.2) are stated in the financial statements of DBSH and its subsidiary companies at cost less provision for diminution in value, except where such diminution is temporary.

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2.4 ASSOCIATED AND JOINT VENTURE COMPANIES

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

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

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

2.5 GOODWILL

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

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

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

The gain or loss on disposal of an entity includes the related unamortised balance of goodwill relating to the entity disposed of or, pre-January 1, 2001 acquisitions, any goodwill previously charged to shareholders' equity.

2.6 FOREIGN CURRENCIES

Assets and liabilities in foreign currencies are translated into Singapore dollars at the exchange rates prevailing at balance sheet date. Income and expense items are translated into Singapore dollars at the average exchange rates for the year.

In respect of foreign subsidiary companies and associated and joint venture companies whose operations are not an integral part of DBSH Group's operations, the balance sheets are translated into Singapore dollars at the exchange rates prevailing at balance sheet date, and the results are translated using the average exchange rates for the financial year. The exchange differences arising on translation of foreign subsidiary companies, and DBSH Group's share of exchange differences arising from the translation of foreign associated companies, are taken directly to reserve. On disposal, accumulated translation differences are recognised in the consolidated profit and loss account as part of the gain or loss on sale.

2.7 CASH AND CASH EQUIVALENTS

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

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2.8 LOANS AND ADVANCES

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

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

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

2.9 PROVISION FOR LOAN LOSSES

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

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

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

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

2.10 DEBT SECURITIES AND EQUITIES

2.10.1 Singapore Government securities and treasury bills

Singapore Government securities and treasury bills are stated at cost (adjusted for amortisation of premium or discount) less provision. Provision is made based on the shortfall between cost and market value determined on an aggregate portfolio basis and is recognised as a charge to the profit and loss account as they arise.

2.10.2 Trading securities

Other government securities and treasury bills, equity securities and debt securities held for trading purposes are stated at cost (adjusted for amortisation of premium or discount) less provision. Provision is made based on the shortfall between cost and market value determined on an aggregate portfolio basis and is recognised as a charge to the profit and loss account as they arise. Where the market price may not be achievable as a result of operating in illiquid markets, appropriate adjustments to the market value are made.

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2.10.3 Investment securities

Investments in other government securities and treasury bills, equity securities and debt securities held for investment purposes are stated at cost less provision. Provision is made for an individual investment when there has been a diminution in value, except where such diminution is temporary and is recognised as a charge to the profit and loss account as they arise.

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

Repos are treated as collateralised borrowing and the amount borrowed is shown as a liability, and included in deposits and balances of banks. The securities sold under repos are treated as pledged assets and remain on the balance sheet as an asset, included in Singapore Government securities and treasury bills (Note 24), and Trading Securities (Note 25). Reverse repos are treated as collateralised lending and the amount lent is shown as an asset, and included in balances, placements with, and loans and advances to banks. The difference between the amount received and the amount paid under repos, and reverse repos is amortised as interest expense and interest income respectively on a straight-line basis.

2.12 FORECLOSED PROPERTIES

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

2.13 FIXED ASSETS, INCLUDING INVESTMENT PROPERTIES

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

- 2.13.1** Leasehold land, where the balance of the leasehold period is 100 years or less, is amortised over the remaining period of the lease. No amortisation is made on freehold land and on leasehold land where the unexpired lease period is more than 100 years.
- 2.13.2** Buildings, excluding plant and machinery installed therein, are depreciated on a straight-line basis over their useful lives estimated at 50 years or over the period of the respective leases, whichever is shorter.
- 2.13.3** Computer software costs are capitalised and amortised on a straight-line basis over the estimated useful lives of the software ranging from 3 to 5 years.
- 2.13.4** Other fixed assets are depreciated on a straight-line basis over their estimated useful lives as follows:
- | | |
|--|--------------|
| Plant and machinery | 5 – 15 years |
| Computer hardware and office equipment | 1 – 10 years |
| Furniture and fittings | 1 – 10 years |

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

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

2.14 TREASURY RELATED OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

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

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2.14.1 Non-trading transactions

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

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

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

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

Hedging transactions, which have been superceded, cease to be effective or are terminated prior to the end of the life of the assets, liabilities, other positions or cashflows being hedged, are measured at fair value. Any profit or loss arising from the fair value measurement is deferred and amortised as interest income or expense in the profit and loss account over the remaining life of the items previously being hedged.

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

Derivative transactions which do not meet the criteria required to be classified as a hedge but which are entered into to manage the interest rate exposure of DBSH Group are also classified as non-trading transactions. Income and expenses arising on derivative transactions undertaken for this purpose are accounted for on an accrual basis within interest income and expense.

2.14.2 Trading transactions

Derivative transactions which do not meet the criteria to be designated as hedges are deemed to be trading transactions except as described in Note 2.14.1. Derivatives entered into for trading purposes include swaps, forward rate agreements, futures, options and combinations of these instruments.

Derivatives entered into as trading transactions are measured at fair value and the resultant profits and losses are taken up in the profit and loss account under "Other income". Unrealised valuation gains or losses are included in "Other assets" or "Other liabilities" respectively.

2.14.3 Valuation adjustments for trading instruments

All financial and derivative instruments entered into for trading purposes are stated at fair value. Quoted market prices, when available, are used to determine the fair values of derivatives held for trading. Where mid prices are used, a bid-offer spread adjustment will be made to ensure that all long positions are marked to bid prices and short positions to offer prices. In addition, where appropriate, a liquidity adjustment is made when a market price may not be achievable as a result of certain material positions held by DBSH Group; and a model reserve is set aside for positions where the models used may be a proxy or there may be numerical uncertainty within certain ranges. The reserves are recognised as a charge to the profit and loss account as they arise as part of "Other income" and included in "Other assets" in the balance sheet.

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2.15 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.16 INTEREST INCOME

Interest income is recognised on an accrual basis.

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

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

2.17 FEE AND COMMISSION INCOME

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

2.18 DIVIDENDS

Dividends from equities are recognised when declared payable.

2.19 STAFF COSTS, EQUITY COMPENSATION AND SHARE OPTION PLANS

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

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

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

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

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

2.20 OPERATING LEASES

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

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2.21 TAXATION

The current taxation charged to the profit and loss account represents tax at the current rate based on taxable profits earned during the financial year. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

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

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

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

2.22 PROVISIONS AND OTHER LIABILITIES

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

2.23 SHARE CAPITAL

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

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

2.24 ACCEPTANCES

Acceptances comprise undertakings by DBSH Group to pay bills of exchange drawn on customers. DBSH Group expects most acceptances to be settled simultaneously with the reimbursement from the customers. Acceptances are accounted for as off-balance sheet transactions and are disclosed as contingent liabilities.

2.25 FIDUCIARY ACTIVITIES

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

2.26 BORROWINGS

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

2.27 RECENT ACCOUNTING STANDARDS NOT YET ADOPTED

	Accounting Standards	Adoption date
SAS 33	Financial Instruments: Recognition and Measurement	Financial periods commencing on or after January 1, 2004.

The adoption of SAS 33 is expected to have a material impact on certain financial assets and liabilities including long-term debt. An opening adjustment to Revenue Reserve will also be required, representing unrealised gains or losses on financial assets recorded as available for sale, and derivatives designated as cash flow hedges.

3. COMPARATIVES

Where necessary, comparative figures have been adjusted to conform with changes in the presentation in the current year. Where applicable, the comparatives have been adjusted or extended to take into account the requirements of the revised or new SASs which DBSH Group has implemented in 2002.

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4. SEGMENTAL PRESENTATION

The business segment results are prepared based on information and data generated from DBSH Group's internal financial reporting systems and adjusted to reflect the organisation's management reporting structure. The activities of DBSH Group are highly integrated and accordingly, it is not possible to present segment information without making internal allocations, some of which are necessarily subjective. As a result, amounts for each business segment are shown after the allocation of certain centralised costs, funding income and the application of transfer pricing, where appropriate. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

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

Descriptions of business and geographical segments are set out in Note 41.

5. NET INTEREST INCOME

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

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

6. FEE AND COMMISSION INCOME

Fee and commission income comprises the following:

In S\$'million	DBSH Group	
	2002	2001
Loan-related (include guarantees fees)	138	110
Stockbroking	126	73
Trade and remittances	111	96
Deposit-related	109	100
Credit cards	95	69
Wealth management	77	65
Investment banking	72	72
Fund management	35	20
Others	34	21
Total	797	626

7. DIVIDENDS

Dividends reflected in DBSH include gross dividend income received from DBS Bank.

Dividends reflected in DBSH Group include gross dividend income from trading and non-trading equity investments.

8. RENTAL INCOME

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

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9. OTHER INCOME

Other income comprises the following:

In S\$'million	DBSH Group	
	2002	2001
Net gains on		
– Foreign exchange, debt securities and derivatives ^(a)	307	324
– Singapore Government securities	103	80
Net gains on disposal of investment securities		
– Disposal of The Insurance Corporation of Singapore (ICS) shares net of related expenses	–	120
– Others	18	10
Net gains/(losses) on trading equities	100 ^(b)	(1)
Net gains on disposal of fixed assets	10	22 ^(c)
Others	25	31
Total	563	586

(a) Net gains on foreign exchange, debt securities and derivatives income include gains and losses from foreign exchange, market making in fixed income instruments, interest rate and currency swaps, options and other derivatives as well as money market instruments, from proprietary and customer-driven activities.

(b) The net gains on trading equities in 2002 include a S\$96 million gain from the sale of an equity stake in Natsteel Ltd.

(c) The net gains on disposal of fixed assets in 2001 include a S\$31 million gain from the sale of DBS Securities Building.

10. OPERATING EXPENSES

In S\$'million	DBSH Group	
	2002	2001
Staff costs ^(a)	911	865
Other operating expenses	940	864
– Technology-related expenses ^(b)	228	206
– Occupancy expenses ^(b)	216	200
– Revenue-related expenses ^(b)	157	87
– Office administration expenses ^(b)	91	81
– Other expenses (including professional & consultancy fees) ^(b)	226	250
Restructuring and integration costs (Note 22) ^(c)	22	40
Goodwill amortisation	278	133
Operating expenses before provisions	2,129	1,862

(a) Staff costs include salaries, bonuses, contributions to defined contribution plans, e.g. the Central Provident Fund, and all other staff-related expenses (Note 2.19). Contributions to defined contribution plans was S\$60 million (2001: S\$66 million). At December 31, 2002, DBSH and its subsidiary companies employed 12,035 (2001: 13,536) staff.

(b) Technology-related expenses include depreciation, hire and maintenance of computer hardware and software, and other computer-related expenses.

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

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

Office administration expenses include postage, printing & stationery, telecommunication and office equipment expenses.

Other expenses include professional and consultancy fees, product and corporate image advertising, notification, security guard expenses and other general expenses.

(c) The restructuring and integration costs of S\$22 million (2001 : S\$40 million) are mainly due to the restructuring of Dao Heng Bank Group Limited S\$4 million (2001 : S\$19 million), DBS Vickers Securities Holdings Pte Ltd S\$13 million (2001 : S\$16 million) and DBS Kwong On Bank Limited S\$Nil (2001 : S\$5 million). These costs were subject to detailed formal plans that were under implementation or had been communicated to those affected by the plans.

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10.1 Operating expenses include the following:

In S\$'million	DBSH		DBSH Group	
	2002	2001	2002	2001
(1) Directors' fees and remuneration	#	1	31	28
Remuneration of DBSH's directors (Note 10.2)	–	–	6	16 ^(a)
Remuneration of directors of subsidiary companies of DBSH Group	–	–	23	10
Fees of DBSH's directors (Note 10.2)	# ^(b)	1 ^(b)	1	1
Fees of directors of subsidiary companies of DBSH Group	–	–	1	1
(2) Auditors' remuneration	#	#	8	9
Audit fees	# ^(d)	# ^(d)	2	2
– PwC ^(c) Singapore	–	–	3	3
– Other auditors including associated firms of PwC Singapore	–	–	1	3
Fees for non-audit services ^(e)	–	–	2	1
– PwC Singapore	–	–	1	3
– Other auditors including associated firms of PwC Singapore	–	–	2	1
(3) Depreciation of fixed assets (Note 33)	–	–	172	169
Premises and other properties	–	–	66	60
Computer and office equipment, furniture and fittings and other fixed assets	–	–	106	109
(4) Maintenance and hire of fixed assets including buildings	–	–	143	119
(5) Rental of premises	–	–	89	81

Amount under S\$500,000

(a) This includes a special bonus payment made to Mr. John T. Olds upon his retirement from the Board of Directors on May 12, 2001. It was granted in the absence of any sign-on bonus or allocation of stock options at the commencement of his employment on August 11, 1998.

(b) Directors fees for DBSH Directors amounted to S\$487,000 (2001: S\$516,000).

(c) PricewaterhouseCoopers.

(d) Audit fees for DBSH amounted to S\$70,000 (2001 : S\$70,000).

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

10.2 The number of directors of DBSH, including those appointed and resigned/retired during the year, in each of the remuneration bands is as follows:

	2002*	2001*
S\$500,000 and above	2	3
S\$250,000 to S\$499,999	–	–
Below S\$250,000	11	10
Total	13	13

* Includes remuneration paid to DBSH directors in their capacity as DBS Bank employees.

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

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

In S\$'million	DBSH Group	
	2002	2001
Specific provision for loans (Note 27)	401	226
Specific provision for diminution in value of investments and other assets (Note 28)	26	105
Release of general provision for loans (Note 27)	(68)	(64)
Provision/(Release) of general provision for diminution in value of investments and other assets (Note 28)	33	(1)
Provision for fixed assets and others (Note 28)	142	113
– Fixed assets	94	89
– Others	48	24
Total	534	379

12. TAXATION

In S\$'million	DBSH		DBSH Group	
	2002	2001	2002	2001
Taxation charge in respect of profit for the financial year:				
Current taxation				
– current year	424	22	350	238
– prior years' under/(over) provision	#	–	(3)	#
Deferred taxation (Note 23)				
– origination and reversal of temporary differences	#	#	(48)	21
– reduction in tax rate	–	–	(15)	(2)
– effect of adopting SAS 12	–	–	–	(6)
– prior years' under/(over) provision	–	–	#	(1)
Total	423	22	284	250

Amount under S\$500,000

The taxation charge of DBSH relates mainly to tax deducted at source in relation to dividend income from DBS Bank and tax on interest income.

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

In S\$'million	DBSH		DBSH Group	
	2002	2001	2002	2001
Accelerated tax depreciation	–	–	(43)	(7)
Provision for loan losses	–	–	(25)	14
Other temporary differences	#	#	5	5
Deferred taxation charged to profit and loss account	#	#	(63)	12

Amount under S\$500,000

DBS Group Holdings Ltd and its Subsidiary Companies

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

In S\$'million	DBSH		DBSH Group	
	2002	2001	2002	2001
Operating profit	1,928	166	1,403	1,291
Prima facie tax calculated at a tax rate of 22% (2001: 24.5%)	424	41	309	316
Effect of different tax rates in other countries	–	–	(35)	14
Effect of change in tax rate	#	#	(15)	(2)
Income not subject to tax	–	(20)	(25)	(57)
Income taxed at concessionary rate	–	–	(86)	(62)
Non-tax deductible provisions	–	–	59	35
Goodwill amortisation	–	–	61	33
Others	(1)	1	16	(27)
Taxation charged to profit and loss account	423	22	284	250

Amount under S\$500,000

Further information on deferred income tax is presented in Note 23.

13. EARNINGS PER ORDINARY SHARE

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

In 'million	DBSH Group	
	2002	2001
Weighted average number of ordinary shares in issue ('million) (a)	1,462	1,249

In S\$'million	DBSH Group	
	2002	2001
Net profit attributable to members	1,017	997
Less: Preference dividends	20	21
Net profit attributable to members after adjustment of preference dividends (b)	997	976
Add: Goodwill amortisation	278	133
Net profit attributable to members after adjustment of preference dividends and goodwill amortisation (c)	1,275	1,109
Basic Earnings Per Ordinary Share (Cents) (b)/(a)	68	78
Basic Earnings Per Ordinary Share (excluding goodwill amortisation) (Cents) (c)/(a)	87	89

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

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

In 'million	DBSH Group	
	2002	2001
Weighted average number of ordinary shares in issue	1,462	1,249
Dilutive effect of share options	#	1
Full conversion of DBSH Non-voting CPS	20	25
Full conversion of DBSH Non-voting redeemable CPS	66	66
Weighted average number of ordinary shares in issue assuming dilution (a)	1,548	1,341

Amount under 500,000

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

In S\$'million	DBSH Group	
	2002	2001
Net profit attributable to members	1,017	997
Less: Preference dividends	20	21
Net profit attributable to members after adjustment of preference dividends	997	976
Adjustment to net profit arising from:		
(i) Full conversion of DBSH Non-voting CPS	5	6
(ii) Full conversion of DBSH Non-voting redeemable CPS	15	15
Adjusted net profit attributable to members (b)	1,017	997
Add: Goodwill amortisation	278	133
Adjusted net profit attributable to members (excluding goodwill amortisation) (c)	1,295	1,130
Diluted Earnings Per Ordinary Share (Cents) (b)/(a)	66	74
Diluted Earnings Per Ordinary Share (excluding goodwill amortisation) (Cents) (c)/(a)	84	84

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14. SHARE OPTIONS AND SHARE PLANS

14.1 DBSH SHARE OWNERSHIP SCHEME

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

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

	Number of DBSH ordinary shares		Market value of DBSH ordinary shares (\$'million)	
	2002	2001	2002	2001
At beginning of the year	2,807,529	2,321,029	38	45
At end of the year	3,281,329	2,807,529	36	38

14.2 DBSH SHARE OPTION SCHEME

The DBSH Share Option Scheme was terminated on October 18, 1999, and the outstanding existing unexercised options (the "DBSH Options") will continue to remain valid until the date of expiration of the relevant DBSH Options.

The movements of the unissued ordinary shares of DBSH of par value S\$1.00 each comprised in outstanding existing unexercised options are as follows:

DBSH options	Number of unissued ordinary shares January 1, 2002	During the year		Number of unissued ordinary shares December 31, 2002	Subscription price per ordinary share	Date of expiration
		Exercised	Lapsed			
1997	1,163,612	1,163,596	16	–	S\$7.29	May 5, 2002
1998	1,145,144	213,156	25,200	906,788	S\$7.69	April 7, 2003
	2,308,756	1,376,752	25,216	906,788		

Ordinary shares of DBSH of par value S\$1.00 issued upon exercise of share options during the year ended December 31, 2002 yielded the following proceeds, at the following market value:

In S\$'million	2002	2001
Ordinary share capital – at par	1	1
Share premium	9	9
Proceeds	10	10
Market value, at exercise date, of shares issued	19	20

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14.3 DBSH SHARE OPTION PLAN

Under the DBSH Share Option Plan (the "Option Plan"), options to subscribe for DBSH ordinary shares could be granted to DBSH Group executives who hold the rank of Vice President (or equivalent rank) and above and selected employees of DBSH Group of a rank below the rank of Vice President (or equivalent rank). This would also include executives of associated companies of DBSH Group who hold the rank of Vice President (or equivalent rank); and non-executive directors of DBSH.

The movements of the unissued ordinary shares of DBSH of par value S\$1.00 each comprised in outstanding DBSH options granted under the Option Plan were as follows:

DBSH options	Number of unissued ordinary shares	During the year			Number of unissued ordinary shares	Subscription price per ordinary share	Date of expiration
		January 1, 2002	Granted	Exercised			
1999	4,377,358	–	–	120,897	4,256,461	S\$15.30	July 27, 2009
March 2000	1,750,800	–	–	53,800	1,697,000	S\$20.87	March 5, 2010
July 2000	1,188,800	–	–	35,000	1,153,800	S\$22.33	July 26, 2010
March 2001	13,093,000	–	–	900,000	12,193,000	S\$17.70	March 14, 2011
June 2001	21,000	–	–	–	21,000	S\$14.76	May 31, 2011
August 2001	1,682,000	–	–	182,000	1,500,000	S\$12.93	July 31, 2011
October 2001	11,655	–	–	–	11,655	S\$10.73	October 30, 2011
January 2002	–	50,500	–	–	50,500	S\$13.70	January 1, 2012
March 2002	–	12,876,240	–	548,000	12,328,240	S\$14.73	March 27, 2012
August 2002	–	1,329,000	–	39,000	1,290,000	S\$12.27	August 15, 2012
October 2002	–	9,260	–	–	9,260	S\$11.73	October 9, 2012
December 2002	–	20,000	–	–	20,000	S\$11.47	December 17, 2012
	22,124,613	14,285,000	–	1,878,697	34,530,916		

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

In S\$'million	2002	2001
Ordinary share capital – at par	–	#
Share premium	–	1
Proceeds	–	1
Market value, at exercise date, of shares issued	–	1

Amount under S\$500,000

14.4 DBSH PERFORMANCE SHARE PLAN

The DBSH Performance Share Plan (the "PSP") is a stock-based plan where DBSH ordinary shares are given free to eligible employees. Eligible employees currently are similar to the DBSH Share Option Plan (Note 14.3).

During the financial year, 598,380 (2001 : 2,378,420) DBSH shares were awarded to selected employees pursuant to the PSP. When the shares are awarded, remuneration expenses are computed using the average purchase price and recognised in the profit and loss account on a straight-line basis over the relevant performance period.

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14.5 DBSH EMPLOYEE SHARE PLAN

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

During the financial year, 438,940 (2001 : Nil) DBSH shares were awarded to selected employees pursuant to the ESP. When the shares are awarded, remuneration expenses are computed using the average purchase price and recognised in the profit and loss account on a straight-line basis over the relevant performance period.

15. SHARE CAPITAL

The share capital of DBSH at December 31, 2002, is as follows:

In S\$'million	2002	DBSH 2001
Authorised		
4,000,000,000 ordinary shares of S\$1 each	4,000	4,000
500,000,000 non-voting convertible preference shares of S\$1 each	500	500
500,000,000 non-voting redeemable convertible preference shares of S\$1 each	500	500
	1,000	1,000
Issued and fully paid-up		
1,468,835,159 (2001: 1,446,825,612) ordinary shares of S\$1 each	1,469	1,447
19,608,841 (2001: 25,106,101) non-voting convertible preference shares of S\$1 each	20	25
66,475,374 (2001: 66,475,374) non-voting redeemable convertible preference shares of S\$1 each	66	66
Total issued and paid-up share capital of DBSH	1,555	1,538

- (1) On May 7, 2002, DBSH issued 15,135,535 ordinary shares of par value S\$1.00 each at an issue price of S\$13.92 per share, amounting to S\$211 million, as purchase consideration for the acquisition of an additional interest in a subsidiary company.
- (2) During the financial year, pursuant to the DBSH Share Option Scheme (the "Option Scheme") and DBSH Share Option Plan (the "Option Plan"), DBSH issued 1,376,752 ordinary shares of par value S\$1.00 each, fully paid in cash upon the exercise of the options granted.
- (3) During the financial year, DBSH issued 5,497,260 ordinary shares of par value S\$1.00 each, fully paid in cash upon the conversion of the non-voting convertible preference shares.

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

16. RESERVES

16.1 SHARE PREMIUM ACCOUNT

In S\$'million	2002	DBSH Group 2001
Balance at January 1	1,958	7
Issue of ordinary shares (Note 15 (1))	196	1,965
Exercise of share options pursuant to the DBSH Share Option Scheme and DBSH Share Option Plan (Note 15 (2))	9	9
Expenses relating to issue of shares	#	(23)
Balance at December 31	2,163	1,958

Amount under S\$500,000

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16.2 OTHER RESERVE

Other reserve relates to the share premium of DBS Bank prior to the restructuring of DBS Bank under a financial services holding company, DBSH, pursuant to a scheme of arrangement under Section 210 of the Singapore Companies Act on June 26, 1999. This reserve is capital in nature and is non-distributable.

In S\$'million	DBSH Group	
	2002	2001
Balance at January 1	4,271	4,273
Expenses relating to issue of shares	–	(2)
Balance at December 31	4,271	4,271

16.3 CAPITAL REDEMPTION RESERVE

The capital redemption reserve arises out of the redemption of non-voting redeemable convertible preference shares by way of capital reduction in 2000. This reserve is non-distributable.

16.4 CAPITAL RESERVE

The capital reserve comprises net exchange translation adjustments arising from translation differences on opening net investments in foreign subsidiaries and branches, and the related foreign currency borrowings designated as a hedge. Prior to January 1, 2002, goodwill or reserve arising from acquisition of subsidiary companies and other business undertakings has also been included in this account.

In S\$'million	DBSH Group	
	2002	2001
Balance at January 1	24	–
Net exchange translation adjustments during the year	(43)	(5)
Goodwill written back on disposal of subsidiary companies	–	29
Balance at December 31	(19)	24

16.5 GENERAL RESERVE

The movement in general reserve relates to the amounts transferred to the Reserve Fund to comply with the Banking Act, and the other statutory regulations. This reserve is non-distributable.

In S\$'million	DBSH Group	
	2002	2001
RESERVE FUND		
Balance at January 1	1,821	1,755
Appropriation from profit and loss account (Note 16.6)	223	66
Balance at December 31	2,044	1,821

DBS Group Holdings Ltd and its Subsidiary Companies

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16.6 REVENUE RESERVE

In S\$'million	DBSH Group	
	2002	2001
Balance at January 1		
– as previously reported	3,888	3,420
– effect of adopting SAS 12 in connection with deferred taxation	85	87
Balance at January 1 as restated	3,973	3,507
Net profit attributable to members	1,017	997
Share of reserve arising from equity accounting	–	(2)
Transfer of general reserve (Note 16.5)	(223)	(66)
Goodwill transferred from capital reserve on disposal of subsidiary companies	–	(29)
	(223)	(97)
Amount available for distribution	4,767	4,407
Less: Final dividend on ordinary shares of 16% net of 22% tax (2001: 16% net of 24.5% tax) paid for the financial year ended December 31, 2001	183	147
Special dividend on ordinary shares of NIL (2001: 15% net of 24.5% tax) paid for the financial year ended December 31, 2001	–	138
Final dividend on DBSH non-voting CPS of 16% net of 22% tax (2001: 16% net of 24.5% tax) paid for the financial year ended December 31, 2001	3	3
Final dividend on DBSH non-voting redeemable CPS of 16% net of 22% tax (2001: 16% net of 24.5% tax) paid for the financial year ended December 31, 2001	8	8
Interim dividend on ordinary shares of 14% net of 22% tax (2001: 14% net of 24.5% tax) paid for the financial year ended December 31, 2002	160	128
Interim dividend on DBSH non-voting CPS of 14% net of 22% tax (2001: 14% net of 24.5% tax) paid for the financial year ended December 31, 2002	3	3
Interim dividend on DBSH non-voting redeemable CPS of 14% net of 22% tax (2001: 14% net of 24.5% tax) paid for the financial year ended December 31, 2002	7	7
Balance at December 31	4,403	3,973

16.7 DIVIDEND PROPOSED

Final dividends are not accounted for until they have been ratified at the Annual General Meeting. At the meeting on April 21, 2003, the following dividends are to be proposed. The financial statements for the year ended December 31, 2002 do not reflect this resolution, which will be accounted for in shareholders' equity as an appropriation of retained profits in the year ending December 31, 2003.

In S\$'million	DBSH 2002
(i) Proposed final dividend on ordinary shares of 16% net of 22% tax	183
(ii) Proposed final dividend on DBSH Non-voting CPS of 16% net of 22% tax	3
(iii) Proposed final dividend on DBSH Non-voting redeemable CPS of 16% net of 22% tax	8
	194

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17. MINORITY INTERESTS

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

In S\$'million	Note	DBSH Group	
		2002	2001
DBS Diamond Holdings Ltd	17.1	–	840
DBS Group Holdings (Hong Kong) Ltd		–	127
DBS Thai Danu Bank Public Company Limited	17.2	(255)	(278)
DBS Vickers Securities Holdings Pte Ltd	17.1	150	228
Other subsidiaries		23	30
Preference shares issued by DBS Bank	17.3	1,100	1,100
		1,018	2,047

The balances above included the effect of foreign exchange fluctuations.

- 17.1** DBSH Group determines parent and minority interests in preparing consolidated financial statements on present ownership interests.

DBS Diamond Holdings Ltd

Subsequent to year ended 2002, on January 10, 2003, DBS Bank, through its subsidiary company, DBS Diamond Holdings Ltd ("DDH"), exercised its Call Option on the minority shareholders of DDH. Under the Call Option, DBS Bank had the right to require each DDH minority shareholder to sell his shares in Dao Heng Bank Group Limited ("DHG") by giving a notice within a period of seven business days following December 31, 2002, at a purchase price of HK\$21.70 per share. The financial statements of DBSH Group at December 31, 2002 took into account the effect of the exercise of the Call Option, and DDH became a wholly owned subsidiary company of DBS Bank on December 31, 2002. Consequently, there was no minority interest in DDH at December 31, 2002.

DBS Vickers Securities Holdings Pte Ltd

DBSH Group holds 59.5% interest in DBS Vickers Securities Holdings Pte Ltd ("DBSV").

The minority interest of DBSV have a Put Option exercisable on September 12, 2003 at a price of S\$0.71[^] per Option Share and 3.1 per cent per annum on the value of the option (S\$0.71[^]) compounded annually. Subject to an amount which the Board of DBSV may consider necessary for (i) the appropriation of prudent and proper reserves, (ii) the retention out of profits to meet the working capital requirements and to finance growth of the DBSV Group, and (iii) the requirements as to capital adequacy, solvency or otherwise of the DBSV Group, DBSV shall distribute to shareholders 35% of the net profit after tax for each year ended December 31. The holder of the Put Option does not receive any other rights.

Should the Put Option be exercised by the minority interest, DBS Bank would be required to pay an amount of S\$255 million (2001: S\$322 million) on September 12, 2003.

DBS Bank accounts for the above option as a derivative, and the option will be accounted for as such until any settlement date when the physical shares are acquired.

[^] Based on the original Option price of S\$0.90 per Option share, adjusted for pre-acquisition profits distributed subsequent to the acquisition.

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- 17.2** The balance in respect of DBS Thai Danu Bank Public Company Limited (“DTDB”) is a debit balance. A debit minority interest balance arises where the losses applicable to the minority in the consolidated subsidiary company exceed the minority’s share of the equity of that company.

The published financial statements of DTDB are prepared under Thai Generally Accepted Accounting Principles (“GAAP”) and show that DTDB has positive net assets. However, the amounts consolidated in the DBSH accounts for DTDB are prepared under Singapore Statements of Accounting Standards (“SAS”). There are significant differences in accounting for loan provisions* and certain equity instruments under Thai and Singapore regulatory guidelines and consequently, when Singapore guidelines are applied to the minority’s share of DTDB’s net assets, a debit balance arises. Such debit balance continue to exist although DTDB has posted a profit for the year.

The Board of Directors and management has determined that it has no legal or commercial obligation to provide financing in respect of any accumulated losses attributable to the minority interest of DTDB. They have also considered the DTDB minority interest’s ability to contribute capital as and when such requirements are appropriate.

SAS 26, “Consolidated Financial Statements and Accounting for Investments in Subsidiaries” prescribes conditions for debit minority interest balances. In addition to the above considerations, the company is required to obtain a binding obligation from the minority. In this case, this condition is not applicable, as the circumstances which create the minority interest debit balance do not apply to the published financial statements of DTDB under Thai GAAP, which show a positive net asset position.

* There is a difference in regulatory guidelines for recording bad and doubtful debt provisions in DTDB in Thailand and DBSH Group in Singapore. The higher debt provisions carried in DBSH Group’s accounts are not represented by actual crystallised losses or provisions at DTDB at this point in time. But it reflects the losses which would also be borne by the minority should the provisions recorded in DBSH’s accounts crystallise as losses in DTDB’s accounts.

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

18. SUBORDINATED TERM DEBTS

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

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

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Notes to the Consolidated Financial Statements

18.1 UNDATED SUBORDINATED TERM DEBTS

The following is a summary of the undated subordinated term debts (unsecured unless otherwise stated) outstanding at December 31:

In S\$'million		Note		DBSH Group	
				2002	2001
<i>Face value</i>	<i>Issue date</i>				
Issued by DBS Capital Funding Corporation					
US\$725m	7.657% Non-Cumulative Guaranteed Preference Shares, Series A	Mar 21, 2001	(a)	1,258	1,340
S\$100m	5.35% Non-Cumulative Guaranteed Preference Shares, Series B	Mar 21, 2001	(a)	100	100
Issued by DBS Thai Danu Bank Public Company Limited					
THB5,000m	Fixed Rate Perpetual Subordinated Debentures No.1	Jun 3, 1999	(b)	201	209
Total Undated Subordinated Term Debts				1,559	1,649

- (a) Singapore Statement of Accounting Standard 32, "Financial Instruments : Disclosures and Presentation" requires the issuer of a financial instrument to classify the instrument either as a liability or equity in accordance with the substance of the contractual arrangement on initial recognition. As a consequence, these preference shares, which will convert into a floating coupon at the end of 10 years that is considered sufficiently higher than market rate would indirectly cause DBSH Group to redeem these preference shares. As such, they have been accounted for as long-term liabilities. The dividends on these preference shares are recognised in the profit and loss account as interest expense.

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

- (b) DBS Thai Danu Bank Public Company Limited ("DTDB") issued 50,000 Class A Preference Shares at par value of Baht 10 each together with non-detachable 50,000 perpetual Subordinated Debentures ("Subordinated Debenture No. 1") at par value of Baht 100,000 each. The Subordinated Debenture No. 1 carries a coupon rate of 15% per annum. Interest is payable semi-annually subject to dividends being paid on the Class A Preference Shares. DTDB has an option to pay the full or part of the interest. Interest not paid in any year shall not be accrued for the succeeding year. The Subordinated Debenture No. 1 is perpetual and will be due upon liquidation of DTDB.

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18.2 DATED SUBORDINATED TERM DEBTS

The following is a summary of the dated subordinated term debts (unsecured unless otherwise stated) outstanding at December 31:

In S\$'million				Note	DBSH Group	
					2002	2001
<i>Face value</i>	<i>Issue date</i>	<i>Maturity date</i>				
Issued by DBS Bank						
US\$750m	7 7/8% Subordinated Notes	Aug 10, 1999	Aug 10, 2009	(a)	1,303	1,388
US\$500m	7 7/8% Subordinated Notes	Apr 15, 2000	Apr 15, 2010	(b)	869	925
US\$850m	7 1/8% Subordinated Notes	May 15, 2001	May 15, 2011	(c)	1,477	1,572
Issued by DBS Thai Danu Bank Public Company Limited						
THB6,791m	Subordinated Debentures No.2	Jun 3, 1999	May 28, 2006	(d)	70	73
THB1,077m	4.25% Fixed Rate Subordinated term debt	Jan 18, 2000	Jan 17, 2010	(e)	43	45
THB260m	3.50% Fixed Rate Subordinated term debt	Dec 28, 2000	Dec 27, 2010	(f)	10	11
Issued by Dao Heng Bank Limited						
US\$350m	7.75% Fixed Rate Subordinated term debt	Jan 24, 1997	Jan 24, 2007	(g)	455	484
Total					4,227	4,498
Repayable:						
– Less than one year					24	25
– Over one year					4,203	4,473
Total Dated Subordinated Term Debts					4,227	4,498
Total Subordinated Term Debts					5,786	6,147

- (a) Interest is payable semi-annually on February 10 and August 10 commencing February 10, 2000. The fixed rate funding has been converted to floating rate at three-month London Interbank Offered Rate ("LIBOR") + 1.0475% via interest rate swaps. In computing DBSH Group's capital adequacy ratio, these notes qualify as Tier II capital.
- (b) Interest is payable semi-annually on April 15 and October 15 commencing October 15, 2000. The fixed rate funding has been converted to floating rate at six-month LIBOR + 0.485%, fixing in arrears via interest rate swaps. In computing DBSH Group's capital adequacy ratio, these notes qualify as Tier II capital.
- (c) Interest is payable semi-annually on May 15 and November 15 commencing November 15, 2001. The fixed rate funding has been converted to floating rate at three-month LIBOR + 1.252% via interest rate swaps. In computing DBSH Group's capital adequacy ratio, these notes qualify as Tier II capital.
- (d) DTDB issued Subordinated Debenture No 2/1 to 2/29 ("Subordinated Debenture No. 2") at par value of Baht 100,000 each with varying maturity dates. A series of Subordinated Debenture No. 2 will mature every 3 months on the respective dates stated in the prospectus until May 28, 2006. The face value of the Subordinated Debentures No. 2 totalled Baht 6,791 million and was issued at a discount.
- (e) Interest is payable annually at a fixed rate of 4.25%.
- (f) Interest is payable annually at a fixed rate of 3.5%.
- (g) Interest is payable semi-annually on January 24 and July 24, commencing July 24, 1997. Subsequent to the issue, Dao Heng Bank Limited repurchased and cancelled part of the Fixed Rate Subordinated term debt. At December 31, 2002, the outstanding amount of the term debt is US\$262 million.

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19. OTHER DEBT SECURITIES IN ISSUE

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

19.1 NEGOTIABLE CERTIFICATES OF DEPOSITS

In S\$'million				DBS Group	
				2002	2001
Face value	Interest rate and repayment terms	Issue date	Maturity date		
Issued by DBS Bank					
HK\$100m	7.38%, payable yearly	Jul 5, 2000	Jul 5, 2002	–	24
HK\$150m	5.18%, payable quarterly	Apr 10, 2001	Apr 10, 2003	34	35
HK\$60m	5.17%, payable quarterly	Apr 23, 2001	Dec 30, 2002	–	14
HK\$5m	3.00%, payable yearly	Nov 2, 2001	Nov 3, 2003	1	1
HK\$100m	3–mth interbank offer rate for HK\$ deposits + 0.30%, payable quarterly	Mar 19, 1999	Mar 19, 2002	–	24
HK\$100m	1–mth interbank offer rate for HK\$ deposits + 0.40%, payable monthly	Mar 22, 1999	Mar 22, 2002	–	24
HK\$100m	1–mth interbank offer rate for HK\$ deposits + 0.40%, payable monthly	Mar 26, 1999	Mar 26, 2002	–	24
HK\$50m	1–mth interbank offer rate for HK\$ deposits + 0.30%, payable monthly	Mar 26, 1999	Mar 26, 2002	–	12
HK\$150m	1–mth interbank offer rate for HK\$ deposits + 0.18%, payable monthly	Jun 5, 2000	Jun 5, 2002	–	35
HK\$100m	3–mth interbank offer rate for HK\$ deposits + 0.20%, payable monthly	Jul 12, 2000	Jul 12, 2002	–	24
HK\$100m	3–mth interbank offer rate for HK\$ deposits + 0.18%, payable monthly	Jun 15, 2000	Jun 16, 2003	22	24
TWD50m	1.73% payable on maturity	Nov 19, 2002	Jan 19, 2003	2	–
TWD100m	1.465% payable on maturity	Apr 12, 2002	Apr 1, 2003	5	–
TWD100m	1.465% payable on maturity	Sep 12, 2002	Sep 1, 2003	5	–
TWD150m	1.475% payable on maturity	Dec 23, 2002	Jan 23, 2003	8	–
Issued by DBS Kwong On Bank Limited					
HK\$300m	1–mth Hibor*+ 0.30%, payable monthly	Jul 26, 2000	Jul 28, 2003	67	71
Issued by DBS China Square Ltd (Note a)					
S\$103m	3–mth interbank offer rate for S\$ deposits + variable margin, payable quarterly	Nov 30, 2001	Nov 30, 2006	97	103
Issued by Dao Heng Bank Limited					
HK\$200m	5.50%, payable yearly	Jan 23, 2001	Jan 23, 2002	–	47
HK\$43m	5.00%, payable quarterly	Feb 5, 2001	Feb 5, 2002	–	10
HK\$200m	7.47%, payable quarterly	Feb 22, 2000	Feb 22, 2002	–	47
HK\$75m	7.28%, payable quarterly	Mar 30, 2000	Mar 29, 2002	–	18
HK\$100m	7.55%, payable yearly	May 4, 2000	May 6, 2002	–	24
HK\$50m	5.01%, payable quarterly	Apr 27, 2001	Jul 26, 2002	–	12
HK\$200m	7.84%, payable quarterly	Jul 27, 1999	Jul 29, 2002	–	47
HK\$303m	8.05%, payable quarterly	Jul 27, 1999	Jul 29, 2002	–	72
HK\$50m	7.82%, payable quarterly	Sep 29, 1999	Sep 30, 2002	–	12
HK\$20m	4.38%, payable quarterly	May 28, 2001	Oct 28, 2002	–	5
HK\$5m	7.95%, payable quarterly	Nov 16, 2002	Nov 18, 2002	–	1
US\$3m	2.08%, payable quarterly	Nov 28, 2001	Nov 29, 2002	–	6
HK\$50m	5.10%, payable quarterly	Apr 20, 2001	Dec 20, 2002	–	12
HK\$50m	7.39%, payable quarterly	Jul 5, 2000	Jul 7, 2003	11	12
HK\$20m	4.75%, payable yearly	Jul 26, 2001	Jul 28, 2003	5	5
HK\$100m	2.00%, payable yearly	Aug 1, 2002	Aug 8, 2003	22	–
HK\$100m	2.33%, payable yearly	Jul 24, 2002	Oct 31, 2003	22	–

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In S\$'million				DBS Group	
				2002	2001
Face value	Interest rate and repayment terms	Issue date	Maturity date		
HK\$100m	2.185%, payable quarterly	Aug 7, 2002	Feb 16, 2004	22	–
HK\$10m	3.72%, payable quarterly	Mar 23, 2002	Mar 12, 2004	2	–
HK\$50m	2.555%, payable half yearly	Jul 30, 2002	Mar 15, 2004	11	–
HK\$20m	3.78%, payable yearly	May 10, 2002	May 14, 2004	5	–
HK\$300m	2.7%, payable quarterly	Jul 24, 2002	Jul 30, 2004	67	–
HK\$5m	4.49%, payable quarterly	Sep 10, 2001	Sep 10, 2004	1	1
HK\$5m	3.74%, payable quarterly	Sep 28, 2001	Sep 28, 2004	1	1
HK\$5m	3.30%, payable quarterly	Oct 12, 2001	Oct 12, 2004	1	1
HK\$200m	8.30%, payable quarterly	Sep 14, 1999	Sep 14, 2004	45	47
HK\$100m	8.65%, payable yearly	Nov 3, 1999	Nov 3, 2004	22	24
HK\$130m	8.40%, payable yearly	Nov 30, 1999	Nov 30, 2004	29	31
HK\$100m	4.66%, payable quarterly	Mar 23, 2002	Jan 10, 2005	22	–
HK\$100m	4.45%, payable quarterly	Mar 23, 2002	Feb 7, 2005	22	–
HK\$150m	7.85%, payable quarterly	Mar 7, 2000	Mar 7, 2005	33	36
HK\$50m	8.00%, payable quarterly	Mar 8, 2000	Mar 8, 2005	11	12
HK\$22m	4.61%, payable quarterly	Jun 10, 2002	Jun 13, 2006	5	–
HK\$10m	2.41%, payable yearly	Aug 7, 2002	Aug 12, 2004	2	–
HK\$6.5m	4.45%, payable quarterly	Oct 10, 2001	Oct 10, 2006	1	2
HK\$100m	8.34%, payable quarterly	May 10, 2000	Nov 12, 2007	22	24
HK\$50m	3-mth Hibor* + 0.16%, payable quarterly	Jan 12, 2001	Jan 11, 2002	–	12
HK\$100m	3-mth Hibor* + 0.45%, payable quarterly	Jan 28, 2000	Jan 28, 2002	–	24
HK\$24m	3-mth Hibor* + 0.12%, payable quarterly	Feb 15, 2001	Feb 15, 2002	–	6
HK\$30m	3-mth Hibor* + 0.30%, payable quarterly	Mar 10, 2000	Mar 11, 2002	–	7
HK\$10m	1-mth Hibor* + 0.12%, payable monthly	Apr 27, 2001	Apr 29, 2002	–	2
HK\$220m	1-mth Hibor* + 0.80%, payable monthly	Oct 22, 1999	Oct 22, 2002	–	52
HK\$100m	3-mth Hibor* + 0.20%, payable quarterly	Oct 31, 2000	Oct 31, 2002	–	24
HK\$200m	3-mth Hibor* + 0.55%, payable quarterly	Jan 17, 2000	Jan 17, 2003	45	47
HK\$200m	3-mth Hibor* + 0.50%, payable quarterly	Jan 25, 2000	Jan 27, 2003	45	47
HK\$40m	3-mth Hibor* + 0.50%, payable quarterly	Feb 16, 2000	Feb 17, 2003	9	9
HK\$10m	3-mth Hibor* + 0.32%, payable quarterly	Mar 20, 2000	Mar 20, 2003	2	2
HK\$100m	3-mth Hibor* + 0.28%, payable quarterly	April 26, 2000	Apr 28, 2003	22	24
HK\$150m	3-mth Hibor* + 0.28%, payable quarterly	May 16, 2000	May 16, 2003	34	36
HK\$200m	3-mth Hibor* + 0.25%, payable quarterly	Aug 31, 2000	Aug 29, 2003	45	47
HK\$100m	3-mth Hibor* + 0.30%, payable quarterly	Sep 27, 2000	Sep 29, 2003	22	24
HK\$400m	3-mth Hibor* + 0.10%, payable quarterly	Feb 5, 2002	Feb 7, 2005	89	–
HK\$100m	3-mth Hibor* + 0.18%, payable quarterly	Feb 17, 2002	Jul 22, 2005	22	–
HK\$240m	3-mth Hibor* + 0.205%, payable quarterly	Jul 23, 2002	Jul 29, 2005	54	–
HK\$100m	3-mth Hibor* + 0.18%, payable quarterly	Jul 26, 2002	Jul 29, 2005	78	–
US\$58m	6-mth Libor + 0.18%, payable half yearly	Aug 23, 2002	Sep 4, 2007	101	–
US\$86m	6-mth Libor – 0.03%, payable half yearly	Sep 4, 2002	Sep 10, 2007	150	–
US\$92m	6-mth Libor – 0.05%, payable half yearly	Nov 15, 2002	Nov 21, 2007	159	–
CAD\$11m	6-mth CAD CCDOR** – 0.1%, payable half yearly	Nov 14, 2002	Nov 21, 2007	12	–
Total				1,514	1,287
Repayable:					
– Less than one year				428	620
– Over one year				1,086	667
Total Negotiable Certificates of Deposits				1,514	1,287

* Hibor: Hong Kong Interbank Offer Rate

** CAD CCDOR: Canadian Interbank Bid BA Rate

- (a) The notes are secured by an assignment of the rights, title and interest of the issuer on the property at China Square Land Parcel 486 together with a mortgage over the same property.

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Notes to the Consolidated Financial Statements

19.2 OTHER DEBT SECURITIES

In S\$'million	Note	DBSH Group	
		2002	2001
Issued by DBS Bank			
Equity linked notes	(a)	350	225
Credit linked notes	(b)	975	655
Interest rate linked notes	(c)	203	5
Exchange linked notes	(d)	128	9
Commodity linked notes	(e)	14	–
Issued by ALCO 1 Limited			
Collateralised notes	(f)	224	224
Issued by Tampines Assets Limited			
Senior secured bonds	(g)	108	108
Issued by New Heights Investment Limited			
Secured asset backed medium term notes	(h)	57	–
Issued by Singa Secured Assets Limited			
Asset-backed short-term notes programme (Money Plus)	(i)	763	1,004
Issued by Dao Heng Bank Limited			
HK\$5m Commercial Paper, maturing Feb 10, 2003		1	1
Total		2,823	2,231
Repayable:			
– Less than one year		1,447	1,418
– Over one year		1,376	813
Total other debt securities		2,823	2,231
Total other debt securities in issue		4,337	3,518

- (a) The outstanding notes at December 31, 2002, with an embedded equity option, were issued between December 15, 2000 and December 30, 2002 and mature between January 3, 2003 to February 8, 2007. The payouts at maturity are linked to the closing value of certain underlying equities listed on various stock exchanges or the closing value of certain underlying stock exchange indices or the net asset value of certain underlying equity funds.
- (b) The outstanding notes at December 31, 2002, with an embedded credit default swap, were issued between February 9, 2001 and December 20, 2002 and mature between January 5, 2003 and June 30, 2010. The notes would be redeemed at face value on maturity date provided there is no occurrence of a credit event. If there is an occurrence of a credit event, the underlying asset or the market value of the underlying asset in cash term, depending on the terms of the contract, would be delivered to the holders of the notes.
- (c) The outstanding notes at December 31, 2002, with an embedded interest rate derivative, were issued between February 11, 2002 and December 20, 2002 and mature between January 8, 2003 and February 28, 2009. The payouts at maturity are linked to the market interest rate of certain indexes.
- (d) The outstanding notes at December 31, 2002, with an embedded foreign exchange rate derivative, were issued between April 15, 2002 and December 9, 2002 and mature between January 8, 2003 and November 24, 2003. The payouts at maturity are linked to the market foreign exchange rate of the underlying foreign currencies.

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(e) The outstanding notes at December 31, 2002, with an embedded commodity derivative, were issued on June 19, 2002 and mature on December 19, 2003. The payouts at maturity are linked to the market rate of the underlying commodity indexes.

(f) ALCO 1 Limited (a special purpose entity) issued S\$224 million of floating rate notes on December 21, 2001 that mature in 2009. The Notes were issued in connection with a program to reduce DBS Bank's risk weighted assets through credit derivatives and synthetic securitisation.

These notes comprise:

- (i) US\$30 million Class A1 notes with interest determined at the three-month US dollar London interbank offer rate plus a mark-up of 0.50%;
- (ii) S\$30 million Class A2 notes with interest determined at the three-month Singapore dollar interbank swap offer rate plus a mark-up of 0.45%;
- (iii) US\$12 million Class B1 notes with interest determined at the three-month US dollar London interbank offer rate plus a mark-up of 0.85%;
- (iv) S\$20 million Class B2 notes with interest determined at the three-month Singapore dollar interbank swap offer rate plus a mark-up of 0.80%;
- (v) S\$56 million Class C notes at a fixed rate of 5.20%; and
- (vi) S\$42 million Class D notes at a fixed rate of 6.70%.

The notes are secured on the issuer's investment in securities together with the derivative contracts that the issuer has entered into.

(g) In connection with the securitisation of Tampines Centre, S\$180 million seven-year, fixed rate bonds were issued on December 7, 1999 together with 18,000 preference shares, and mature in 2006. The bonds were issued in 2 classes – (a) S\$108 million Senior Bonds; and (b) S\$72 million Junior Bonds. The Junior Bonds are held by DBS Bank and are eliminated at Group level. Interest is payable semi-annually on June 7 and December 7, at a fixed rate of 5.625% for the Senior Bonds and 6% for the Junior Bonds.

The bonds are secured, inter alia, by an assignment of the rights, title and interest of the issuer in and to the Sale and Purchase Agreement and the Option Agreement (both as defined in the Trust Deed), a first fixed charge over the shares held by the issuer, and a debenture creating fixed and floating charges over the assets of the issuer.

(h) The SGD notes will mature between April 25, 2006 and April 25, 2008. The notes would be redeemed at a fixed interest rate on maturity date provided there is no occurrence of a credit event. If there is an occurrence of a credit event, the issuer of the note would deliver bonds or loans or their market value in cash term, depending on the terms of the contract, to the holders of the notes. The notes are secured on deposits equivalent to the issue price, a series of credit default swaps whereby the issuer sells credit protection, and cross currency swaps.

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- (i) These are short-dated notes issued by Singa Secured Assets Limited with a maturity of less than six months and details of amounts outstanding at December 31, 2002 are as follows:

<i>Face value</i>	<i>Interest rate and series number</i>	<i>Issue date</i>	<i>Maturity date</i>
Issued by Singa Secured Assets Limited			
S\$50 million	1.15% Series 13-03	July 17, 2002	January 17, 2003
S\$26 million	1% Series 15-03	July 29, 2002	January 29, 2003
S\$44 million	1.05% Series 05-05	August 20, 2002	February 20, 2003
S\$5 million	1% Series 18-03	September 26, 2002	March 26, 2003
S\$53 million	1.27% Series 02-10	October 8, 2002	January 8, 2003
S\$3 million	1.31% Series 09-09	October 8, 2002	January 8, 2003
S\$89 million	1.4% Series 20-05	October 18, 2002	January 20, 2003
S\$27 million	1.42% Series 14-04	October 21, 2002	March 21, 2003
S\$30 million	1.25% Series 21-05	October 25, 2002	January 27, 2003
S\$40 million	1.06% Series 04-10	November 6, 2002	February 6, 2003
S\$20 million	1.06% Series 07-14	November 11, 2002	January 13, 2003
S\$71 million	1.13% Series 16-06	November 14, 2002	February 14, 2003
S\$45 million	0.85% Series 06-10	November 28, 2002	February 28, 2003
S\$36 million	0.85% Series 08-14	December 2, 2002	February 4, 2003
S\$5 million	0.96% Series 28-01	December 4, 2002	March 4, 2003
S\$5 million	0.8% Series 24-07	December 5, 2002	January 6, 2003
S\$12 million	0.8% Series 25-06	December 5, 2002	January 6, 2003
S\$67 million	0.91% Series 01-11	December 9, 2002	March 10, 2003
S\$7 million	0.82% Series 26-06	December 9, 2002	January 9, 2003
S\$48 million	0.95% Series 03-29	December 18, 2002	January 20, 2003
S\$20 million	0.95% Series 30-01	December 19, 2002	January 20, 2003
S\$3 million	1% Series 11-08	December 26, 2002	March 26, 2003
S\$7 million	0.96% Series 12-19	December 30, 2002	January 30, 2003
S\$30 million	1% Series 31-01	December 30, 2002	March 31, 2003
S\$20 million	1.05% Series 32-01	December 30, 2002	June 30, 2003

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

20. DEPOSITS AND OTHER ACCOUNTS OF NON-BANK CUSTOMERS

In S\$'million	DBSH Group	
	2002	2001
Analysed by currency		
Singapore dollar	53,655	55,137
US dollar	20,096	21,811
Hong Kong dollar	18,731	20,976
Thai Baht	3,164	3,242
Others	5,669	5,605
Total	101,315	106,771
Analysed by product		
Savings accounts (include S\$ autosave)	43,047	43,750
Current accounts	8,975	9,577
Fixed deposits	46,026	52,338
Other deposits	3,267	1,106
Total	101,315	106,771

DBS Group Holdings Ltd and its Subsidiary Companies

Notes to the Consolidated Financial Statements

21. OTHER LIABILITIES

In S\$'million	DBSH Group	
	2002	2001
Balances arising from revaluation of financial instruments (Note 37)	6,915	2,824
Payable arising from acquisition of a subsidiary company	3,415	–
Payable in respect of short sale of debt securities	2,154	3,682
Other payables	1,849	1,078
Sundry creditors	1,065	976
Interest payable	592	717
Total	15,990	9,277

Included in "Payable in respect of short sale of debt securities" is a liability totalling S\$1,994 million (2001: S\$3,631 million) for certain Hong Kong treasury bills entered into by a subsidiary company.

"Other payables" include collateral received from external counterparties to cover a temporary shortfall in the valuation of a specific portfolio of derivative instruments over a pre-determined threshold. This is governed by a collateral support agreement.

"Payable arising from acquisition of a subsidiary company" represents monies payable to minority shareholders of DBS Diamond Holdings Limited ("DDH") when DBS Bank exercised its Call Option to acquire the minority shareholders' interest in DDH on January 10, 2003. The financial statements of DBSH Group at December 31, 2002 took into account the effect of the exercise of the Call Option, and reflected an increase in DBS Bank's equity interest in DDH from 71.6% to 100%.

22. OTHER PROVISIONS

These provisions (included in "Sundry Creditors" under Note 21) relate to restructuring of DBSH Group's operations and are subject to detailed formal plans that are under implementation or have been communicated to those affected by the plans. Provision is made when it is probable that an outflow of economic benefits will arise and the amounts can be reliably estimated.

In S\$'million	DBSH Group	
	2002	2001
Balance at January 1	69	–
Restructuring provisions arising on acquisitions	–	52
Charged to profit and loss account (Note 10)	22	40
Utilised during the year	(67)	(24)
Exchange differences	(4)	–
Balance at December 31	20	68

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Notes to the Consolidated Financial Statements

23. DEFERRED TAXATION

The movement in deferred tax is as follows:

In S\$'million	DBSH		DBSH Group	
	2002	2001	2002	2001
Balance at January 1	#	#	37	18
Effect of adopting SAS 12	-	-	28	(82)
Balance at January 1 (restated)	#	#	65	(64)
Acquisition of subsidiary companies	-	-	-	116
(Release)/provision during the year (Note 12)	#	#	(63)	12
Exchange differences	-	-	(7)	1
Balance at December 31	#	#	(5)	65

Amount under S\$500,000

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

In S\$'million	DBSH		DBSH Group	
	2002	2001	2002	2001
Deferred income tax liabilities				
Accelerated tax depreciation	-	-	204	258
Other temporary differences	-	#	-	3
	-	#	204	261
Deferred income tax assets				
Provision for loan losses	-	-	(195)	(173)
Other temporary differences	-	-	(14)	(23)
	-	-	(209)	(196)

Amount under S\$500,000

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

In S\$'million	DBSH		DBSH Group	
	2002	2001	2002	2001
Deferred tax assets	#	-	(125)	(87)
Deferred tax liabilities	-	-	120	152
	#	-	(5)	65

Amount under S\$500,000

Deferred income tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable. One Group subsidiary company has tax losses of S\$1,070 million (2001: S\$1,116 million) to carry forward against future taxable income; these tax losses will expire between 2003 to 2005. The benefit of these tax losses has not been recognised in these financial statements due to uncertainty of their recoverability.

Deferred income tax liabilities have not been established for the withholding tax and other taxes that would be payable on the unremitted revenue reserves of certain subsidiary companies, as such amounts are permanently reinvested; such unremitted revenue reserves amounted to S\$626 million at December 31, 2002 (2001: S\$248 million).

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24. SINGAPORE GOVERNMENT SECURITIES AND TREASURY BILLS

In S\$'million	DBSH Group	
	2002	2001
Cost, adjusted for unamortised premium and discount	8,997	9,197
Less: Provision for diminution in value (Note 28)	–	11
Net book value	8,997	9,186
Market value	9,163	9,197
Included in the above Singapore Government securities and treasury bills are as follows:		
Securities sold under repurchase agreements	324	63

25. TRADING SECURITIES

Trading securities include cash instruments, such as government and corporate debt and equity securities acquired and held principally for the purpose of selling them in the near term with the objective of generating gains on short-term differences in price. The cost less provision and market value of these investments at December 31, are as follows:

In S\$'million	DBSH Group	
	2002	2001
Quoted		
Non-Singapore Government securities and treasury bills	4,566	6,031
Corporate debt securities	4,052	3,994
Equity securities	727	891
Total	9,345	10,916
Less: Provision for diminution in value (Note 28)	97	138
Net book value	9,248	10,778
Market value	9,346	10,821
Industry breakdown		
Manufacturing	259	299
Building and Construction	396	523
General Commerce	26	65
Transportation, Storage and Communications	440	470
Financial Institutions, Investment and Holding Companies	2,730	2,947
Others	5,397	6,474
Total net book value	9,248	10,778
Included in the above Non-Singapore Government securities and treasury bills are as follows:		
Securities sold under repurchase agreements	3,183	4,216

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Notes to the Consolidated Financial Statements

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

In S\$'million	DBSH Group	
	2002	2001
Gross	62,901	70,649
Less: Specific provisions (Note 27)	1,288	1,422
General provisions (Note 27)	904	1,019
Net total	60,709	68,208
Including:		
Bills receivable	1,574	1,530
Loans	59,135	66,678
Net total	60,709	68,208
Industry breakdown		
Manufacturing	5,856	6,383
Building and Construction	8,057	10,227
Housing Loans	21,910	24,407
General Commerce	5,707	5,253
Transportation, Storage and Communications	4,617	6,103
Financial Institutions, Investment and Holding Companies	3,626	4,096
Professionals and Private Individuals (except Housing Loans)	7,784	8,373
Others	5,344	5,807
Gross total	62,901	70,649
Analysed by currency and fixed/variable rates		
<u>Fixed rate</u>		
Singapore dollar	8,359	12,370
Hong Kong dollar	460	778
US dollar	1	1
Thai Baht	862	941
Others	1	2
Sub-total	9,683	14,092
<u>Variable rate</u>		
Singapore dollar	21,673	21,539
Hong Kong dollar	20,238	22,741
US dollar	7,333	8,335
Thai Baht	2,128	2,092
Others	1,846	1,850
Sub-total	53,218	56,557
Total (Gross)	62,901	70,649

Fixed rate loans refer to long-term loans where the interest rates are fixed for the initial 1 to 3 years for certain mortgage loans, and over the entire loan period for other loans. Variable rate loans refer to loans that are pegged to prime, short-term cost of funds or inter-bank rates, as well as fixed rate loans that have effectively been converted to variable rate loans through interest rate swaps.

Included in loans and advances of DBSH Group is a loan of S\$Nil (2001: S\$45 million) extended to a company which is wholly owned by a substantial shareholder of DBSH.

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

In S\$'million	DBSH Group			Interest-in-suspense
	Specific	General	Total	
2002				
Balance at January 1	1,422	1,019	2,441	163
Utilisation/transfers during the year	(527)	(47)	(574)	(82)
Charge/(write-back) to profit and loss account (Note 11)	401	(68)	333	–
Interest (written off)/suspended during the year	(8)	–	(8)	63
Balance at December 31	1,288	904	2,192	144
2001				
Balance at January 1	1,141	1,002	2,143	58
On acquisition of subsidiary companies	335	195	530	92
Utilisation/transfers during the year	(275)	(114)	(389)	(120)
Charge/(write-back) to profit and loss account (Note 11)	226	(64)	162	–
Interest (written off)/suspended during the year	(5)	–	(5)	133
Balance at December 31	1,422	1,019	2,441	163

28. PROVISION FOR DIMINUTION IN VALUE OF OTHER ASSETS

In S\$'million	DBSH Group				Interest-in-suspense
	Debt and equity securities		Fixed assets and others		
	Specific	General	Specific & general	Total	
2002					
Balance at January 1	243	1	401	645	3
Utilisation/transfers during the year	(49)	2	144	97	(1)
Charge to profit and loss account (Note 11)	26	33	142	201	–
Interest written-off during the year	–	–	–	–	(1)
Balance at December 31	220	36	687	943	1

Specific and general provisions are in respect of the following:

Singapore Government securities and treasury bills (Note 24)	–	–	–	–	–
Trading securities (Note 25)	96	1	–	97	–
Investment securities (Note 29)	124	35	–	159	–
Fixed assets (Note 33)	–	–	303	303	–
Other banking risks ^(a)	–	–	158	158	–
Other assets ^(b)	–	–	226	226	–
	220	36	687	943	1

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

(b) Includes provisions set aside in respect of foreclosed properties in DTDB.

DBS Group Holdings Ltd and its Subsidiary Companies

Notes to the Consolidated Financial Statements

In S\$'million	Debt and equity securities		DBSH Group Fixed assets and others		Interest-in-suspense
	Specific	General	Specific & general	Total	
2001					
Balance at January 1	126	2	258	386	2
On acquisition of subsidiary companies	36	–	53	89	–
Utilisation/transfers during the year	(24)	–	(23)	(47)	–
Charge/(write-back) to profit and loss account (Note 11)	105	(1)	113	217	–
Interest suspended during the year	–	–	–	–	1
Balance at December 31	243	1	401	645	3
Specific and general provisions are in respect of the following:					
Singapore Government securities and treasury bills (Note 24)	11	–	–	11	
Trading securities (Note 25)	137	1	–	138	
Investment securities (Note 29)	95	–	–	95	
Fixed assets (Note 33)	–	–	213	213	
Other banking risks ^(a)	–	–	125	125	
Other assets	–	–	63	63	
	243	1	401	645	

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

29. INVESTMENT SECURITIES

In S\$'million	DBSH Group	
	2002	2001
Quoted securities		
– Equity securities	95	8
– Corporate debt securities	7,356	4,011
– Non-Singapore Government Securities & Treasury Bills	1,209	–
Unquoted equity securities	464	476
	9,124	4,495
Less: Provision for diminution in value (Note 28)	159	95
Total net book value	8,965	4,400
Market value of quoted securities	8,711	3,991
Industry breakdown		
Building and Construction	211	109
Financial Institutions, Investment and Holding Companies	6,021	3,360
General Commerce	10	2
Manufacturing	130	29
Transportation, Storage and Communications	1,011	199
Others	1,582	701
Total net book value	8,965	4,400

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30. OTHER ASSETS

In S\$'million	DBSH Group 2002		2001
Accrued interest receivable ^(a)		905	1,111
Balances arising from revaluation of financial instruments (Note 37)	7,383	2,867	
Less: Valuation adjustments	111	7,272	2,765
Deposits and prepayments		268	436
Foreclosed properties		155	325
Clients' monies receivable from securities business		276	286
Sundry debtors and others		1,026	742
Total		9,902	5,665

(a) Accrued interest receivable is net of interest-in-suspense (Notes 27 and 28).

Included in deposits and prepayments at December 31, 2002, was an amount of S\$101 million (2001: S\$148 million) relating to an advance placed in a trust. The trust is for the purchase of shares in connection with the DBSH Performance Share Plan and the DBSH Employee Share Plan (Note 14). The advance at December 31, 2002 had been written down to its recoverable amount determined using a dividend-discounted model. The impairment charge to the profit and loss account in 2002 amounting to S\$23 million represents the shortfall in the value of shares held in the trust when compared against the purchase cost of the shares.

In 2002, a provision of S\$148 million was set aside at DBSH Group level in respect of foreclosed properties in DTDB. In 2001, a provision of S\$145 million of a similar nature was included in "Total Cumulative Provisions" under Note 38.2.4.4.

Valuation adjustments includes bid-offer spread adjustments made to mark all long positions to bid prices and short positions to offer prices; liquidity reserves to reflect possible price adjustments to the market values to liquidate certain material positions held by the Group; and model risk reserves for positions where the models used may be a proxy or there may be numerical uncertainty within certain ranges. (Note 2.14.3).

31. SUBSIDIARY COMPANIES

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

In S\$'million	DBSH	
	2002	2001
Unquoted equity shares, at cost	6,731	5,214
Amounts due from subsidiary companies (Note 31.7)	216	375
Total	6,947	5,589

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

Subsidiary companies	Country of incorporation/ business	Principal activities	Interest held by DBSH				Cost of investment held by DBSH	
			Directly		Indirectly		2002	2001
			2002	2001	2002	2001	2002	2001
			%	%	%	%	S\$'million	S\$'million
Unquoted								
The Development Bank of Singapore Ltd	Singapore	Commercial banking and financial services	100	100	–	–	6,726	5,209
ICS Reinsurance Pte Ltd ("ICS Re") ^(b)	Singapore	Dormant	41.3	41.3	10.2	10.2	– ^(a)	– ^(a)
Reinsurance Management Corporation of Asia (Pte) Ltd	Singapore	Management of reinsurance companies	20	20	60	60	– ^(a)	– ^(a)
RMCA Holdings Pte Ltd	Singapore	Investment holding and management of reinsurance companies	100	100	–	–	5	5
The Insurance Corporation of Singapore (UK) Limited ("ICS UK") ^(b) (Under liquidation)	United Kingdom	Dormant	98	98	–	–	– ^(a)	– ^(a)
Total							6,731	5,214

(a) Amount under S\$500,000

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

31.3 The indirectly owned subsidiary companies of DBSH at December 31 are as follows:

Subsidiary companies	Country of incorporation/ business	Principal activities	Interest held by				Cost of investment held by	
			DBS Bank		Other DBSH's subsidiaries		DBSH's subsidiaries	
			2002	2001	2002	2001	2002	2001
			%	%	%	%	S\$'million	S\$'million
<i>Held by DBS Bank and other subsidiaries</i>								
Quoted								
DBS Thai Danu Bank Public Company Limited ^(b) (Market value: 2002: S\$232 million 2001: S\$278 million)	Thailand	Commercial banking and financial services	51.7	51.7	–	–	– ^(a)	– ^(a)
Unquoted								
DBS Asia Ltd ^(b)	Hong Kong	Financial services and investment holding	100	100	–	–	– ^(c)	– ^(c)
DBS Asia Capital Limited ^(b)	Hong Kong	Corporate finance and advisory services	100	100	–	–	22	24
DBS Asset Management Ltd	Singapore	Investment management services and unit trusts	100	100	–	–	4	4
DBS Asset Management (United States) Pte Ltd	Singapore	Investment management services	–	–	100	100	– ^(c)	– ^(c)
DBS Asset Management (Hong Kong) Ltd ^(b)	Hong Kong	Investment management services	–	–	100	100	3	3
DBS Asset Management (Cayman) Limited ^(b)	Cayman Island	Investment management services	–	–	100	100	– ^(c)	– ^(c)
DBS Card Centre Pte Ltd (Under liquidation)	Singapore	Dormant	100	100	–	–	8	8
DBS Capital Funding Corporation	Cayman Island	Special purpose vehicle for capital raising	100	100	–	–	– ^(c)	– ^(c)
DBS Capital Investments Ltd	Singapore	Venture capital investments	100	100	–	–	18 ^(d)	18 ^(d)

DBS Group Holdings Ltd and its Subsidiary Companies

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Subsidiary companies	Country of incorporation/ business	Principal activities	Interest held by				Cost of investment held by	
			DBS Bank 2002	Bank 2001	Other DBSH's subsidiaries 2002	Other DBSH's subsidiaries 2001	DBSH's subsidiaries 2002	DBSH's subsidiaries 2001
<i>Held by DBS Bank and other subsidiaries</i>			%	%	%	%	S\$'million	S\$'million
DBS China Square Ltd	Singapore	Property investment holding	70	70	–	–	160^(e)	160 ^(e)
DBS Computer Services Pte Ltd	Singapore	Computer services and IT consultancy	100	100	–	–	– ^(a)	– ^(a)
DBS Diamond Holdings Ltd	Bermuda	Investment holding	100	71.6	–	–	10,713	7,157
Dao Heng Bank Group Limited ^(b)	Bermuda/ Hong Kong	Investment holding	–	–	100	100	9,445	10,059
Dao Heng Bank Trustee (BVI) Limited ^(b)	British Virgin Islands	Trustee services	–	–	100	100	– ^(c)	– ^(c)
Dao Heng Capital (BVI) Limited ^(b)	British Virgin Islands	Dormant	–	–	100	100	– ^(c)	– ^(c)
Dransfield Resources Limited ^(b)	British Virgin Islands /United Kingdom	Property investment	–	–	100	100	– ^(c)	– ^(c)
Dao Heng Assurance Limited ^(b) (Note 31.5.1)	Hong Kong	Insurance	–	–	–	100	–	36
Dao Heng Bank Limited ^(b)	Hong Kong	Commercial banking and financial securities	–	–	100	100	1,289	1,373
Dao Heng Bank Trustee Limited ^(b)	Hong Kong	Trustee services	–	–	100	100	1	1
Dao Heng Bullion Limited ^(b)	Hong Kong	Bullion broking	–	–	100	100	– ^(c)	– ^(c)
Dao Heng Corporate Services Limited ^(b)	Hong Kong	Investment holding and corporate services	–	–	100	100	– ^(c)	– ^(c)
Dao Heng Finance Limited ^(b)	Hong Kong	Finance company	–	–	100	100	8	8
DHB Limited ^(b)	Hong Kong	Investment holding	–	–	100	100	18	19
EFI Nominees Limited ^(b)	Hong Kong	Dormant	–	–	100	100	– ^(c)	– ^(c)
Hang Lung Bank (Nominee) Limited ^(b)	Hong Kong	Nominee services	–	–	100	100	– ^(c)	– ^(c)
Hang Lung Godown Company Limited ^(b)	Hong Kong	Property holding	–	–	100	100	1	1
Kenson Asia Ltd ^(b)	Hong Kong	Dormant	–	–	100	100	– ^(c)	– ^(c)
Kingly Management Ltd ^(b)	Hong Kong	Dormant	–	–	100	100	– ^(c)	– ^(c)
OTB Card Company Limited ^(b)	Hong Kong	Property investment	–	–	100	100	17	18
OTB International Factors Limited ^(b)	Hong Kong	Dormant	–	–	100	100	2	2
O.T.B. Investment Limited ^(b)	Hong Kong	Investment holding	–	–	100	100	– ^(c)	– ^(c)
OTB Property Management Limited ^(b)	Hong Kong	Property management	–	–	100	100	– ^(c)	– ^(c)
OTB Services Limited ^(b)	Hong Kong	Provision of consultancy services	–	–	100	100	1	1
Overseas Trust Bank Limited ^(b)	Hong Kong	Commercial banking and financial services	–	–	100	100	864	920
Overseas Trust Bank Nominees Limited ^(b)	Hong Kong	Nominee services	–	–	100	100	– ^(c)	– ^(c)
Ting Hong Nominees Limited ^(b)	Hong Kong	Nominee services	–	–	100	100	– ^(c)	– ^(c)
Worldson Services Ltd ^(b)	Hong Kong	Dormant	–	–	100	100	– ^(c)	– ^(c)
Dao Heng Trustee (Jersey) Limited ^(b)	Jersey	Corporate services	–	–	100	100	– ^(c)	– ^(c)
Benchmark Farm Finance (Four) Limited ^(b) (To be liquidated in 2003)	United Kingdom	Dormant	–	–	100	100	– ^(a)	– ^(a)

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Subsidiary companies	Country of incorporation/ business	Principal activities	Interest held by				Cost of investment held by	
			DBS Bank		Other DBSH's subsidiaries		DBSH's subsidiaries	
			2002	2001	2002	2001	2002	2001
<i>Held by DBS Bank and other subsidiaries</i>			%	%	%	%	S\$'million	S\$'million
Dao Heng London plc ^(b) (To be liquidated in 2003)	United Kingdom	Dormant	–	–	100	100	– ^(a)	– ^(a)
Dao Heng Nominees Limited ^(b) (To be liquidated in 2003)	United Kingdom	Dormant	–	–	100	100	– ^(a)	– ^(a)
JT Administration Limited ^(b)	British Virgin Islands /Hong Kong	Dormant	–	–	100	100	– ^(c)	– ^(c)
Market Success Limited ^(b)	British Virgin Islands /Hong Kong	Dormant	–	–	100	100	– ^(c)	– ^(c)
DHJ Management Limited ^(b)	British Virgin Islands /Hong Kong	Dormant	–	–	100	100	– ^(c)	– ^(c)
DBS Factors Pte Ltd	Singapore	Dormant	100	100	–	–	5	5
DBSF Ltd (Under liquidation)	Singapore	Dormant	100	100	–	–	7	7
DBSF Investments Pte Ltd (Under liquidation)	Singapore	Dormant	–	–	100	100	17	17
DBS Finance Nominees Pte Ltd (Under liquidation)	Singapore	Dormant	100	100	–	–	– ^(c)	– ^(c)
DBS Forex Centre Philippines, Inc. ^(b) (Under liquidation)	Philippines	Dormant	100	100	–	–	– ^(c)	– ^(c)
DBS Group Holdings (Hong Kong) Ltd	Bermuda	Investment holding	100	87.3	–	–	940	728
DBS Kwong On Bank Limited ^(b)	Hong Kong	Commercial banking and financial services	–	–	100	100	719	897
DBS Kwong On Bank (Nominees) Limited ^(b)	Hong Kong	Nominee services	–	–	100	100	– ^(c)	– ^(c)
DBS Kwong On Finance Limited ^(b)	Hong Kong	Deposit-taking finance company	–	–	100	100	6	6
DBS Kwong On Futures Limited ^(b)	Hong Kong	Dormant	–	–	100	100	1	1
DBS Kwong On Insurance Company Limited ^(b) (Note 31.5.1)	Hong Kong	Insurance company	–	–	–	100	–	2
DBS Kwong On Property Agency Company Limited ^(b) (Liquidated)	Hong Kong	Dormant	–	–	–	100	–	–
DBS Kwong On Securities Limited ^(b)	Hong Kong	Dormant	–	–	100	100	3	4
DBS Nominees Pte Ltd	Singapore	Nominee services	100	100	–	–	– ^(c)	– ^(c)
DBS Pte Ltd (Liquidated)	Singapore	Dormant	–	100	–	–	–	25
DBS Trustee Ltd	Singapore	Trustee services	20	20	80	80	3	– ^(c)
DBS Vickers Securities Holdings Pte Ltd	Singapore	Investment holding	59.5	59.5	–	–	323	418
Ballas Nominees (Private) Limited (Under liquidation)	Singapore	Dormant	–	–	100	100	– ^(c)	– ^(c)
DBS Securities Holding Pte Ltd	Singapore	Investment holding	–	–	100	100	285	285
DBS Vickers Securities Malaysia Pte Ltd (formerly known as DBS Securities Malaysia Pte Ltd)	Singapore	Investment holding	–	–	100	100	17	17
DBS Trading Pte Ltd (Under liquidation)	Singapore	Dormant	–	–	100	100	– ^(c)	18
DBS Vickers Research Singapore Pte Ltd	Singapore	Investment advisory services	–	–	100	100	– ^(c)	– ^(c)
DBS Vickers Securities Nominees (Singapore) Pte Ltd	Singapore	Nominee services	–	–	100	100	– ^(c)	– ^(c)

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Subsidiary companies	Country of incorporation/ business	Principal activities	Interest held by				Cost of investment held by	
			DBS Bank		Other DBSH's subsidiaries		DBSH's subsidiaries	
			2002	2001	2002	2001	2002	2001
<i>Held by DBS Bank and other subsidiaries</i>			%	%	%	%	S\$'million	S\$'million
DBS Vickers Securities (Singapore) Pte Ltd	Singapore	Securities and futures broker	–	–	100	100	25	25
First Independent Insurance Brokerage Pte Ltd (Under liquidation)	Singapore	Dormant	–	–	100	100	– ^(c)	– ^(c)
J Ballas Trading Pte Ltd (Under liquidation)	Singapore	Dormant	–	–	100	100	– ^(c)	– ^(c)
Vickers Ballas & Co. Pte Ltd (Under liquidation)	Singapore	Dormant	–	–	100	100	65	142
Vickers Ballas Asset Management Pte Ltd	Singapore	Fund management	–	–	100	100	1	1
Vickers Ballas Futures Pte Ltd (Under liquidation)	Singapore	Dormant	–	–	100	100	1	7
Vickers Ballas Investment Research Pte Ltd (Under liquidation)	Singapore	Dormant	–	–	100	100	– ^(c)	– ^(c)
Vickers Ballas Nominees Pte Ltd (Under liquidation)	Singapore	Dormant	–	–	100	100	– ^(c)	– ^(c)
Vernant Assets Limited (Under liquidation)	Singapore	Dormant	–	–	100	100	– ^(c)	– ^(c)
DBS Vickers Research (Malaysia) Sdn Bhd ^(b)	Malaysia	Investment advisory services	–	–	100	100	1	1
DBS–Capital Trust Securities India Pvt Ltd ^(b) (Note 31.5.2)	India	Securities broker	–	–	–	75	–	7
Vickers Ballas Hong Kong Holdings Ltd ^(b) (Under liquidation)	Bermuda/ Hong Kong	Dormant	–	–	100	100	– ^(c)	– ^(c)
Oriental Hearts International Limited ^(b) (Liquidated)	British Virgin Islands /Hong Kong	Investment holding	–	–	–	100	–	– ^(c)
Pan Shine Investments Limited ^(b) (Liquidated)	British Virgin Islands /Hong Kong	Investment holding	–	–	–	100	–	– ^(c)
DBS Futures Hong Kong Ltd ^(b) (Under liquidation)	Hong Kong	Dormant	–	–	100	100	2	2
DBS Securities Nominees (HK) Ltd ^(b) (Under liquidation)	Hong Kong	Dormant	–	–	100	100	– ^(c)	– ^(c)
DBS Vickers Futures (Hong Kong) Limited ^(b)	Hong Kong	Futures broker	–	–	100	100	8	8
DBS Vickers (Hong Kong) Limited ^(b)	Hong Kong	Securities broker	–	–	100	100	72	72
DBS Vickers Securities (Hong Kong) Ltd ^(b)	Hong Kong	Securities broker	–	–	100	100	42	42
DBS Vickers Securities Nominees (Hong Kong) Limited ^(b)	Hong Kong	Nominee services	–	–	100	100	– ^(c)	– ^(c)
J. Ballas (Hong Kong) Company Limited ^(b) (Under liquidation)	Hong Kong	Dormant	–	–	100	100	1	1
Vickers Ballas (B.V.I) Holdings Limited ^(b) (Under liquidation)	British Virgin Islands /Hong Kong	Dormant	–	–	100	100	– ^(c)	– ^(c)
Vickers Ballas Capital Limited ^(b) (Under liquidation)	Hong Kong	Dormant	–	–	100	100	– ^(c)	– ^(c)
Vickers Ballas Consultancy Services Limited ^(b)	Hong Kong	Advisory and consultancy services	–	–	100	100	– ^(c)	– ^(c)
Vickers Ballas Hong Kong Securities Ltd ^(b) (Under liquidation)	Hong Kong	Dormant	–	–	100	100	3	3

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Subsidiary companies	Country of incorporation/ business	Principal activities	Interest held by				Cost of investment held by	
			DBS Bank		Other DBSH's subsidiaries		DBSH's subsidiaries	
			2002	2001	2002	2001	2002	2001
<i>Held by DBS Bank and other subsidiaries</i>			%	%	%	%	S\$'million	S\$'million
Vickers Ballas Investment Management Limited ^(b)	Hong Kong	Direct investment and investment advisory services	–	–	100	100	– ^(a)	2
Vidasia Nominees Limited (Under liquidation) ^(b)	Hong Kong	Dormant	–	–	100	100	– ^(c)	– ^(c)
DBS Securities Philippines, Inc ^(b) (Under liquidation)	Philippines	Dormant	–	–	100	100	11	11
DBS Vickers Securities (Phils.), Inc. ^(b) (Under liquidation)	Philippines	Dormant	–	–	100	100	10	10
DBS Vickers Securities (Thailand) Co Ltd ^(b)	Thailand	Securities broker	–	–	100	100	82	82
DBS Vickers Securities (UK) Ltd ^(b)	United Kingdom	Securities broker	–	–	100	100	– ^(d)	– ^(d)
DBS Vickers Securities (USA), Inc ^(b)	United States	Securities broker	–	–	100	100	4	3
Vickers Ballas (UK) PLC ^(b) (Under liquidation)	United Kingdom	Dormant	–	–	100	100	1	1
PT DBS Securities Indonesia ^(b)	Indonesia	Dormant	–	–	75	75	9	14
PT DBS Vickers Securities (Indonesia) ^(b)	Indonesia	Securities broker	–	–	75	75	6	6
NDC Capital Holdings Pte Ltd (Under liquidation)	Singapore	Dormant	100	100	–	–	56	56
POSB Computer Services Pte Ltd (Under liquidation)	Singapore	Dormant	100	100	–	–	9	9
PT Bank DBS Indonesia ^(b)	Indonesia	Commercial banking and financial services	99	99	–	–	60	38
Singapore Factory Development Ltd (Under liquidation)	Singapore	Dormant	100	100	–	–	5	6
Singapore Bankers Club Pte Ltd (Liquidated)	Singapore	Dormant	–	100	–	–	–	– ^(e)
Thai Danu-DBS Co Ltd ^(b) (Liquidated)	Thailand	Dormant	–	49	–	51	–	1

(a) Written down to zero value.

(b) Audited by associated firms of PricewaterhouseCoopers, Singapore.

(c) Amount under S\$500,000.

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

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

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Notes to the Consolidated Financial Statements

31.4 CONSOLIDATION OF SPECIAL PURPOSE ENTITIES

DBSH Group consolidated certain entities in substance, in accordance with the Interpretation of Statement of Accounting Standard (INT 5): Consolidation – Special Purpose Entities (“SPEs”) although these entities are not legally owned by DBSH Group.

This is due to the fact that:

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

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

Name of entity	Country of entity	DBSH Group Share of total assets	
		2002	2001
		S\$'million	S\$'million
Singa Secured Assets Limited	Singapore	947	1,042
ALCO 1 Limited	Cayman Islands	225	224
Tampines Assets Limited	Singapore	162	160
The Dragon Partnerships	Hong Kong	129 ^(b)	348
New Heights Investment Limited	Cayman Islands	57	Not significant
The Preferred Shares – Subordinated Debentures of DBS Thai Danu Plc. Fund	Thailand	Not significant	Not significant
Vanda Secured Assets Limited	Singapore	Not significant	Not significant
Contract Collections Inc. ^(a)	United States of America	Not significant	Not significant
Panthers Limited Partnership ^(a)	United States of America	Not significant	Not significant

(a) Under liquidation

(b) The SPE's borrowings are secured by the assets of the company.

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

31.5 ACQUISITION AND DISPOSAL OF SUBSIDIARY COMPANIES

31.5.1 On June 6, 2002, Dao Heng Bank Group Limited (“DHG”), an indirect 71.6% owned subsidiary company of DBSH, and DBS Kwong On Bank Limited (“DKOB”), an indirect wholly owned subsidiary company of DBSH, under a conditional sale and purchase agreement, disposed their wholly owned insurance subsidiary companies, Dao Heng Assurance Ltd and DBS Kwong On Insurance Ltd, to Commercial Union International Holdings Limited for a total cash consideration of HK\$295 million (S\$66 million) and HK\$31 million (S\$7 million) respectively. The net attributable tangible assets of Dao Heng Assurance Ltd and DBS Kwong On Insurance Ltd at the date of disposal were HK\$142 million (S\$32 million) and HK\$31 million (S\$7 million) respectively. On completion of the sale, Dao Heng Assurance Ltd and DBS Kwong On Insurance Ltd have ceased to be subsidiary companies of DBSH Group.

As part of this transaction, DHG Group also entered into a Life Insurance Bancassurance Distribution Agreement and a General Insurance Bancassurance Distribution Agreement (the “Agreements”) with Aviva Ltd (formerly known as CGNU International Insurance PLC (“CGNU”). Under the Agreements, DHG Group entered into an exclusive arrangement to distribute CGNU life and general insurance products throughout its banking network in Hong Kong. The term of the Agreements is ten years.

The difference between the consideration received and the fair value of the assets and liabilities disposed will be recognised over the term of the Agreements as commission income to offset the costs incurred to meet DHG Group's obligations and responsibilities over the life of the Agreements, including the provision of employees, IT and other resources.

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31.5.2 On October 8, 2002, DBS Vickers Securities Holdings Pte Ltd, an indirect 59.5% owned subsidiary company of DBSH, disposed its 75% equity stake in DBS Capital Trust Securities India Pvt Ltd ("DBS CT") for a total cash consideration of INR107 million (S\$4 million). The net attributable tangible assets of DBS CT at the date of disposal was INR144 million (S\$5 million). On completion of the sale, DBS CT has ceased to be a subsidiary company of DBSH Group.

31.5.3 During the financial year, indirect subsidiary companies liquidated include DBS Pte Ltd, Thai Danu-DBS Co Ltd, Singapore Bankers Club Pte Ltd, Oriental Hearts International Limited, Pan Shine Investments Limited, and DBS Kwong On Property Agency Company Limited.

31.6 ACQUISITION OF ADDITIONAL INTEREST IN SUBSIDIARY COMPANIES

31.6.1 DBS Diamond Holdings Ltd

On January 10, 2003, DBS Bank exercised its Call Option on the minority shareholders of DBS Diamond Holdings Ltd ("DDH"). Under the Call Option, DBS Bank had the right to require each DDH minority shareholder to sell his shares in DDH, by giving a notice within a period of seven business days following December 31, 2002, at a purchase price of HK\$21.70 per share. The financial statements of DBSH Group at December 31, 2002 took into account the effect of the exercise of the Call Option, and reflected an increase in DBS Bank's equity interest in DDH from 71.6% to 100%.

Goodwill arising from the acquisition of the remaining 28.4% interest in DDH amounted to S\$2,684 million. This was computed based on the difference between the total consideration paid of S\$3,555 million and DBS Bank's 28.4% interest in the fair values of identifiable assets and liabilities of DDH Group of S\$871 million at the same date. The goodwill will be amortised over a period of 19 years from January 2003.

31.6.2 DBS Group Holdings (Hong Kong) Ltd

On May 7, 2002, DBS Bank acquired the remaining 12.7% of DBS Group Holdings (Hong Kong) Ltd ("DBSG HK") held by minority shareholders. DBSG HK owns all the issued share capital of DBS Kwong On Bank Limited ("DKOB"). The total consideration paid for the acquisition was HK\$907 million (S\$212 million). The consideration comprised 15,135,535 new DBSH ordinary shares of par value S\$1.00 each at an issue price of S\$13.92 per DBSH ordinary share, and cash consideration of HK\$4 million (S\$1 million). Upon completion of the transaction, DBSH's effective equity interest in DBSG HK increased from 87.3% to 100%.

Goodwill arising from the acquisition of the remaining 12.7% interest in DBSG HK amounted to S\$83 million. This was computed based on the difference between the total consideration paid of S\$212 million and DBS Bank's 12.7% interest in the fair values of identifiable assets and liabilities of DBSG HK Group of S\$129 million at the same date. The goodwill is amortised over a period of 17 years from May 2002.

31.7 AMOUNTS OWING BY SUBSIDIARY COMPANY

These amounts comprise deposits with a subsidiary company.

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31.8 FAIR VALUES OF ASSETS AND LIABILITIES OF SUBSIDIARY COMPANIES DISPOSED

The fair values of assets and liabilities of subsidiary companies disposed during the year are as follows:

In S\$'million	DBSH Group	
	2002	2001
Fixed assets	5	93
Other assets	46	838
Other liabilities	(5)	(638)
	46	293
Less: Minority interests	2	–
Adjusted net attributable assets	44	293
Add: Profit on disposal of subsidiary companies	33	156
	77	449
Less: Cash and bank balances in subsidiary companies disposed	45	84
Net cash inflow from disposal of subsidiary companies	32	365

32. ASSOCIATED AND JOINT VENTURE COMPANIES

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

In S\$'million	DBSH Group	
	2002	2001
Quoted equity securities at cost	1,220	1,214
Unquoted equity securities at cost	44	47
	1,264	1,261
Less: Goodwill arising from equity accounting	837	838
	427	423
Add: Net exchange translation adjustments during the year	(22)	7
Group's share of post acquisition retained profits and reserves of associated companies, net of dividends received arising from equity accounting	116	128
	521	558
Market value of quoted equity securities	460	706

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

In S\$'million	DBSH Group			
	2002		2001	
	NTA	Market value	NTA	Market value
<i>Held by subsidiary companies</i>				
Bank of the Philippine Islands	350	424	369	655
Hwang-DBS (Malaysia) Bhd	63	36	63	51
Total	413	460	432	706

DBS Group Holdings Ltd and its Subsidiary Companies

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

Associated companies	Country of incorporation/ business	Principal activities	Interest held by DBSH/DBSH's subsidiaries	
			2002	2001
Quoted				
<i>Held by DBS Bank</i>				
Bank of the Philippine Islands	The Philippines	Commercial banking and financial services	20.8	20.8
<i>Held by other subsidiary companies</i>				
Hwang-DBS (Malaysia) Bhd	Malaysia	Investment holding	23.1	23.3
Unquoted				
<i>Held by DBSH</i>				
RMCA Reinsurance Limited ^(a)	Singapore	Investment holding	30.0	30.0
<i>Held by DBS Bank</i>				
Clearing and Payment Services Pte Ltd	Singapore	Provides service infrastructure for clearing payment and settlement of financial transactions	33.3	33.3
Fujitec Singapore Corporation Ltd	Singapore	Manufactures elevators, escalators and related components	26.3	26.0
Network for Electronic Transfers (Singapore) Pte Ltd	Singapore	Electronic funds transfer	33.3	20.0
Orix Leasing Singapore Ltd	Singapore	Lease and hire-purchase financing of equipment	30.0	30.0
Spray's Shipping Pte Ltd	Singapore	Dormant	–	26.0
Venture Investment Management (S) Pte Ltd	Singapore	Investment management services	24.5	24.5
Yamaha Music (Asia) Pte Ltd	Singapore	Distributor and retailer of all kinds of musical instruments, operator and franchise of music schools	–	20.0
Investment and Capital Corporation of the Philippines	The Philippines	Financial services	20.0	20.0
Nextmall Holdings Corporation	Cayman Islands	Supermarket (Venture capital investment)	27.3	–
<i>Held by other subsidiary companies</i>				
Asia Converge Pte Ltd	Singapore	Securities transaction processing	39.0	39.0
Singapore Africa Investment Management Pte Ltd	Singapore	Investment management	30.0	30.0
Southern Africa Investment Pte Ltd	Singapore	Venture capital investment	25.0	25.0
Singapore Consortium Investment Management Ltd	Singapore	Investment management services	33.3	20.0

DBS Group Holdings Ltd and its Subsidiary Companies

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Associated companies	Country of incorporation/ business	Principal activities	Interest held by DBSH/DBSH's subsidiaries	
			2002	2001
<i>Held by other subsidiary companies</i>				
Transtech Capital Investment I Ltd	Singapore	Venture capital investment	–	41.5
Venture Investment Management II Ltd	Singapore	Investment manager for venture capital	30.0	30.0
Transtech Venture Management Pte Ltd	Singapore	Investment manager for venture capital	40.0	40.0
Hwang–DBS Unit Trust Berhad	Malaysia	Investment management services	30.0	30.0
Olympia Thailand ^(b)	Thailand	Wholesale and retail	26.9	–
Thailand Carpet Manufacturing Public Company Limited ^(b)	Thailand	Carpet manufacturer	40.5	46.0

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

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

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

Joint venture companies	Country of incorporation/ business	Principal activities	Interest held by DBSH/DBSH's subsidiaries	
			2002	2001
<i>Held by DBS Bank</i>				
Ayala DBS Holdings Inc.	The Philippines	Investment holding	40.0	40.0
Integrated Payment Venture Pte Ltd	Singapore	Dormant	50.0	–
<i>Held by other subsidiary companies</i>				
DBS TD Waterhouse Holdings Pte Ltd	Singapore	Investment holding	50.0	50.0
The Payment Solutions Company	Singapore	To design, develop, implement and maintain internet-based payment gateway	–	50.0
Hutchison Dao Heng Card Limited	British Virgin Islands	Provision of agency services for credit card business	50.0	50.0

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32.4.1 On January 11, 2002, DBS Computer Services Pte Ltd, a wholly owned subsidiary company of DBS Bank, disposed the whole of its investment of 1,250,000 ordinary shares of S\$1.00 each in the joint venture, The Payment Solutions Company Pte Ltd, for a cash consideration of S\$5.4 million.

32.4.2 On February 4, 2002, DBS Bank, a wholly owned subsidiary company of DBSH, established a joint venture company, Integrated Payment Venture Pte Ltd, with Singapore Telecom International Pte Ltd. The joint venture company has an authorised capital of S\$100,000 divided into 100,000 ordinary shares of par value S\$1.00 each and an issued and paid up share capital of S\$2.00 fully paid.

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

In S\$'million	DBSH Group	
	2002	2001
Profit and loss		
Share of income	37	23
Share of expenses	(42)	(21)
Balance sheet		
Non-current assets	4	98
Current assets	298	126
Current liabilities	75	90
Non-current liabilities	195	9
Off balance sheet		
Contingent liabilities	–	–
Commitments	–	–

DBS Group Holdings Ltd and its Subsidiary Companies

Notes to the Consolidated Financial Statements

33. FIXED ASSETS

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

In S\$'million	Leasehold properties ^(a)	Freehold properties	Total properties	Equipment, furniture and other assets	Total
Cost					
Balance at January 1, 2002	2,511	221	2,732	644	3,376
Additions	32	2	34	78	112
Disposals	(98)	(58)	(156)	(120)	(276)
Exchange differences	(75)	(5)	(80)	(21)	(101)
Balance at December 31, 2002	2,370	160	2,530	581	3,111
Accumulated depreciation					
Balance at January 1, 2002	257	31	288	215	503
Depreciation charge (Note 10.1)	62	4	66	106	172
Disposals	(13)	(8)	(21)	(86)	(107)
Exchange differences	(12)	3	(9)	(12)	(21)
Balance at December 31, 2002	294	30	324	223	547
Less: Provision for diminution in value (Note 28)	(290)	(13)	(303)	#	(303)
Net book value at December 31, 2002	1,786	117	1,903	358	2,261
Market value at December 31, 2002	2,259	131	2,390	–	2,390
Cost					
Balance at January 1, 2001	1,623	303	1,926	628	2,554
Additions	2	4	6	178	184
Disposals	(153)	(99)	(252)	(257)	(509)
On acquisition of subsidiary companies	839	7	846	86	932
On consolidation of SPE	180	–	180	–	180
Exchange differences	20	6	26	9	35
Balance at December 31, 2001	2,511	221	2,732	644	3,376
Accumulated depreciation					
Balance at January 1, 2001	261	34	295	364	659
Depreciation charge (Note 10.1)	56	4	60	109	169
Disposals	(64)	(7)	(71)	(262)	(333)
Exchange differences	4	#	4	4	8
Balance at December 31, 2001	257	31	288	215	503
Less: Provision for diminution in value (Note 28)	(197)	(13)	(210)	(3)	(213)
Net book value at December 31, 2001	2,057	177	2,234	426	2,660
Market value at December 31, 2001	2,599	204	2,803	–	2,803

Amount under S\$500,000

(a) Include collaterals of secured borrowings. Please refer to Notes 19.1(a) and 19.2(g).

DBS Group Holdings Ltd and its Subsidiary Companies

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33.2 The net book values of DBS Building Tower Two and PWC Building, being investment properties held for the purpose of generating rental income, at December 31, 2002 are S\$207 million (2001: S\$219 million) and S\$350 million (2001: S\$378 million) respectively. Their market values are independently appraised at S\$400 million (2001: S\$460 million) and S\$350 million (2001: S\$378 million) respectively.

34. GOODWILL

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

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

In S\$'million	DBSH Group	
	2002	2001
Goodwill arising on consolidation		
Unamortised balance at January 1		
As previously reported	5,124	–
Restatement arising from SAS 12	81	–
	5,205	–
Acquisition of subsidiary companies ^(a)	2,767	5,338
Amortisation for the year (Note 10)	(278)	(133)
Unamortised balance at December 31	7,693	5,205

Comprising: S\$'million	Date of Acquisition	Amortisation Period	Unamortised balance at December 31		Charge to Profit and Loss Account	
			2002	2001	2002	2001
At DBS Bank level						
DBS Diamond Holdings Ltd			7,521	5,099	261	131
	June 29, 2001	20 years	4,837	5,099	261	131
	January 10, 2003 ^(b)	19 years	2,684	–	–	–
DBS Vickers Securities Holdings Pte Ltd	September 12, 2001	5 / 10 years	92	106	14	2
DBS Group Holdings (Hong Kong) Ltd	May 7, 2002 ^(b)	17 years	80	–	3	–
			7,693	5,205	278	133
Included in DBS Vickers Securities Holdings Pte Ltd						
Lum Chang Securities Pte Ltd		5 years	7	11	2	#
DBS Securities Holding Pte Ltd ^(c)		5 years	11	12	2	#
			18	23	4	#

Amount under S\$500,000

(a) Include the goodwill on acquisition of DBS Diamond Holdings Limited S\$2,684 million (2001: S\$5,230 million), DBS Group Holdings (Hong Kong) Limited S\$83 million (2001: NIL) and Vickers Ballas Holdings Limited NIL (2001: S\$98 million).

(b) Refers to the goodwill arising from the purchase of minority shareholding in DBS Diamond Holdings Ltd and DBS Group Holdings (Hong Kong) Limited.

(c) Eliminated at Group's level.

DBS Group Holdings Ltd and its Subsidiary Companies

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35. CONTINGENT LIABILITIES

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

Nature of instruments

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. DBSH Group expects most acceptances to be presented, but reimbursement by the customer is usually immediate. Endorsements are residual liabilities of DBSH Group in respect of bills of exchange which have been paid and subsequently rediscounted.

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

35.1 The amounts outstanding at December 31 comprise the following:

In S\$'million	DBSH Group	
	2002	2001
Acceptances on account of customers	305	302
Guarantees on account of customers	4,363	4,642
Endorsements and other obligations on account of customers		
Letters of credit	1,968	1,605
Others	372	253
Other contingent items	268	102
Total	7,276	6,904
Industry breakdown		
Manufacturing	1,539	2,047
Building and Construction	485	701
General Commerce	1,591	1,796
Transportation, Storage and Communications	406	618
Financial Institutions, Investment and Holding Companies	970	370
Professionals and Private Individuals (except Housing Loans)	984	300
Others	1,301	1,072
Total	7,276	6,904

35.2 On November 12, 2002, DBS Bank, a wholly owned subsidiary company of DBSH, entered into a ten-year outsourcing agreement with IBM with respect to the provision of information technology and related support to DBSH Group's operations in Singapore and Hong Kong. As with all similar market standard arrangements, there are various termination clauses contained within the agreement that under certain circumstances could require DBS to pay a penalty on early termination of the contract. The exact amount of any penalty amount cannot be reliably determined as it is dependent upon business volumes over the period of the contract and on the timing of the termination itself.

35.3 Included in "Other contingent items" at December 31, 2002, is an amount of S\$91 million (2001: S\$91 million), representing the termination fee payable by DBS Bank should it terminate its Life Insurance Bancassurance Distribution Agreement ("Agreement") with Aviva Ltd (formerly known as "CGNU International Insurance PLC"). The amount of termination fee payable is determined in accordance with the schedule of termination fee included in the Agreement, and ranges from S\$35 million to S\$91 million, depending on when the Agreement is terminated.

35.4 Included in "Guarantees on account of customers" at December 31, 2002, was a guarantee of S\$631 million (2001: S\$648 million) which was given by DBS Bank to holders of "DBS UP Guaranteed Fund 2.5/1, DBS UP Guaranteed Fund 3.5/1, DBS UP Guaranteed Fund 5.0/1, DBS UP Guaranteed Fund 5.0/2, DBS UP Guaranteed Fund 5.0/3, DBS UP Guaranteed Fund 7.0/2, and DBS UP Guaranteed Fund 7.0/3". The guaranteed value is payable on June 25, 2003, June 23, 2004, December 23, 2005, April 30, 2006, June 30, 2006, April 30, 2008 and June 30, 2008 respectively.

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36. COMMITMENTS

36.1 UNDRAWN COMMITMENTS

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

In S\$'million	DBSH Group	
	2002	2001
Loans and other facilities		
Undrawn credit facilities	53,665	49,124
Undrawn note issuance and revolving underwriting facilities	–	11
Undisbursed commitments in debt securities and equities	174	213
Underwriting commitments in debt securities and equities	–	#
Spot foreign exchange contracts	4,471	3,379
Sub-total	58,310	52,727
Capital commitments		
Total	33	27
Industry breakdown		
Manufacturing	9,059	4,638
Building and Construction	3,494	7,613
Housing Loans	1,041	1,012
General Commerce	8,445	5,566
Transportation, Storage and Communications	4,687	10,215
Financial Institutions, Investment and Holding Companies	12,083	10,317
Professionals and Private Individuals (except Housing Loans)	13,179	9,859
Others	6,355	3,534
Total	58,343	52,754

Amount under S\$500,000

36.2 OPERATING LEASE COMMITMENTS

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

In S\$'million	DBSH Group	
	2002	2001
Not later than 1 year	108	114
Later than 1 year and not later than 5 years	134	204
Later than 5 years	17	18
Total	259	336

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37. FINANCIAL DERIVATIVES

37.1 Financial derivatives are financial instruments whose characteristics are derived from the underlying assets, or from interest and exchange rates or indices. These include forwards, swaps, futures and options. The following outlines the nature and terms of the most common types of derivatives used by DBSH Group:

37.1.1 Interest rate contracts

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

Interest rate futures are typically exchange-traded agreements to buy or sell a standard amount of a specified fixed income security or time deposit at an agreed interest rate on a standard future date.

Interest rate options give the buyer on payment of premium the right, but not the obligation, to fix the rate of interest on a future deposit or loan, for a specified period and commencing on a specified future date.

Interest rate caps and floors give the buyer the ability to fix the maximum or minimum rate of interest. There is no facility to deposit or draw down funds; instead the writer pays to the buyer the amount by which the market rate exceeds or is less than the cap rate or the floor rate respectively. A combination of an interest rate cap and floor is known as an interest rate collar.

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

Swaptions give the buyer the right, but not the obligation, to enter into an interest rate swap as either the payer or receiver of the fixed side of the swap.

37.1.2 Exchange rate contracts

Forward foreign exchange contracts are agreements to buy or sell fixed amounts of currency at agreed rates of exchange on a specified future date.

Cross currency swaps are agreements to exchange, and on termination of the swap, re-exchange principal amounts denominated in different currencies. Cross currency swaps may involve the exchange of interest payments in one specified currency for interest payments in another specified currency for a specified period.

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

37.1.3 Equity related contracts

Equity option provides the buyer with 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.

37.1.4 Credit related contracts

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

37.2 The following tables summarise the contractual or underlying principal amounts of derivative financial instruments held or issued for trading and non-trading purposes. For most derivative transactions, the notional or contractual amounts do not change hands and are merely used as a reference for calculating payments. They indicate the volume of transactions outstanding at the balance sheet date; but do not represent amounts at risk.

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In the financial statements, trading and non-trading (excluding those non-trading derivative financial instruments which are held for hedging and are accounted for on an accrual basis) derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected in "Other assets" or "Other liabilities".

2002

In S\$ million	Trading			Non-trading		
	Underlying notional	Year-end positive fair value	Year-end negative fair value	Underlying notional	Year-end positive fair value	Year-end negative fair value
Interest rate derivatives						
Forward rate agreements bought	13,661	#	35	-	-	-
Forward rate agreements sold	22,316	65	#	-	-	-
Interest rate swaps	378,849	4,926	4,445	14,926	1,119 ⁽¹⁾	168
Financial futures purchased	54,909	57	3	-	-	-
Financial futures sold	11,056	2	33	-	-	-
Swaptions purchased	1,671	54	-	842	8	#
Swaptions sold	2,086	-	38	-	#	-
Interest rate futures options purchased	12,098	9	-	-	-	-
Interest rate futures options written	24,190	-	6	-	-	-
Interest rate caps / floor written	5,344	-	112	421	-	5
Interest rate caps / floor purchased	4,343	89	-	-	-	-
Sub-total	530,523	5,202	4,672	16,189	1,127	173
Foreign exchange derivatives						
FX Forwards	23,912	321	340	230	4	1
FX Swaps	129,559	901	829	11,330	182	556
Currency swaps	20,857	655	736	1,082	3	31
Currency options purchased	18,774	244	-	-	-	-
Currency options written	17,536	-	277	-	-	-
Sub-total	210,638	2,121	2,182	12,642	189	588
Equity derivatives						
Equity options purchased	1,463	33	-	1	#	-
Equity options sold	1,518	-	40	358	-	#
Sub-total	2,981	33	40	359	#	#
Credit derivatives						
Credit default swaps	2,993	27	21	2,427	63	-
Sub-total	2,993	27	21	2,427	63	-
Commodity derivatives						
Gold options purchased	8	#	-	-	-	-
Gold options sold	7	-	#	-	-	-
Sub-total	15	#	#	-	-	-
Total	747,150	7,383	6,915	31,617	1,379	761
Balances arising from off-balance sheet financial instruments (see Other liabilities / Other assets Notes 21/30)		7,383*	6,915			

* These gross position fair value are subject to certain valuation adjustments to reflect possible price adjustments to the market value to liquidate certain material positions held by the Group (Note 2.14.3).

Amount under S\$500,000

(1) Include fair value of interest rate swaps used to hedge the subordinated debts issued by DBS Bank and DBS Capital Funding Corporation (Note 39).

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The following table shows an analysis of DBSH Group's derivatives financial instruments at December 31, 2001:

In S\$'million	2001					
	Trading			Non-trading		
	Underlying notional	Year-end positive fair value	Year-end negative fair value	Underlying notional	Year-end positive fair value	Year-end negative fair value
Interest rate derivatives						
Forward rate agreements bought	6,349	3	11	-	-	-
Forward rate agreements sold	5,871	10	1	-	-	-
Interest rate swaps	164,209	1,507	1,288	10,972	383 ⁽¹⁾	142
Financial futures purchased	530	1	#	-	-	-
Financial futures sold	1	-	#	-	-	-
Swaptions purchased	943	10	-	-	-	-
Swaptions sold	1,674	-	#	-	-	-
Interest rate futures options purchased	925	1	#	-	-	-
Interest rate futures options written	1,123	-	20	-	-	-
Interest rate caps / floor written	2,291	-	44	-	-	-
Interest rate caps / floor purchased	913	38	-	9	-	-
Sub-total	184,829	1,570	1,364	10,981	383	142
Foreign exchange derivatives						
FX Forwards	20,428	155	244	664	2	3
FX Swaps	138,561	881	861	5,807	78	120
Currency swaps	15,156	94	157	119	#	#
Currency options purchased	11,447	149	-	-	-	-
Currency options written	12,145	-	175	-	-	-
Sub-total	197,737	1,279	1,437	6,590	80	123
Equity derivatives						
Equity options purchased	447	18	#	3,792	1	-
Equity options sold	530	-	21	4,114	-	2
Sub-total	977	18	21	7,906	1	2
Credit derivatives						
Credit default swaps	-	-	-	3,134	3	24
Sub-total	-	-	-	3,134	3	24
Total	383,543	2,867	2,822	28,611	467	291
Balances arising from off-balance sheet financial instruments (see Other liabilities / Other assets Notes 21/30)		2,867*		2,822		2

* These gross position fair value are subject to certain valuation adjustments to reflect possible price adjustments to the market value to liquidate certain material positions held by the Group (Note 2.14.3).

Amount under S\$500,000

(1) Include fair value of interest rate swaps used to hedge the subordinated debts issued by DBS Bank and DBS Capital Funding Corporation (Note 39).

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The contractual or underlying principal amounts of derivative financial instruments of bank and non-bank counterparties amounted to S\$590,443 million (2001: S\$330,902 million) and S\$188,324 million (2001: S\$81,252 million) respectively.

DBSH Group accounts for options on shares held by the minority as derivative contracts, and the options will be accounted for as such until any settlement date when the physical shares would be acquired.

In the case of DBS Vickers Securities Holdings Pte Ltd, under the Shareholders' Agreement in relation to the sale and purchase of Vickers Ballas Holdings Limited, DBS Bank is subject to a Put Option provision. The minority interest may exercise a Put Option exercisable on September 12, 2003 at an Option Price of S\$0.71[^] per Option Share and 3.1 per cent per annum compounded annually.

The notional value of the Put Option at December 31, 2002 was S\$255 million (2001 : S\$322 million). This amount would be payable in full should the minority shareholder exercises its Put Option at maturity.

[^] Based on the original Option price of S\$0.90 per Option share, adjusted for pre-acquisition profits distributed subsequent to the acquisition.

38. FINANCIAL INSTRUMENTS – USAGE AND RISK MANAGEMENT

38.1 USE OF FINANCIAL INSTRUMENTS

DBSH Group's activities are principally related to the use of financial instruments including the use of derivatives. The Group accepts deposits from customers at both fixed and floating rates and for varying periods and seeks to earn above average interest margins by investing these funds in high quality assets. DBSH Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates whilst maintaining interest rate risk within targets as well as sufficient liquidity to meet all claims that might possibly fall due.

DBSH Group takes positions in exchange traded and over the counter financial instruments including derivatives to take advantage of short-term market movements in the equity, bond, currency, interest rate and commodity rates and prices. These positions can be for its own dealing purposes or as part of its services to meet customers' needs. Trading limits on the daily level of market risk exposure that can be taken are delegated by the Board and monitored by DBS Bank's Group Risk Department. With the exception of specific hedging arrangements, exposures associated with these derivatives are normally offset by entering into counter balancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions and the net amount of market risk taken.

38.2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

DBSH Group has set up objectives and policies to manage the risks that arise in connection with the use of financial instruments. Business units have primary responsibility for managing specific risk exposures while Group Risk exercises independent oversight on risk management for the Group as a whole.

38.2.1 Market risk

Market risk arises from changes in market rates such as interest rates, foreign exchange rates and equity prices, as well as in their correlation and volatility levels. DBSH Group's trading and investment market risk appetite is determined by the Board, with detailed limit frameworks governing the different activities approved by the Board Risk Management Committee. Limits are monitored by independent units. At the business unit operations level, trading exposures are measured and controlled by various market risk limits (such as stop loss and time bucket concentration limits). All trading activities are subject to the mark-to-market valuation to reflect the current market value of the trading portfolio and their profit and loss. The Group Asset and Liability Management Committee oversees market risk arising from mismatches in the Group's customer loans and deposits.

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38.2.2 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or the interest income of a portfolio will fluctuate due to changes in market interest rates. It results primarily from the timing mismatch in re-pricing of interest-bearing assets and liabilities. DBSH Group manages its interest rate risk by way of entering into on and off-balance sheet interest rate hedging instruments to hedge the interest rate exposure based on market and economic conditions.

The following tables summarise DBSH Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. Actual dates may differ from contractual dates owing to prepayments and the exercise of options.

In S\$ million	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Non-interest bearing
December 31, 2002							
Cash, and balances and placements with central banks and banks	9,270	11,927	9,280	7,176	1,077	90	2,134
Securities ^(a)	2,924	1,680	2,706	3,585	5,680	9,476	1,159
Loans to, and bills receivable from, non-bank customers	22,247	15,671	10,210	8,717	1,283	2,060	521
Other assets ^(b)	–	–	–	–	–	–	20,502
Total assets	34,441	29,278	22,196	19,478	8,040	11,626	24,316
Subordinated term debts	–	–	7	17	26	5,535	201
Deposits and balances of banks	1,852	1,606	992	396	31	–	–
Deposits and other accounts of non-bank customers	61,823	20,765	10,401	5,494	1,058	1,774	–
Other liabilities ^(c)	543	239	855	858	1,021	1,908	16,510
Total liabilities	64,218	22,610	12,255	6,765	2,136	9,217	16,711
Minority interests	–	–	–	–	–	–	1,018
Equity	–	–	–	–	–	–	14,445
Total liabilities and equity	64,218	22,610	12,255	6,765	2,136	9,217	32,174
On balance sheet interest rate gap	(29,777)	6,668	9,941	12,713	5,904	2,409	(7,858)
Off-balance sheet interest rate gap							
– Financial derivatives	7,275	(6,830)	(10,251)	10,348	(4,870)	4,328	–

(a) Securities include Singapore Government securities and treasury bills, trading securities and investment securities.

(b) Other assets include associated and joint venture companies, goodwill, fixed assets and other assets.

(c) Other liabilities include debt securities issued, other borrowings, bills payable, current and deferred taxation and other liabilities.

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In S\$'million	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Non-interest bearing
December 31, 2001							
Cash, and balances and placements with central banks and banks	8,397	10,805	9,693	11,744	497	38	3,541
Securities ^(a)	371	1,990	3,862	6,441	4,249	6,218	1,233
Loans to, and bills receivable from, non-bank customers	35,858	9,628	10,653	5,579	3,199	2,750	541
Other assets ^(b)	–	–	–	–	–	–	14,175
Total assets	44,626	22,423	24,208	23,764	7,945	9,006	19,490
Subordinated term debts	–	–	7	18	27	5,886	209
Deposits and balances of banks	2,564	2,459	2,098	1,325	–	–	–
Deposits and other accounts of non-bank customers	62,746	25,276	10,951	6,951	645	202	–
Other liabilities ^(c)	4,198	456	902	845	706	1,480	5,851
Total liabilities	69,508	28,191	13,958	9,139	1,378	7,568	6,060
Minority interests	–	–	–	–	–	–	2,047
Equity	–	–	–	–	–	–	13,613
Total liabilities and equity	69,508	28,191	13,958	9,139	1,378	7,568	21,720
On balance sheet interest rate gap	(24,882)	(5,768)	10,250	14,625	6,567	1,438	(2,230)
Off-balance sheet interest rate gap							
– Financial derivatives	4,046	(1,438)	(3,606)	(12,219)	4,741	8,476	–

(a) Securities include Singapore Government securities and treasury bills, trading securities and investment securities.

(b) Other assets include associated and joint venture companies, goodwill, fixed assets and other assets.

(c) Other liabilities include debt securities issued, other borrowings, bills payable, current and deferred taxation and other liabilities.

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

	Singapore Dollar %	US Dollar %	Hong Kong Dollar %
December 31, 2002			
Assets			
Cash, and balances and placements with central banks	0	0	0
Securities ^(a)	0.90 – 3.74	3.38 – 4.19	1.91 – 5.93
Balances, placements with, and loans to banks	0.92 – 0.98	1.29 – 2.01	1.61
Loans to, and bills receivable from, non-bank customers	3.39 – 4.34	2.68 – 4.17	3.63 – 14.24
Liabilities			
Subordinated term debts	5.35	7.13 – 7.88	0
Deposits and balances of banks	0.38 – 1.03	1.24 – 1.61	1.50
Deposits and other accounts of non-bank customers	0 – 0.89	0.01 – 1.50	0 – 1.78
December 31, 2001			
Assets			
Cash, and balances and placements with central banks	0	0 – 4.37	0
Securities ^(a)	1.48 – 4.21	3.82 – 5.60	2.25 – 5.62
Balances, placements with, and loans to banks	0.89 – 1.25	1.90 – 2.86	2.74
Loans to, and bills receivable from, non-bank customers	4.06 – 4.42	3.54 – 4.78	3.96 – 14.35
Liabilities			
Subordinated term debts	5.35	7.13 – 7.88	0
Deposits and balances of banks	0.46 – 1.84	1.84 – 2.18	2.54
Deposits and other accounts of non-bank customers	0 – 1.24	0.79 – 2.95	0 – 1.80

(a) Securities include Singapore Government securities and treasury bills, trading debt securities and investment securities. Excludes trading and investment equities.

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38.2.3 Currency risk

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

In S\$ million	Singapore Dollar	US Dollar	Hong Kong Dollar	Thai Baht	Others	Total
December 31, 2002						
Cash, and balances and placements with central banks and banks	6,843	25,775	1,657	157	6,522	40,954
Securities ^(a)	11,995	6,911	3,571	392	4,341	27,210
Loans to, and bills receivable from, non-bank customers	29,001	7,049	20,265	2,617	1,777	60,709
Other assets ^(b)	13,333	2,657	2,640	477	1,395	20,502
Total assets	61,172	42,392	28,133	3,643	14,035	149,375
Subordinated term debts	100	5,362	–	324	–	5,786
Deposits and balances of banks	713	2,305	171	88	1,600	4,877
Deposits and other accounts of non-bank customers	53,655	20,096	18,731	3,164	5,669	101,315
Other liabilities ^(c)	8,263	5,208	7,345	77	1,041	21,934
Total liabilities	62,731	32,971	26,247	3,653	8,310	133,912
Minority interests	1,266	–	–	(255)	7	1,018
Equity	14,445	–	–	–	–	14,445
Total liabilities and equity	78,442	32,971	26,247	3,398	8,317	149,375
Net on-balance sheet position	(17,270)	9,421	1,886	245	5,718	–
Net off-balance sheet position	15,335	(8,576)	(2,278)	(33)	(4,448)	–

(a) Securities include Singapore Government securities and treasury bills, trading securities and investment securities.

(b) Other assets include associated and joint venture companies, goodwill, fixed assets and other assets.

(c) Other liabilities include debt securities issued, other borrowings, bills payable, current and deferred taxation and other liabilities.

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In S\$'million	Singapore Dollar	US Dollar	Hong Kong Dollar	Thai Baht	Others	Total
December 31, 2001						
Cash, and balances and placements						
with central banks and banks	11,014	23,725	1,697	174	8,105	44,715
Securities ^(a)	11,913	5,026	5,843	401	1,181	24,364
Loans to, and bills receivable from, non-bank customers	33,234	8,187	22,976	2,482	1,329	68,208
Other assets ^(b)	8,182	2,293	2,142	562	996	14,175
Total assets	64,343	39,231	32,658	3,619	11,611	151,462
Subordinated term debts	100	5,709	–	338	–	6,147
Deposits and balances of banks	959	4,597	878	99	1,913	8,446
Deposits and other accounts of non-bank customers	55,137	21,811	20,976	3,242	5,605	106,771
Other liabilities ^(c)	2,878	3,998	6,220	130	1,212	14,438
Total liabilities	59,074	36,115	28,074	3,809	8,730	135,802
Minority interests	1,351	–	967	(278)	7	2,047
Equity	13,613	–	–	–	–	13,613
Total liabilities and equity	74,038	36,115	29,041	3,531	8,737	151,462
Net on-balance sheet position	(9,695)	3,116	3,617	88	2,874	–
Net off-balance sheet position	7,954	(1,059)	(4,859)	(201)	(1,835)	–

(a) Securities include Singapore Government securities and treasury bills, trading securities and investment securities.

(b) Other assets include associated and joint venture companies, goodwill, fixed assets and other assets.

(c) Other liabilities include debt securities issued, other borrowings, bills payable, current and deferred taxation and other liabilities.

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The table below analyses DBSH Group's net structural currency exposure at December 31:

In S\$'million	Net investments in overseas operations ^(a)	Borrowings which hedge the net investments	Remaining structural currency exposures
Functional currency of the operation involved			
December 31, 2002			
US Dollar	151	139	12
Hong Kong Dollar	4,115	4,013	102
Thai Baht	4	(59)	63
Others	963	292	671
Total	5,233	4,385	848
Functional currency of the operation involved			
December 31, 2001			
US Dollar	130	131	(1)
Hong Kong Dollar	3,518	3,323	195
Thai Baht	(12)	(5)	(7)
Others	821	614	207
Total	4,457	4,063	394

(a) Refer to net tangible assets of subsidiary/associated companies and capital funds/retained earnings of overseas branches' operations.

38.2.4 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Senior management manages credit risk at the enterprise level by setting the overall direction and policy. In so doing, it directs the risk appetite and underwriting activities for various countries, industries and counterparties taking into account factors such as prevailing business and economic conditions. DBSH Group is guided by a set of credit principles and policies embodied in its Core Credit Risk Policy which all extensions of credit must adhere to. These principles and policies have been developed with the objective of promoting best practices and consistent credit risk management standards throughout the organisation.

Exposure to credit risk is managed through a sound, well-defined credit granting process which includes the assessment of repayment likelihood and the rightsizing of credit limits where appropriate. Exposure to credit risk is also managed in part through credit risk mitigation techniques such as appropriate structuring of credit, and requiring collateral and/or third party support.

38.2.4.1 Derivatives

At any one time the credit exposure of derivatives transactions is limited to the positive mark to market value to the Group, which in general is only a fraction of the derivative contract or notional amount used to express the volume of instruments. This credit exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit exposures on these instruments, except where the Group enters into collateralised margin transactions with counterparties.

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38.2.4.2 Master netting arrangements

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

38.2.4.3 Credit related commitments

Guarantees and standby letters of credit, which represent undertakings that DBSH Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans even though they are of contingent nature. Documentary and commercial letters of credit, which are undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are usually collateralised by the underlying shipments of goods to which they relate and therefore exhibit different risk characteristics from a direct borrowing.

Commitments to extend credit includes unused portions of loan commitments, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is usually less than the total unused commitments since most commitments to extend credit are contingent upon customers observing or meeting certain credit terms and conditions. The Group monitors the term to maturity of credit commitments as longer-term commitments generally have a greater degree of credit risk sensitivity than shorter-term commitments.

38.2.4.4 Non-performing loans and provisions

DBSH Group's policy is to establish, through charges against profit, a provision in respect of the estimated loss inherent in the lending book. The overall provision represent the aggregate amount by which management considers it necessary to write down its loan portfolio in order to state it in the balance sheet at its estimated ultimate net realisable value. Non-performing loans ("NPLs") are loans, contingent facilities and debt instruments classified as Substandard, Doubtful or Loss in accordance with MAS Notice 612, which determines the level of provisioning.

At December 31, 2002, DBSH Group's total non-performing loans amounted to S\$4,224 million (2001: S\$4,512 million). Out of the total NPLs of S\$4,224 million:

- S\$2,883 million (68%) [2001: S\$3,085 million (68%)] were in the substandard category; and
- S\$2,153 million (51%) [2001: S\$2,604 million (58%)] were secured by collateral.

Total cumulative specific and general provisions at December 31, 2002 amounted to 121% (2001: 143%) of unsecured NPLs.

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Details of DBSH Group's NPLs and provisions at December 31, 2002 are as follows:

In S\$'million	Regional Countries					Total
	Singapore	Hong Kong ^(b)	DTDB ^(a)	Others	Other Countries	
December 31, 2002						
Non-Performing Loans (NPLs)	1,546	772	905	690	311	4,224
Substandard	1,051	348	815	466	203	2,883
Doubtful	23	203	7	96	68	397
Loss	472	221	83	128	40	944
NPLs as a % of:						
Total loans in the respective countries	4.0%	3.4%	25.4%	12.4%	1.0%	4.1%
Group total assets	1.0%	0.5%	0.6%	0.5%	0.2%	2.8%
Non-bank NPLs as a % of non-bank loans in the respective countries						
	4.2%	3.5%	27.0%	40.6%	8.7%	6.1%
Total Cumulative Provisions						
Specific provisions	527	227	372	273	112	1,511
General provisions	352	222	181	185	49	989
Total Cumulative Provisions as a % of:						
Total loans in the respective countries	2.2%	2.0%	15.5%	8.2%	0.5%	2.4%
Group total assets	0.6%	0.3%	0.4%	0.3%	0.1%	1.7%
NPLs in the respective countries	57%	58%	61%	66%	52%	59%
Unsecured NPLs in the respective countries	149%	170%	119%	95%	59%	121%

(a) Includes special general provisions for regional exposures and additional specific provisions for DBS Thai Danu Public Company Limited (DTDB)'s loans which are booked in Singapore.

(b) Includes DHG, DBS Group Holdings (Hong Kong) Ltd and Hong Kong Branch operations.

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Details of DBSH Group's NPLs and provisions at December 31, 2001 are as follows:

In S\$'million	Regional Countries					Total
	Singapore	Hong Kong ^(b)	DTDB ^(a)	Others	Other Countries	
December 31, 2001						
Non-Performing Loans (NPLs)						
Substandard	1,528	1,085	1,004	631	264	4,512
Doubtful	1,175	530	810	379	191	3,085
Loss	27	344	17	112	21	521
	326	211	177	140	52	906
NPLs as a % of:						
Total loans in the respective countries	3.7%	4.1%	27.7%	12.2%	0.8%	4.0%
Group total assets	1.0%	0.7%	0.7%	0.4%	0.2%	3.0%
Non-bank NPLs as a % of non-bank loans in the respective countries						
	3.6%	4.3%	29.8%	26.1%	6.8%	5.7%
Total Cumulative Provisions						
Specific provisions	838	553	727 ^(c)	460	141	2,719
General provisions	465	304	545	244	101	1,659
	373	249	182	216	40	1,060
Total Cumulative Provisions as a % of:						
Total loans in the respective countries	2.0%	2.1%	20.0%	8.9%	0.4%	2.4%
Group total assets	0.5%	0.4%	0.5%	0.3%	0.1%	1.8%
NPLs in the respective countries	55%	51%	72%	73%	53%	60%
Unsecured NPLs in the respective countries	151%	150%	162%	124%	86%	143%

(a) Includes special general provisions for regional exposures and additional specific provisions for DBS Thai Danu Public Company Limited (DTDB)'s loans which are booked in Singapore.

(b) Includes DHG, DBS Group Holdings (Hong Kong) Ltd and Hong Kong Branch operations.

(c) Includes provision of S\$145 million in respect of foreclosed properties in DTDB.

38.2.4.5 Ageing of non-performing loans

The following table shows the ageing of the non-performing loans of DBSH Group at December 31:

In S\$'million	DBSH Group	
	2002	2001
Non-default	1,554	1,406
Default loans	2,670	3,106
Less than 3 months	651	700
Over 3 months and less than 6 months	323	547
Over 6 months	1,696	1,859
Total	4,224	4,512

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38.2.5 Concentration risk

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

38.2.5.1 Exposures to Malaysia, Indonesia, Thailand, Korea and the Philippines (Regional Countries), Hong Kong and China

At December 31, 2002, DBSH Group has exposures to certain countries in the Asia Pacific region. Specifically, it had assets in the Regional Countries amounting to S\$8,282 million (2001: S\$7,790 million) and in Hong Kong and China amounting to S\$27,161 million (2001: S\$32,721 million). The exposures are determined based on the location of the credit risk of the customers and counterparties regardless of where the transactions are booked.

In S\$'million	DBSH Group			
	2002	2001		
	Assets	NPLs ^(a)	Assets	NPLs ^(a)
Malaysia	952	329	854	409
Indonesia	422	110	445	105
Thailand (excluding DTDB)	303	197	302	59
Korea	2,341	17	1,551	28
The Philippines	700	37	1,011	30
	4,718	690	4,163	631
DTDB	3,564	905	3,627	1,004
Total Regional Countries	8,282	1,595	7,790	1,635
Hong Kong	25,777	772	31,602	1,085
China	1,384	167	1,119	118
Total	35,443	2,534	40,511	2,838

(a) NPLs include classified bank loans, contingent facilities and debt instruments.

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The DBSH Group's exposures to these countries at December 31, 2002 are as follows:

In S\$ million	Loans and debt securities			Investments	Total	Less: Loans to /Investments in Financial Subsidiaries/ Overseas Branches	Net Exposure	
	Central Banks & Govt. Bank Securities	Non-Bank ⁽¹⁾					Amount	As a % of Total Assets
Assets in	(a)	(b)	(c)	(d)	(e)= (a+b+c+d)	(f)	(g)=(e-f)	(h)
Malaysia	743	4	677	89	1,513	561	952	0.6%
Indonesia	109	73	247	72	501	79	422	0.3%
Thailand (excluding DTDB)	98	23	244	73	438	135	303	0.2%
Korea	1,724	249	418	4	2,395	54	2,341	1.6%
The Philippines	20	49	143	493	705	5	700	0.5%
SUB-TOTAL	2,694	398	1,729	731	5,552	834	4,718	3.2%
DTDB	59	282	3,141	82	3,564	-	3,564	2.3%
TOTAL REGIONAL COUNTRIES	2,753	680	4,870	813	9,116	834	8,282	5.5%
Hong Kong ⁽²⁾	1,830	2,372	22,303	10,346	36,851	11,074	25,777	17.3%
China	1,001	27	718	-	1,746	362	1,384	0.9%
TOTAL	5,584	3,079	27,891	11,159	47,713	12,270	35,443	23.7%

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

(2) Includes DHG, DBS Group Holdings (Hong Kong) Ltd and Hong Kong Branch operations.

The DBSH Group's exposures to these countries at December 31, 2001 are as follows:

In S\$ million	Loans and debt securities			Investments	Total	Less: Loans to /Investments in Financial Subsidiaries/ Overseas Branches	Net Exposure	
	Central Banks & Govt. Bank Securities	Non-Bank ⁽¹⁾					Amount	As a % of Total Assets
Assets in	(a)	(b)	(c)	(d)	(e)= (a+b+c+d)	(f)	(g)=(e-f)	(h)
Malaysia	730	-	727	95	1,552	698	854	0.6%
Indonesia	161	31	291	38	521	76	445	0.3%
Thailand (excluding DTDB)	64	9	271	78	422	120	302	0.2%
Korea	1,002	194	464	7	1,667	116	1,551	1.0%
The Philippines	74	99	124	720	1,017	6	1,011	0.7%
SUB-TOTAL	2,031	333	1,877	938	5,179	1,016	4,163	2.8%
DTDB	61	286	3,186	95	3,628	1	3,627	2.4%
TOTAL REGIONAL COUNTRIES	2,092	619	5,063	1,033	8,807	1,017	7,790	5.2%
Hong Kong ⁽²⁾	1,737	4,374	25,491	10,808	42,410	10,808	31,602	20.9%
China	746	28	930	2	1,706	587	1,119	0.7%
TOTAL	4,575	5,021	31,484	11,843	52,923	12,412	40,511	26.8%

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

(2) Includes DHG, DBS Group Holdings (Hong Kong) Ltd and Hong Kong Branch operations.

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38.2.5.2 Industry analysis of non-performing loans

The following table shows the industry breakdown of the non-performing loans of DBSH Group at December 31:

In S\$'million	DBSH Group			
	2002 Outstanding	2002 Specific Provisions	2001 Outstanding	2001 Specific Provisions
Manufacturing	947	414	891	438
Building and Construction	589	203	772	246
Housing Loans	193	49	311	63
General Commerce	742	295	755	335
Transportation, Storage and Communications	142	37	237	60
Financial Institutions, Investment and Holding Companies	455	135	497	157
Professionals and Private Individuals (except Housing Loans)	427	186	417	168
Others	729	192	632	192
Total	4,224	1,511	4,512	1,659

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38.2.6 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. DBSH Group's objective in liquidity management is to ensure that there is sufficient liquidity to meet obligations under normal as well as adverse circumstances and take advantage of lending and investment opportunities as they arise. As part of its liquidity risk management, DBSH Group focuses on a number of components, including tapping available sources of liquidity, preserving necessary funding capacity and continuous contingency planning.

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

In S\$'million	Repayable on demand	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	No specific maturity	Total
December 31, 2002										
Cash, and balances and placements with central banks and banks	2,494	8,906	11,932	9,274	7,159	1,094	66	29	–	40,954
Securities ^(a)	9,250	271	692	1,519	3,197	4,913	4,031	2,885	452	27,210
Loans to, and bills receivable from, non-bank customers	4,277	944	9,174	4,170	4,816	8,914	7,649	20,765	–	60,709
Other assets ^(b)	–	–	–	–	–	–	–	–	20,502	20,502
Total assets	16,021	10,121	21,798	14,963	15,172	14,921	11,746	23,679	20,954	149,375
Subordinated term debts	–	–	–	7	17	26	20	5,515	201	5,786
Deposits and balances of banks	303	1,549	1,606	992	396	31	–	–	–	4,877
Deposits and other accounts of non- bank customers	52,312	9,512	20,764	10,401	5,494	1,058	1,774	–	–	101,315
Other liabilities ^(c)	2,678	19	3,654	855	1,260	1,021	1,394	513	10,540	21,934
Total liabilities	55,293	11,080	26,024	12,255	7,167	2,136	3,188	6,028	10,741	133,912
Minority interests	–	–	–	–	–	–	–	–	1,018	1,018
Equity	–	–	–	–	–	–	–	–	14,445	14,445
Total liabilities and equity	55,293	11,080	26,024	12,255	7,167	2,136	3,188	6,028	26,204	149,375
Net liquidity gap	(39,272)	(959)	(4,226)	2,708	8,005	12,785	8,558	17,651	(5,250)	–

(a) Securities include Singapore Government securities and treasury bills, trading securities and investment securities.

(b) Other assets include associated and joint venture companies, goodwill, fixed assets and other assets.

(c) Other liabilities include debt securities issued, other borrowings, bills payable, current and deferred taxation and other liabilities.

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In S\$'million	Repayable on demand	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	No specific maturity	Total
December 31, 2001										
Cash, and balances and placements with central banks and banks	4,151	7,786	10,805	9,665	11,726	543	27	12	–	44,715
Securities ^(a)	10,778	83	429	1,489	3,714	3,268	3,347	186	1,070	24,364
Loans to, and bills receivable from, non-bank customers	5,192	1,054	8,377	3,817	6,253	10,233	8,646	24,636	–	68,208
Other assets ^(b)	–	–	–	–	–	–	–	–	14,175	14,175
Total assets	20,121	8,923	19,611	14,971	21,693	14,044	12,020	24,834	15,245	151,462
Subordinated term debts	–	–	–	7	18	27	21	5,865	209	6,147
Deposits and balances of banks	318	2,246	2,459	2,098	1,325	–	–	–	–	8,446
Deposits and other accounts of non-bank customers	53,682	9,064	25,276	10,951	6,951	645	202	–	–	106,771
Other liabilities ^(c)	3,974	224	456	902	845	706	573	907	5,851	14,438
Total liabilities	57,974	11,534	28,191	13,958	9,139	1,378	796	6,772	6,060	135,802
Minority interests	–	–	–	–	–	–	–	–	2,047	2,047
Equity	–	–	–	–	–	–	–	–	13,613	13,613
Total liabilities and equity	57,974	11,534	28,191	13,958	9,139	1,378	796	6,772	21,720	151,462
Net liquidity gap	(37,853)	(2,611)	(8,580)	1,013	12,554	12,666	11,224	18,062	(6,475)	–

(a) Securities include Singapore Government securities and treasury bills, trading securities and investment securities.

(b) Other assets include associated and joint venture companies, goodwill, fixed assets and other assets.

(c) Other liabilities include debt securities issued, other borrowings, bills payable, current and deferred taxation and other liabilities.

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39. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Financial instruments comprise financial assets, financial liabilities and also off-balance sheet financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents estimates of fair values as at the balance sheet date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

In addition, fair value information for non-financial assets and liabilities is excluded as they do not fall within the scope of SAS 32 which requires the fair value information to be disclosed. These include fixed assets, long-term relationships with customers and intangibles.

Except for loans to and bills receivable from customers, the following table summarises the carrying amounts and fair values of the Group's financial assets and liabilities. The Group has computed the fair values of loans to and bills receivable from customers, taking into account the relevant market interest rates and credit spread by product types and noted that the total fair value is not materially different from the total carrying amount at year-end.

In S\$'million	DBSH Group			
	2002 Carrying value	2002 Fair value	2001 Carrying value	2001 Fair value
Financial assets				
Cash, and balances and placements with central banks and banks	40,954	40,981	44,715	44,758
Securities	27,210	27,588	24,364	24,373
Financial liabilities				
Subordinated term debts	5,786	6,663	6,147	6,310
Deposits and balances of banks	4,877	4,880	8,446	8,448
Deposits and other accounts of non-bank customers	101,315	101,316	106,771	106,762
Other borrowings, debt securities issued and bills payable	5,422	5,422	4,738	4,738

Cash, and balances and placements with central banks and banks

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

Securities

Securities include Singapore Government securities and treasury bills, trading securities and investment securities. Fair value is based on the market prices or broker/dealer price quotations. Where market price may not be achievable as a result of operating in illiquid markets, appropriate adjustment to the market value is made. For equities, where market price information is not available, fair value has been estimated by reference to the net tangible asset backing of the investee.

Subordinated term debts

The estimated fair value of subordinated term debts is based on a discounted cash flow model using a current yield curve appropriate for the remaining term to maturity. The fixed rate USD subordinated term debts issued by DBS Bank and DBS Capital Funding Corporation have been converted to floating rate via interest rate swaps. The difference between fair value and carrying amount will be largely offset by the corresponding fair value of hedging interest rate swaps (Note 37.2).

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Deposits, and balances of banks and non-bank customers

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand.

The estimated fair value of fixed interest-bearing deposits and other borrowings is based on discounted cash flows using prevailing interest rates with similar remaining maturity.

Other borrowings, debt securities and bills payable

The fair value approximates their carrying amounts.

40. ASSETS PLEDGED

The aggregate carrying amounts of assets that have been mortgaged or pledged in the normal course of business to secure the liabilities of DBSH Group (excluding those that have been disclosed under Notes 19.1(a), 19.2 (f) to (h) and Note 31.4) at December 31 are as follows:

In S\$'million	DBSH Group	
	2002	2001
Securities sold under repurchase agreements	3,507	4,279
Total	3,507	4,279

41. SEGMENTAL ANALYSIS

41.1 BUSINESS SEGMENT ANALYSIS

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

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

In the financial year 2001, contributions from Dao Heng Bank Group Limited ("DHG") and DBS Vickers Securities Holdings Pte Ltd ("DBSV") were included in DBSH Group financials from June 29, 2001 and September 12, 2001 respectively. The full year financials of these subsidiary companies have been included in the financial year 2002.

The various customer segments are:

- **Consumer Banking**
Consumer Banking focuses on providing products and services to individual customers. The products and services offered to customers include credit facilities (mortgage, personal loans, etc.), credit cards, deposit collection, remittance services, stock brokerage and asset management products.
- **Enterprise Banking**
Enterprise Banking focuses on providing products and services to small and medium enterprises. The products and services offered to customers include credit facilities (overdraft, factoring/accounts receivable purchase, trade financing, commercial/industrial property financing, hire purchase and government financing and assistance schemes), deposit, payment and collection services.
- **Investment Banking**
Investment Banking caters to the business needs of large corporate customers and financial institutions. The products and services offered to customers include direct lending, advisory banking services, bond issuance, equity financing, syndicated financing, mergers and acquisitions advisory services, debt restructuring advisory services, nominee and trustee services and cash management services.
- **Treasury and Markets**
Treasury and Markets is primarily involved in market making and trading of financial products including foreign exchange, securities, interest rate, credit, equity and foreign exchange derivatives. Income from treasury products and services relating to customers of other segments is reflected in the respective customer segments.

DBS Group Holdings Ltd and its Subsidiary Companies

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The other segments are:

– **Funding Portfolio**

The Funding Portfolio managed by Treasury and Markets is the net aggregate of the Group's interest earning assets and interest bearing liabilities. The income generated from this portfolio is predominantly interest rate in nature.

– **Central Operations**

Central Operations encompasses a range of activities, with corporate decisions made at the center and the related income and expenses not attributed to business segments. These include central treasury unit, funding costs of DBSH Group's associated and subsidiary companies, and gains/losses on properties held centrally.

The following tables analyse the results, total assets and total liabilities by business segments:

In S\$'million	DBSH Group						Total
	Consumer Banking	Enterprise Banking	Investment Banking	Treasury and Markets ^{1/}	Funding Portfolio ^{1/}	Central Operations	
2002							
Income before operating expenses	1,830	614	788	310	450	74	4,066
Operating profit before provisions, taxation and goodwill amortisation	653	394	566	230	334	38	2,215
Net profit before taxation and goodwill amortisation	414	313	456	238	346	(41)	1,726
Taxation	(103)	(58)	(74)	(46)	(67)	50	(298)
Net profit after taxation and before goodwill amortisation	295	217	377	179	261	(34)	1,295
Goodwill amortisation							(278)
Net profit attributable to members							1,017
<u>Other Information</u>							
Total assets before goodwill	29,309	13,964	21,583	12,808	44,346	19,672	141,682
Goodwill							7,693
Total assets							149,375
Total liabilities	75,602	14,000	12,073	6,915	8,850	16,472	133,912
Capital expenditure	54	12	6	8	11	21	112
Depreciation	54	18	6	9	14	71	172

1/ Operating expenses and provisions have been determined by pro-rating between Treasury and Markets and the Funding Portfolio based on the share of income before operating expenses.

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In S\$ million	DBSH Group						Total
	Consumer Banking	Enterprise Banking	Investment Banking	Treasury and Markets ^{1/}	Funding Portfolio ^{1/}	Central Operations	
2001							
Income before operating expenses	1,543	502	824	269	346	48	3,532
Operating profit before provisions, taxation and goodwill amortisation	598	306	600	196	252	(149)	1,803
Net profit before taxation and goodwill amortisation	489	207	357	188	242	12	1,495
Taxation	(120)	(42)	(99)	(34)	(43)	72	(266)
Net profit after taxation and before goodwill amortisation	354	148	256	147	188	37	1,130
Goodwill amortisation							(133)
Net profit attributable to members							997
<u>Other Information</u>							
Total assets before goodwill	33,579	13,613	24,492	9,141	49,657	15,775	146,257
Goodwill							5,205
Total assets							151,462
Total liabilities	78,594	13,152	14,662	2,824	15,135	11,435	135,802
Capital expenditure	100	9	9	8	11	47	184
Depreciation	52	14	8	9	11	75	169

1/ Operating expenses and provisions have been determined by pro-rating between Treasury and Markets and the Funding Portfolio based on the share of income before operating expenses.

41.2 GEOGRAPHICAL SEGMENT ANALYSIS

DBSH Group operates in four main geographical areas:

- “Singapore”, which includes the operations of the Asian Currency Unit.
- “Hong Kong”, which includes branch and subsidiary operations in Hong Kong.
- “Regional Countries”, which includes branch and subsidiary operations in Malaysia, Indonesia, Thailand, Korea and the Philippines.
- “Rest of the World”, which are mainly branch operations in China, India, Taiwan, United States and United Kingdom.

With the exception of Singapore and Hong Kong, no other individual country contributed more than 10% of the consolidated income before operating expenses and of total assets.

Income before operating expenses and net profit attributable to members are based on the country in which the transactions are booked except for special general provisions for regional exposures and additional provisions for DBS Thai Danu Bank Public Company Limited's loans which are booked in Singapore. Total assets are shown by geographical area in which the assets are booked. It would not be materially different if total assets shown are based on the country in which the counterparty or assets are located. The total assets, income before operating expenses and net profit attributable to members are stated after elimination of inter-group assets and revenues.

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The following tables analyse total assets, income before operating expenses and net profit attributable to members by geographical segments:

In S\$'million	Total assets	DBSH Group Income before operating expenses	Net profit attributable to members
2002			
Singapore ^(a)	93,855	2,487	605
Hong Kong	45,607	1,292	335
Regional Countries ^(a)	5,003	199	42
Rest of the World	4,910	88	35
Total	149,375	4,066	1,017
2001			
Singapore ^(a)	91,205	2,468	795
Hong Kong	48,499	800	209
Regional Countries ^(a)	5,064	174	(34)
Rest of the World	6,694	90	27
Total	151,462	3,532	997

(a) Special general provisions for regional exposures, additional provisions for DTDB's loans and amortisation of goodwill on acquisition of DDH and DBSG HK are booked in Singapore.

42. NET CURRENT ASSETS AND LIABILITIES

Set out below is the net current assets and liabilities of DBSH Group. This disclosure has been included to comply with Ninth Schedule of the Companies Act.

In S\$'million	DBSH Group	
	2002	2001
Current assets		
Cash, and balances and placements with central banks	2,165	3,546
Singapore Government securities and treasury bills	4,106	4,683
Trading securities	9,248	10,778
Balances, placements with, and loans and advances to banks	37,600	40,587
Bills receivable from non-bank customers	1,574	1,530
Loans and advances to non-bank customers	21,807	23,163
Investment securities	1,575	1,032
Total current assets	78,075	85,319
Current liabilities		
Deposits and balances of banks	4,846	8,446
Deposits and other accounts of non-bank customers	98,483	105,924
Other debt securities in issue	1,875	2,038
Other borrowings	97	118
Subordinated term debts	24	25
Bills payable	522	395
Other liabilities	5,570	3,579
Current taxation	402	271
Total current liabilities	111,819	120,796
Net current liabilities	(33,744)	(35,477)

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43. RELATED PARTY TRANSACTIONS

43.1 TRANSACTIONS WITH DBS BANK, A WHOLLY OWNED SUBSIDIARY COMPANY

In its ordinary course of business, DBSH has fixed deposit balances with DBS Bank at normal commercial terms. DBSH received interest income from DBS Bank during the financial year amounting to S\$1 million (2001: S\$19 million).

43.2 TRANSACTIONS WITH OTHER RELATED PARTIES OF DBSH GROUP

In addition to the related party information shown elsewhere in these financial statements, all other related party transactions entered into by DBSH Group are in the ordinary course of its banking business and are at arms length commercial terms.

43.3 SHARE OPTIONS GRANTED TO DIRECTORS

The aggregate number of share options granted to directors of DBSH during the year was 375,000 (2001: 175,000). The share options were granted on the same terms and conditions as those offered to other employees of DBSH Group (Note 14). The outstanding number of share options granted to the directors of DBSH at the end of the year was 727,375 (2001: 387,375).

44. SUBSEQUENT EVENTS

On January 10, 2003, DBS Bank exercised its Call Option on the minority shareholders of DBS Diamond Holdings Ltd. Please refer to Note 31.6.1 for further details.

45. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on February 21, 2003.