

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

1. GENERAL

The consolidated financial statements of DBS Group Holdings Ltd ("DBSH") for the year ended December 31, 2003 were approved and authorised for issue by the Board of Directors on February 20, 2004.

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

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

Key details of DBS Bank Ltd (formerly known as 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

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

The financial statements comply with Singapore Financial Reporting Standards ("FRS") including related Interpretations promulgated by the Council on Corporate Disclosure and Governance ("CCDG"). The financial statements were previously prepared in accordance with the Singapore Statements of Accounting Standard ("SAS"). The transition from SAS to FRS has no material impact on the financial statements of DBSH Group.

- 2.1.2 FRS 39, "Financial Instruments: Recognition and Measurement" has been adopted by the CCDG during the financial year but the Standard will be effective from January 1, 2005. The implementation of FRS 39 is expected to have a significant impact on certain financial assets and liabilities. An opening adjustment to 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.

2.2 CHANGES IN SIGNIFICANT ACCOUNTING POLICY

2.2.1 Valuation of Trading Securities

The Monetary Authority of Singapore revised MAS Notice 605 during the third quarter of 2003, allowing for the measurement of trading book positions at fair value. Following the revision, DBSH Group revised its classification guidelines and measurement of its trading and investment securities.

Prior to the revision, Singapore Government securities and other trading securities were separately stated at cost (adjusted for amortisation of premium or discount) less provision. Provision was made based on the shortfall between cost and market value determined on an aggregate portfolio basis and recognised as a charge to the profit and loss account as they arise.

With the revision, a security is classified as held for trading if it is acquired or incurred principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. A security is also classified as held for trading if it is part of a portfolio for which there is evidence of a recent actual pattern of short-term profit-taking, regardless of why it was acquired. These securities are recorded at fair value on the balance sheet, with changes in fair value recorded in "Other income" in the profit and loss account.

Securities that are not classified as held for trading are classified as investment securities. These securities are stated at cost less provision. Specific provision is made for an individual investment when there has been a diminution in value, except where such diminution is temporary, and is charged to the profit and loss account as they arise. In addition, for corporate debt securities, a general provision charge in line with the Group's existing provisioning policies is also recorded in the profit and loss account.

The accounting policy change has been applied retroactively, and the comparable financial results for the Group have been restated to conform to the new accounting policy.

As a result of the change, the net profit attributable to members ("NPAM") of the Group for 2003 was \$7 million higher than it would have been had the change not been made. Accordingly, the previously reported NPAM for 2002 increased by \$56 million and the beginning revenue reserves at January 1, 2002 decreased by \$9 million.

2.2.2 Minority Interest

The minority interest in DBSH Group financial statements for DBS Thai Danu Bank Public Company Limited ("DTDB") had been in debit balance since 1998. 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, there are significant differences in accounting for loan provisions* 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 in the DBSH consolidated financial statements.

At December 31, 2003, the Board of Directors and management reviewed the current accounting policy with regard to losses applicable to the DTDB minority shareholders in the light of FRS 27, "Consolidated Financial Statements and Accounting for Investments in Subsidiaries". Under FRS 27, any losses in excess of the interest in the equity of the subsidiary applicable to the minority are charged against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. Accordingly, the Board of Directors and management have decided that the losses applicable to the DTDB minority shareholders that is in excess of their interest in the equity of DTDB will be absorbed by the majority in line with FRS 27.

As a result, the accounting treatment on the minority interest balance has been revised and applied retroactively. The impact on the current financial year was immaterial. The previously reported NPAM for 2002 increased by \$24 million and the beginning revenue reserves at January 1, 2002 decreased by \$279 million.

* 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.

2.3 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 29.4. 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 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 29.2. All significant intercompany balances and transactions are eliminated on consolidation. Where necessary, accounting policies for subsidiary companies have been changed to ensure consistency with the policies adopted by DBSH.

2.4 SUBSIDIARY COMPANIES

Investments in subsidiary companies (as defined in Note 2.3) are stated in the financial statements of DBSH and its subsidiary companies at cost less impairment losses.

2.5 ASSOCIATED AND JOINT VENTURE COMPANIES

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

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

Unrealised gains on transactions between DBSH Group and its associated and joint venture companies are eliminated to the extent of 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.

2.6 GOODWILL

Goodwill may arise on the acquisition of subsidiary companies or business undertakings. It represents the excess of the cost of an acquisition over the fair value of DBSH Group's share of the identifiable net assets of the acquired subsidiary companies or business undertakings at the date of acquisition. Goodwill on the acquisition of subsidiary companies or business undertakings occurring on or after January 1, 2001 is reported in the balance sheet as an intangible asset and is amortised using a straight-line method over its estimated useful life, subject to a maximum of 20 years. Goodwill on acquisitions of subsidiary companies or business undertakings that occurred prior to January 1, 2001 was charged in full to 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.

2.7 FOREIGN CURRENCIES

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

The income statement of foreign entities not reporting in Singapore dollars are translated at the average rates of exchange. Balance sheets are translated at closing rate. Exchange differences arising from the retranslation of opening foreign currency net investments and the related cost of hedging and exchange differences resulting from retranslation of the result for the year from average rate to the year end rate are accounted for in reserves.

2.8 CASH AND CASH EQUIVALENTS

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

2.9 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.

2.10 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.

2.11 DEBT SECURITIES AND EQUITIES

2.11.1 Singapore Government Securities and Treasury Bills

With the change in accounting policy as disclosed in Note 2.2.1, Singapore Government securities and treasury bills classified for trading purposes are recorded at fair value on the balance sheet, with changes in fair value recorded in "Other income" in the profit and loss account, while those classified for investment purposes are stated at cost less provision. Provision is made for the investment portfolio when there is deemed to be a permanent diminution in value and this is recognised as a charge to the profit and loss account as they arise.

2.11.2 Trading Securities

With the change in accounting policy as disclosed in Note 2.2.1, trading securities are recorded at fair value on the balance sheet, with changes in fair value recorded in "Other income" in the profit and loss account. Where the market price may not be achievable as a result of operating in illiquid markets, appropriate adjustments to the market value are made.

2.11.3 Investment Securities

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

2.12 Repurchase and Reverse Repurchase Agreements (“Repos” and “Reverse Repos”)

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

2.13 Foreclosed Properties

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

2.14 Fixed Assets, including Investment Properties

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

- 2.14.1 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.
- 2.14.2 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.
- 2.14.3 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.
- 2.14.4 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 disposals of fixed assets are determined by reference to their carrying amount and are taken into account in determining operating profit.

2.15 TREASURY RELATED OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

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

2.15.1 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 superseded, 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 at fair value prior to being transferred to the trading portfolio. The profit or loss arising from the fair value measurement prior to the transfer to the trading portfolio is included in the category of income and expense in the profit and loss account relating to the previously hedged transactions.

2.15.2 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 2.15.1.

Transactions undertaken for trading purposes are stated at fair value. Quoted market prices, when available, are used to determine the fair values of derivatives held for trading. Where mid prices are used, a bid-offer spread adjustment will be made to ensure that all long positions are marked to bid prices and short positions to offer prices. 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.

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

2.16 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.

2.17 INTEREST INCOME

Interest income is recognised on an accrual basis.

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

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

2.18 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.

2.19 DIVIDENDS

Dividends from equities are recognised when declared payable.

2.20 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 at cost less provision for diminution in value. When the shares are awarded, remuneration expenses are computed using the average purchase price (adjusted for provision for diminution in value) and recognised in the profit and loss account on a straight-line basis over the relevant performance period.

Options granted under the DBSH Share Option 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.

2.21 OPERATING LEASES

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

2.22 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.

2.23 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.

2.24 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.

2.25 FIDUCIARY ACTIVITIES

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

2.26 BORROWINGS

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

2.27 DEPOSITS AND OTHER ACCOUNTS OF CUSTOMERS

These balances are stated at cost, which are the initial amount deposited.

2.28 PLACEMENTS WITH AND DEPOSITS OF BANKS

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

3. COMPARATIVES

The comparatives of the Group were restated to conform to the changes in accounting policy as described in Note 2.2. Where necessary, certain comparative figures were adjusted in order to provide proper comparison with current year's presentation.

4. SEGMENTAL PRESENTATION

The business segment results are prepared based on information and data generated from DBSH Group's internal financial reporting systems and adjusted to reflect the organisation's management reporting structure. The activities of DBSH Group are highly integrated and accordingly, internal allocation has to be made in preparing the segment information. As a result, amounts for each business segment are shown after the allocation of certain centralised costs, funding income and the application of transfer pricing, where appropriate. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

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

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

5. NET INTEREST INCOME

Interest income comprises interest arising from various types of lending activities and includes interest on 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 \$ millions	DBSH Group	
	2003	2002
Stockbroking	169	119
Loan-related (include guarantees fees)	155	145
Trade and remittances	111	112
Deposit-related	103	108
Wealth management (unit trust distribution and bancassurance)	92	76
Credit cards	89	93
Investment banking	83	76
Fund management	38	36
Others	44	32
Total	884	797

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 investment equity holdings.

8. RENTAL INCOME

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

9. OTHER INCOME

Other income comprises the following:

In \$ millions	DBSH Group	
	2003	2002
Net gain on treasury activities, including structured investment products (a)	648	397
Net gain on investment securities (b)	183	214
Net gain on fixed assets	3	10
Others	18	23
Total	852	644

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

(b) Net gain on investment securities includes net gains and losses on debt securities, including Singapore Government securities, and equities in the investment portfolio. Included in 2002 was a \$96 million gain from the sale of equity stake in Natsteel Ltd.

10. OPERATING EXPENSES

Operating expenses comprises the following:

In \$ millions	DBSH Group	
	2003	2002
Staff costs	865	911
Other operating expenses	976	940
– Technology-related expenses	287	228
– Occupancy expenses	203	219
– Revenue-related expenses	183	140
– Office administration expenses	76	91
– Other expenses	223	240
Restructuring and integration costs (Note 20.2)	4	22
Goodwill amortisation (Note 31)	430	278
Total	2,271	2,129

- 10.1 Staff costs include salaries, bonuses, contributions to defined contribution plans, e.g., the Central Provident Fund, and all other staff-related expenses (Note 2.20). Contributions to defined contribution plans were \$58 million (2002: \$60 million). At December 31, 2003, DBSH and its subsidiary companies employed 12,144 (2002: 12,035) staff.
- 10.2 Technology-related expenses include depreciation, hire and maintenance of computer hardware and software, fees for outsourcing certain technology-related functions, and other computer-related expenses.
- Occupancy expenses include amounts incurred in the maintenance and service of buildings owned by DBSH's subsidiary companies, rental and depreciation expenses of office and branch premises, and other occupancy expenses.
- Revenue-related expenses include commission and brokerage expenses, and other expenses directly related to revenue generation.
- Office administration expenses include postage, printing & stationery, telecommunication and office equipment expenses.
- Other expenses include advertising, professional and consultancy fees, security guard expenses and other general expenses.
- 10.3 For 2003, the restructuring and integration costs of \$4 million was largely incurred by DBS Vickers Group.
- 10.4 Operating expenses include the following:

In \$ millions	DBSH		DBSH Group	
	2003	2002	2003	2002
(1) Auditors' remuneration	#	#	6	8
Audit fees				
– E&Y / PWC Singapore ^(a)	# ^(b)	# ^(b)	2	2
– Other auditors including associated firms of E&Y / PWC Singapore ^(a)	–	–	3	3
Fees for non-audit services ^(c)				
– E&Y / PWC Singapore ^(a)	–	–	1	1
– Other auditors including associated firms of E&Y / PWC Singapore ^(a)	–	–	#	2
(2) Hire and maintenance of fixed assets, including building-related expenses	–	–	120	143
(3) Rental of premises	–	–	73	89
(4) Depreciation of fixed assets	–	–	168	172

Amount under \$500,000

(a) E&Y = Ernst & Young/PWC = PricewaterhouseCoopers

(b) Audit fees for DBSH was \$70,000 (2002: \$70,000).

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

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

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

In \$ millions	DBSH Group	
	2003	2002
Loans (Note 26)	382	331
– Specific Provision	352	401
– General Provision	30	(70)
Investment Securities (Note 28)	99	70
– Specific Provision	65	25
– General Provision	34	45
Fixed assets and others (Note 28)	60	143
– Specific Provision	35	153
– General Provision	25	(10)
Total	541	544

12. TAXATION

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

In \$ millions	DBSH		DBSH Group	
	2003	2002	2003	2002
Current taxation				
– current year	#	423	358	364
– prior years' over provision	#	#	(1)	(3)
Deferred taxation (Note 19)				
– origination and reversal of temporary differences	#	#	(18)	(48)
– reduction in tax rate	–	–	–	(15)
– prior years' overprovision	–	–	(2)	#
Total	#	423	337	298

Amount under \$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 \$ millions	DBSH		DBSH Group	
	2003	2002	2003	2002
Accelerated tax depreciation	–	–	(39)	(43)
Provision for loan losses	–	–	27	(25)
Other temporary differences	#	#	(8)	5
Deferred taxation credited to profit and loss account	#	#	(20)	(63)

Amount under \$500,000

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

In \$ millions	DBSH		DBSH Group	
	2003	2002	2003	2002
Operating profit	164	1,928	1,386	1,473
Prima facie tax calculated at a tax rate of 22% (2002: 22%)	36	424	305	324
Effect of different tax rates in other countries	–	–	(29)	(35)
Effect of change in tax rate	–	#	#	(15)
Income not subject to tax	(37)	–	(14)	(25)
Income taxed at concessionary rate	–	–	(72)	(86)
Non-tax deductible provisions	–	–	13	25
Goodwill amortisation	–	–	94	61
Others	1	(1)	40	49
Taxation charged to profit and loss account	#	423	337	298

Amount under \$500,000

Further information on deferred income tax is presented in Note 19.

13. EARNINGS PER ORDINARY SHARE

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

In millions	DBSH Group	
	2003	2002
Weighted average number of ordinary shares in issue (a)	1,470	1,462
<hr/>		
In \$ millions	DBSH Group	
	2003	2002
Net profit attributable to members	1,025	1,097
Less: Preference dividends	20	20
Net profit attributable to members after adjustment of preference dividends (b)	1,005	1,077
Add: Goodwill amortisation	430	278
Net profit attributable to members after adjustment of preference dividends and goodwill amortisation (c)	1,435	1,355
Basic Earnings Per Ordinary Share (Cents) (b)/(a)	68	74
Basic Earnings Per Ordinary Share (excluding goodwill amortisation) (Cents) (c)/(a)	98	93

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

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

In millions	DBSH Group	
	2003	2002
Weighted average number of ordinary shares in issue	1,470	1,462
Full conversion of DBSH non-voting CPS	20	20
Full conversion of DBSH non-voting redeemable CPS	66	66
Weighted average number of ordinary shares in issue assuming dilution (a)	1,556	1,548

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

In \$ millions	DBSH Group	
	2003	2002
Net profit attributable to members	1,025	1,097
Less: Preference dividends	20	20
Net profit attributable to members after adjustment of preference dividends	1,005	1,077
Adjustment to net profit arising from:		
(i) Full conversion of DBSH non-voting CPS	5	5
(ii) Full conversion of DBSH non-voting redeemable CPS	15	15
Adjusted net profit attributable to members (b)	1,025	1,097
Add: Goodwill amortisation	430	278
Adjusted net profit attributable to members (excluding goodwill amortisation) (c)	1,455	1,375
Diluted Earnings Per Ordinary Share (Cents) (b)/(a)	66	71
Diluted Earnings Per Ordinary Share (excluding goodwill amortisation) (Cents) (c)/(a)	94	89

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 (\$ millions)	
	2003	2002	2003	2002
At beginning of the year	3,281,329	2,807,529	36	38
At end of the year	3,580,829	3,281,329	53	36

14.2 DBSH SHARE OPTION SCHEME

The DBSH Share Option Scheme ("Option Scheme") was terminated on October 18, 1999. Options granted under the Option Scheme in 1998 expired on April 7, 2003 and there are no further outstanding unexercised options under the Option Scheme.

The movements of the unissued ordinary shares of DBSH of par value \$1.00 each comprised in outstanding existing unexercised options are 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, 2003	Exercised				Lapsed
1998	906,788	906,745	43	–	\$7.69	April 7, 2003	

Ordinary shares of DBSH of par value \$1.00 issued upon exercise of share options during the year ended December 31, 2003 yielded the following proceeds, at the following market value:

In \$ millions	2003	2002
Ordinary share capital – at par	1	1
Share premium	6	9
Proceeds	7	10
Market value, at exercise date, of shares issued	9	19

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 \$1.00 each comprised in outstanding DBSH options granted under the Option Plan were as follows:

DBSH options	Number of unissued ordinary shares January 1, 2003	During the year			Number of unissued ordinary shares December 31, 2003	Subscription price per ordinary share	Date of expiration
		Granted	Exercised	Lapsed			
1999	4,256,461	–	–	455,425	3,801,036	\$15.30	July 27, 2009
March 2000	1,697,000	–	–	110,800	1,586,200	\$20.87	March 5, 2010
July 2000	1,153,800	–	–	39,200	1,114,600	\$22.33	July 26, 2010
March 2001	12,193,000	–	–	568,000	11,625,000	\$17.70	March 14, 2011
June 2001	21,000	–	–	–	21,000	\$14.76	May 31, 2011
August 2001	1,500,000	–	60,000	26,000	1,414,000	\$12.93	July 31, 2011
October 2001	11,655	–	11,655	–	–	\$10.73	October 30, 2011
January 2002	50,500	–	–	–	50,500	\$13.70	January 1, 2012
March 2002	12,328,240	–	38,000	524,000	11,766,240	\$14.73	March 27, 2012
August 2002	1,290,000	–	4,000	71,000	1,215,000	\$12.27	August 15, 2012
October 2002	9,260	–	–	–	9,260	\$11.73	October 9, 2012
December 2002	20,000	–	–	–	20,000	\$11.47	December 17, 2012
February 2003	–	14,318,100	96,800	703,700	13,517,600	\$10.40	February 23, 2013
March 2003	–	15,000	–	–	15,000	\$9.18	March 9, 2013
	34,530,916	14,333,100	210,455	2,498,125	46,155,436		

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

In \$ millions	2003	2002
Ordinary share capital – at par	#	–
Share premium	2	–
Proceeds	2	–
Market value, at exercise date, of shares issued	3	–

Amount under \$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, awards in respect of an aggregate of 768,360 (2002: 598,380) DBSH ordinary shares were granted to selected employees pursuant to the PSP. When the shares are awarded, remuneration expenses are computed using the average purchase price (adjusted for provision for diminution in value) and recognised in the profit and loss account on a straight-line basis over the relevant performance period.

14.5 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, there were no DBSH ordinary shares granted to eligible employees pursuant to the ESP (2002: 438,940 shares). When the shares were awarded, remuneration expenses were computed using the average purchase price (adjusted for provision for diminution in value) and recognised in the profit and loss account on a straight-line basis over the relevant performance period.

15. SHARE CAPITAL

The share capital of DBSH at December 31, 2003, is as follows:

In \$ millions	2003	DBSH	2002
Authorised			
4,000,000,000 ordinary shares of \$1 each	4,000		4,000
500,000,000 non-voting convertible preference shares ("CPS") of \$1 each	500		500
500,000,000 non-voting redeemable CPS of \$1 each	500		500
	1,000		1,000
Issued and fully paid-up			
1,469,965,595 (2002: 1,468,835,159) ordinary shares of \$1 each	1,470		1,469
19,595,605 (2002: 19,608,841) non-voting CPS of \$1 each	20		20
66,475,374 (2002: 66,475,374) non-voting redeemable CPS of \$1 each	66		66
Total Issued and Paid-up Share Capital of DBSH	1,556		1,555

15.1 During the financial year, pursuant to the DBSH Share Option Scheme (the "Option Scheme") and DBSH Share Option Plan (the "Option Plan"), DBSH issued 1,117,200 ordinary shares of par value \$1.00 each, fully paid in cash upon the exercise of the options granted.

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

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

16. RESERVES

16.1 SHARE PREMIUM ACCOUNT

In \$ millions	2003	DBSH	2002
Balance at January 1	2,163		1,958
Issue of ordinary shares for acquisition	–		196
Exercise of share options (Note 15.1)	8		9
Balance at December 31	2,171		2,163

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16.2. NON-DISTRIBUTABLE RESERVES

Non-distributable reserves comprise the following:

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

In \$ millions	DBSH Group 2002				Total
	General reserve (a)	Capital reserve (b)	Capital redemption reserve (c)	Other reserve (d)	
Balance at January 1, 2002	1,821	24	28	4,271	6,144
Appropriation from profit and loss account	223	–	–	–	223
Net exchange translation adjustments during the year	–	(43)	–	–	(43)
Balance at December 31, 2002	2,044	(19)	28	4,271	6,324

- (a) The movement in General reserve relates to the amounts transferred to the Reserve Fund to comply with the Banking Act, and the other statutory regulations.
- (b) The Capital reserve 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 arising from acquisition of subsidiary companies and other business undertakings has also been included in this account.
- (c) The Capital redemption reserve arises out of the redemption of non-voting redeemable convertible preference shares by way of capital reduction in the financial year ended December 31, 2000.
- (d) Other reserve relates to the share premium of DBS Bank prior to the restructuring of DBS Bank under a financial services holding company, DBSH, pursuant to a scheme of arrangement under Section 210 of the Singapore Companies Act on June 26, 1999.

16.3 REVENUE RESERVE

In \$ millions	DBSH Group	
	2003	2002
Balance at January 1 As previously reported	4,403	3,973
Effect of changes in accounting policy:		
– valuation of trading securities (Note 2.2.1)	47	(9)
– minority interest (Note 2.2.2)	(255)	(279)
Balance at January 1 (as restated)	4,195	3,685
Net profit attributable to members	1,025	1,097
Transfer to general reserve (Note 16.2)	(186)	(223)
Amount available for distribution	5,034	4,559
Less: Final dividend on ordinary shares of 16% net of 22% tax paid for the previous financial year	183	183
Final dividend on DBSH non-voting CPS and non-voting redeemable CPS of 16% net of 22% tax paid for the previous financial year	11	11
Interim dividend on ordinary shares of 14% net of 22% paid for the current financial year	161	160
Interim dividend on DBSH non-voting CPS and non-voting redeemable CPS of 14% net of 22% paid for the current financial year	9	10
Balance at December 31	4,670	4,195

16.4 DIVIDEND PROPOSED

Final dividends are not accounted for until they have been ratified at the Annual General Meeting. At the meeting on April 30, 2004, the following dividends will be proposed. The financial statements for the year ended December 31, 2003 do not reflect this resolution, which will be accounted for in shareholders' funds as an appropriation of revenue reserves in the year ending December 31, 2004.

In \$ millions	DBSH Group 2003
Proposed final dividend on ordinary shares of 16% net of 22% tax	183
Proposed final dividend on DBSH non-voting CPS and non-voting redeemable CPS of 16% net of 22% tax	11
Total	194

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 \$ millions	Note	DBSH Group	
		2003	2002
Preference shares issued by DBS Bank	17.1	1,100	1,100
DBS Vickers Securities Holdings Pte Ltd	17.2	–	150
Other subsidiaries		25	23
Total		1,125	1,273

The balances above included the effect of foreign exchange fluctuations.

- 17.1 \$1,100 million 6% non-cumulative non-convertible perpetual preference shares, of par value of \$0.01 and a liquidation preference of \$100 each, was issued on May 28, 2001 by DBS Bank, a subsidiary company of DBSH to third parties. This qualifies as Tier I capital for the calculation of DBSH Group's capital adequacy ratios. Dividends, if declared by the Board of Directors of DBS Bank, are payable semi-annually on May 15 and November 15 at a fixed rate of 6% gross of the liquidation preference per annum, ending on or prior to May 15, 2011, and thereafter on February 15, May 15, August 15 and November 15 in each year at a floating rate per annum equal to the three-month Singapore Swap Offer Rate plus 2.28%.
- 17.2 On September 11, 2003, DBS Bank purchased the remaining 336,175,960 ordinary shares in DBS Vickers Securities Holdings Pte Ltd ("DBSV"). As a result, DBS Bank's equity interest in DBSV increased from 59.5% to 100%, and no minority interest was recognised in DBSV at December 31, 2003.

18. DEPOSITS AND OTHER ACCOUNTS OF NON-BANK CUSTOMERS

In \$ millions	DBSH Group	
	2003	2002
Analysed by Currency		
Singapore dollar	56,641	53,655
US dollar	23,309	20,096
Hong Kong dollar	17,241	18,731
Thai Baht	3,539	3,164
Others	7,311	5,669
Total	108,041	101,315
Analysed by Product		
Savings accounts (include \$ Autosave)	48,028	43,047
Current accounts	10,486	8,975
Fixed deposits	45,130	46,026
Other deposits	4,397	3,267
Total	108,041	101,315

19. DEFERRED TAXATION

The movement in deferred tax is as follows:

In \$ millions	DBSH		DBSH Group	
	2003	2002	2003	2002
Balance at January 1	#	#	(5)	65
Provision during the year (Note 12)	#	#	(19)	(63)
Exchange differences	-	-	(1)	(7)
Balance at December 31	#	#	(25)	(5)

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

In \$ millions	DBSH		DBSH Group	
	2003	2002	2003	2002
Deferred income tax liabilities				
Accelerated tax depreciation	-	-	165	204
Other temporary differences	#	-	4	-
	#	-	169	204
Deferred income tax assets				
Provision for loan losses	-	-	(168)	(195)
Other temporary differences	-	-	(26)	(14)
	-	-	(194)	(209)

Amount under \$500,000

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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 \$ millions	DBSH		DBSH Group	
	2003	2002	2003	2002
Deferred tax assets	–	#	(129)	(125)
Deferred tax liabilities	#	–	104	120
	#	#	(25)	(5)

Amount under \$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 \$841 million (2002: \$1,070 million) to carry forward against future taxable income. These tax losses will expire between 2004 to 2006. 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. The unremitted revenue reserves amounted to \$976 million at December 31, 2003 (2002: \$626 million).

20. OTHER LIABILITIES

In \$ millions	DBSH Group	
	2003	2002
Balances arising from revaluation of financial instruments (Note 36)	8,245	6,915
Payable arising from acquisition of a subsidiary company (Note 20.1)	–	3,415
Payable in respect of short sale of debt securities	2,973	2,154
Sundry creditors (Note 20.2)	1,819	1,067
Interest payable	473	592
Other payables (Note 20.3)	2,262	1,849
Total	15,772	15,992

20.1 As at December 31, 2002, DBS Bank recognised the 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. This was reflected as a “Payable arising from acquisition of a subsidiary company”.

20.2 Sundry Creditors included provisions that relate to the 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.

The movement in the restructuring provision is as follows:

In \$ millions	DBSH Group	
	2003	2002
Balance at January 1	20	69
Charged to profit and loss account (Note 10)	4	22
Utilised during the year	(19)	(67)
Exchange differences	(2)	(4)
Balance at December 31	3	20

20.3 Other payables includes \$721 million (2002: \$707 million) of collaterals 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.

21. OTHER DEBT SECURITIES IN ISSUE

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

21.1 NEGOTIABLE CERTIFICATES OF DEPOSITS

In \$ millions				DBS Group	
				2003	2002
Face value	Interest rate and repayment terms	Issue date	Maturity date		
Issued by DBS Bank					
HK\$150m	5.18%, payable quarterly	Apr 10, 2001	Apr 10, 2003	–	34
HK\$5m	3.00%, payable yearly	Nov 2, 2001	Nov 3, 2003	–	1
HK\$100m	3-mth interbank offer rate for HK\$ deposits + 0.18%, payable monthly	Jun 15, 2000	Jun 16, 2003	–	22
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
TWD120m	0.985%, payable on maturity	Dec 2, 2003	Jan 2, 2004	6	–
TWD150m	1.475%, payable on maturity	Dec 23, 2002	Jan 23, 2003	–	8
TWD200m	1.030%, payable on maturity	Dec 31, 2003	Jan 31, 2004	10	–
TWD300m	0.985%, payable on maturity	Dec 8, 2003	Jan 8, 2004	15	–
TWD300m	1.030%, payable on maturity	Dec 25, 2003	Mar 25, 2004	15	–
TWD500m	1.025%, payable on maturity	Dec 31, 2003	Mar 31, 2004	25	–
Issued by DBS Bank (Hong Kong) Limited					
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\$6.5m	4.45%, payable quarterly	Oct 10, 2001	Oct 10, 2006	1	1
HK\$10m	3.72%, payable quarterly	Mar 23, 2002	Mar 12, 2004	2	2
HK\$22m	4.61%, payable quarterly	Jun 10, 2002	Jun 13, 2006	5	5
HK\$50m	7.39%, payable quarterly	Jul 5, 2000	Jul 7, 2003	–	11
HK\$50m	8.00%, payable quarterly	Mar 8, 2000	Mar 8, 2005	11	11
HK\$100m	2.185%, payable quarterly	Aug 7, 2002	Feb 16, 2004	22	22
HK\$100m	4.66%, payable quarterly	Mar 23, 2002	Jan 10, 2005	22	22
HK\$100m	4.45%, payable quarterly	Mar 23, 2002	Feb 7, 2005	22	22
HK\$100m	8.336%, payable quarterly	May 10, 2000	Nov 12, 2007	22	22
HK\$100m	1.50%, payable quarterly	Aug 26, 2003	Sep 2, 2004	22	–
HK\$100m	2.00%, payable quarterly	May 14, 2003	May 23, 2005	22	–
HK\$100m	1.88%, payable quarterly	May 15, 2003	May 30, 2005	22	–
HK\$150m	7.85%, payable quarterly	Mar 7, 2000	Mar 7, 2005	33	33
HK\$200m	8.30%, payable quarterly	Sep 14, 1999	Sep 14, 2004	44	45
HK\$200m	2.38%, payable quarterly	May 15, 2003	May 29, 2006	44	–
HK\$300m	2.7%, payable quarterly	Jul 24, 2002	Jul 30, 2004	65	67
HK\$50m	2.555%, payable half yearly	Jul 30, 2002	Mar 15, 2004	11	11
HK\$10m	2.41%, payable yearly	Aug, 7, 2002	Aug 12, 2004	2	2
HK\$20m	4.75%, payable yearly	Jul 26, 2001	Jul 28, 2003	–	5
HK\$20m	3.78%, payable yearly	May 10, 2002	May 14, 2004	4	5
HK\$50m	1.86%, payable yearly	May 19, 2003	May 26, 2005	11	–
HK\$50m	2.705%, payable yearly	Sep 25, 2003	Oct 2, 2006	11	–
HK\$70m	0.91%, payable yearly	Oct 6, 2003	Oct 12, 2004	15	–
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
HK\$100m	8.65%, payable yearly	Nov 3, 1999	Nov 3, 2004	22	22
HK\$100m	1.385%, payable yearly	Nov 6, 2003	Nov 15, 2004	22	–
HK\$100m	1.43%, payable yearly	Jun 12, 2003	Dec 20, 2004	22	–
HK\$100m	1.40%, payable yearly	Oct 7, 2003	May 30, 2005	22	–
HK\$100m	1.59%, payable yearly	Nov 28, 2003	Jun 6, 2005	22	–
HK\$100m	2.09%, payable yearly	Jun 10, 2003	Jun 17, 2006	22	–
HK\$100m	2.28%, payable yearly	Jun 26, 2003	Jul 3, 2006	22	–
HK\$115m	1.80%, payable yearly	Jul 9, 2003	Jul 25, 2005	25	–
HK\$125m	1.185%, payable yearly	Oct 23, 2003	Oct 21, 2004	27	–
HK\$130m	1.131%, payable yearly	Jun 27, 2003	Jul 7, 2004	28	–

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In \$ millions	Face value	Interest rate and repayment terms	Issue date	Maturity date	DBSH Group	
					2003	2002
	HK\$130m	8.40%, payable yearly	Nov 30, 1999	Nov 30, 2004	28	29
	HK\$150m	1.275%, payable yearly	Oct 30, 2003	Nov 6, 2004	33	–
	HK\$150m	2.035%, payable yearly	Oct 15, 2003	Oct 24, 2005	33	–
	HK\$170m	0.88%, payable yearly	Nov 20, 2003	Nov 19, 2004	37	–
	HK\$180m	0.90%, payable yearly	Nov 20, 2003	Nov 19, 2004	39	–
	HK\$186m	0.91%, payable yearly	Nov 21, 2003	Dec 2, 2004	41	–
	HK\$200m	1.03%, payable yearly	Nov 17, 2003	Jan 17, 2005	44	–
	HK\$200m	1.545%, payable yearly	Oct 10, 2003	Apr 17, 2005	44	–
	HK\$250m	1.36%, payable yearly	Nov 4, 2003	Nov 9, 2004	55	–
	HK\$300m	1.56%, payable yearly	Aug 6, 2003	Aug 16, 2004	66	–
	HK\$350m	1.32%, payable yearly	Nov 10, 2003	Nov 15, 2004	77	–
	HK\$300m	1-mth Hibor* + 0.30%, payable monthly	Jul 26, 2000	Jul 28, 2003	–	67
	HK\$10m	3-mth Hibor* + 0.32%, payable quarterly	Mar 20, 2000	Mar 20, 2003	–	2
	HK\$40m	3-mth Hibor* + 0.50%, payable quarterly	Feb 16, 2000	Feb 17, 2003	–	9
	HK\$78m	3-mth Hibor* + 0.12%, payable quarterly	Jul 2, 2003	Jul 7, 2006	17	–
	HK\$100m	3-mth Hibor* + 0.28%, payable quarterly	Apr 26, 2000	Apr 28, 2003	–	22
	HK\$100m	3-mth Hibor* + 0.30%, payable quarterly	Sep 27, 2000	Sep 29, 2003	–	22
	HK\$100m	3-mth Hibor* + 0.18%, payable quarterly	Feb 17, 2002	Jul 22, 2005	22	22
	HK\$140m	3-mth Hibor* – 0.03%, payable quarterly	Nov 13, 2003	Nov 27, 2013	31	–
	HK\$150m	3-mth Hibor* + 0.28%, payable quarterly	May 16, 2000	May 16, 2003	–	34
	HK\$175m	3-mth Hibor* + 0.09%, payable quarterly	Jul 28, 2003	Aug 1, 2006	38	–
	HK\$200m	3-mth Hibor* + 0.55%, payable quarterly	Jan 17, 2000	Jan 17, 2003	–	45
	HK\$200m	3-mth Hibor* + 0.50%, payable quarterly	Jan 25, 2000	Jan 27, 2003	–	45
	HK\$200m	3-mth Hibor* + 0.25%, payable quarterly	Aug 31, 2000	Aug 29, 2003	–	45
	HK\$200m	3-mth Hibor* + 0.09%, payable quarterly	May 13, 2003	May 19, 2005	44	–
	HK\$200m	3-mth Hibor* + 0.03%, payable quarterly	Jan 8, 2003	Jan 21, 2008	44	–
	HK\$200m	3-mth Hibor* - 0.03%, payable quarterly	Aug 19, 2003	Sep 3, 2008	44	–
	HK\$230m	3-mth Hibor* + 0.12%, payable quarterly	Jun 19, 2003	Jun 23, 2006	50	–
	HK\$240m	3-mth Hibor* + 0.18%, payable quarterly	Jul 23, 2002	Jul 29, 2005	52	54
	HK\$250m	3-mth Hibor* + 0.03%, payable quarterly	Apr 23, 2003	Apr 28, 2005	55	–
	HK\$350m	3-mth Hibor* + 0.18%, payable quarterly	Jul 26, 2002	Jul 29, 2005	77	78
	HK\$400m	3-mth Hibor* + 0.10%, payable quarterly	Feb 5, 2002	Feb 7, 2005	88	89
	US\$58m	6-mth Libor + 0.18%, payable half yearly (Note a)	Aug 23, 2002	Sep 4, 2007	–	101
	US\$86m	6-mth Libor – 0.03%, payable half yearly (Note a)	Sep 4, 2002	Sep 10, 2007	–	150
	US\$92m	6-mth Libor – 0.05%, payable half yearly (Note a)	Nov 15, 2002	Nov 21, 2007	–	159
	CAD\$11m	6-mth CAD CCDOR** – 0.1%, payable half yearly	Nov 14, 2002	Nov 21, 2007	14	12
	Total				1,794	1,417
	Repayable:					
	– Less than one year				758	428
	– Over one year				1,036	989
	Total Negotiable Certificates of Deposits				1,794	1,417

* Hibor: Hong Kong Interbank Offer Rate

** CAD CCDOR: Canada Interbank Offer Rate

(a) These notes were redeemed during the financial year ended December 31, 2003.

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21.2 OTHER DEBT SECURITIES

In \$ millions	Note	DBSH Group 2003	2002
Issued by DBS Bank			
Equity linked notes	21.2.1	640	350
Credit linked notes	21.2.2	1,356	984
Interest rate linked notes	21.2.3	314	203
Exchange linked notes	21.2.4	1	128
Commodity linked notes		–	14
Issued by DBS China Square Ltd			
Collateralised notes	21.2.5	93	97
Issued by ALCO 1 Limited			
Collateralised notes	21.2.6	224	224
Issued by Tampines Assets Limited			
Senior secured bonds	21.2.7	108	108
Issued by New Heights Investment Limited			
Secured asset backed medium term notes	21.2.8	57	57
Issued by Singa Secured Assets Limited			
Asset-backed short-term notes programme (Money Plus)	21.2.9	245	763
Issued by Red Orchid Secured Assets Limited			
Asset-backed short-term notes programme	21.2.10	213	–
Issued by Constellation Investment Ltd			
Credit linked notes	21.2.11	135	–
Issued by DBS Bank (Hong Kong) Limited			
HK\$5m Commercial paper, matured Feb 10, 2003		–	1
Total		3,386	2,929
Repayable:			
– Less than one year		972	1,448
– Over one year		2,414	1,481
Total other debt securities		3,386	2,929
Total other debt securities in issue		5,180	4,346

- 21.2.1 The outstanding notes at December 31, 2003, with an embedded equity option, were issued between December 13, 2000 and December 30, 2003 and mature between January 2, 2004 to August 18, 2008. The payouts at maturity are linked to the closing value of certain underlying equities listed on various stock exchanges or the closing value of certain underlying stock exchange indices or the net asset value of certain underlying equity funds.
- 21.2.2 The outstanding notes at December 31, 2003, with an embedded credit default swap, were issued between February 9, 2001 and December 30, 2003 and mature between January 15, 2004 and December 18, 2013. The notes would be redeemed at face value on maturity date provided there is no occurrence of a credit event. If there is an occurrence of a credit event, the underlying asset or the market value of the underlying asset in cash term, depending on the terms of the contract, would be delivered to the holders of the notes.
- 21.2.3 The outstanding notes at December 31, 2003, with an embedded interest rate derivative, were issued between January 23, 2002 and December 1, 2003 and mature between January 2, 2004 and December 3, 2013. The payouts at maturity are linked to the market interest rate of certain indices.
- 21.2.4 The outstanding note at December 31, 2003, with an embedded foreign exchange rate derivative, was issued on September 19, 2003 and matures on March 26, 2004. The payouts at maturity are linked to the market foreign exchange rate of the underlying foreign currencies.

21.2.5 The floating rate notes were issued by DBS China Square Ltd on November 30, 2001 and mature on November 30, 2006. Interest is payable quarterly, determined at the three-month interbank offer rate for Singapore dollar deposits plus a variable margin which ranges from 1.875% to 2.000% per annum (2002: 1.875% to 2.125% per annum). The notes are secured by an assignment of the rights, title and interest of the issuer on the property at China Square Land Parcel 486 together with a mortgage over the same property.

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

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

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

21.2.7 In connection with the securitisation of Tampines Centre ("the Property"), \$180 million seven-year, fixed rate bonds were issued on December 7, 1999 together with 18,000 preference shares, and mature in 2006. The bonds were issued in 2 classes – (a) \$108 million Senior Bonds; and (b) \$72 million Junior Bonds. The Junior Bonds 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, the Option Agreement, proceeds from the sale and lease of the Property, the insurances effected over the Property (all as defined in the Trust Deed), a first fixed charge over the shares held by the issuer, and a debenture creating fixed and floating charges over the assets of the issuer (including a mortgage over the Property).

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

21.2.9 These 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, 2003 are as follows:

<i>Face value</i>	<i>Interest rate and series number</i>	<i>Issue date</i>	<i>Maturity date</i>
\$68 million	0.83% Series 13-05	July 17, 2003	January 19, 2004
\$58 million	0.82% Series 15-05	July 29, 2003	January 29, 2004
\$10 million	0.90% Series 05-07	August 20, 2003	February 20, 2004
\$109 million	0.92% Series 14-06	August 21, 2003	January 21, 2004

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

21.2.10 These are short-dated notes issued by Red Orchid Secured Assets Limited with a maturity of not more than 364 days and details of amounts outstanding at December 31, 2003 are as follows:

<i>Face value</i>	<i>Interest rate and series number</i>	<i>Issue date</i>	<i>Maturity date</i>
\$6 million	0.72% Series A02-06	December 1, 2003	January 2, 2004
\$107 million	0.77% Series A01-07	December 17, 2003	January 19, 2004
\$100 million	0.93% Series C01-01	December 19, 2003	March 19, 2004

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

21.2.11 The outstanding notes at December 31, 2003, with an embedded credit default swap, were issued October 9, 2003 and will mature on October 9, 2008. 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.

22. SUBORDINATED TERM DEBTS

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

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

22.1 UNDATED SUBORDINATED TERM DEBTS

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

In \$ millions		Note	DBSH Group		
<i>Face value</i>	<i>Issue date</i>		2003	2002	
Issued by DBS Capital Funding Corporation					
US\$725m	7.657% Non-Cumulative Guaranteed Preference Shares, Series A	Mar 21, 2001	22.1.1	1,231	1,258
S\$100m	5.35% Non-Cumulative Guaranteed Preference Shares, Series B	Mar 21, 2001	22.1.1	100	100
Issued by DBS Thai Danu Bank Public Company Limited					
THB5,000m	Fixed Rate Perpetual Subordinated Debentures No.1	Jun 3, 1999	22.1.2	215	201
Total Undated Subordinated Term Debts				1,546	1,559

22.1.1 FRS 32, "Financial Instruments: Disclosures and Presentation" requires the issuer of a financial instrument to classify the instrument either as a liability or equity in accordance with the substance of the contractual arrangement on initial recognition. 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 \$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.

22.1.2 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.

22.2 DATED SUBORDINATED TERM DEBTS

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

In \$ millions	Face value	Issue date	Maturity date	Note	DBSH Group	
					2003	2001
Issued by DBS Bank						
US\$750m	7 7/8% Subordinated Notes	Aug 10, 1999	Aug 10, 2009	22.2.1	1,275	1,303
US\$500m	7 7/8% Subordinated Notes	Apr 15, 2000	Apr 15, 2010	22.2.2	850	869
US\$850m	7 1/8% Subordinated Notes	May 15, 2001	May 15, 2011	22.2.3	1,446	1,477
Issued by DBS Thai Danu Bank Public Company Limited						
THB6,791m	Subordinated Debentures No.2	Jun 3, 1999	May 28, 2006	22.2.4	74	70
THB1,077m	4.25% Fixed Rate Subordinated term debt	Jan 18, 2000	Jan 17, 2010	22.2.5	46	43
THB260m	3.50% Fixed Rate Subordinated term debt	Dec 28, 2000	Dec 27, 2010	22.2.6	11	10
Issued by DBS Bank (Hong Kong) Limited						
US\$350m	7.75% Fixed Rate Subordinated Notes	Jan 24, 1997	Jan 24, 2007	22.2.7	445	455
Total					4,147	4,227
Repayable:						
– Less than one year					25	24
– Over one year					4,122	4,203
Total Dated Subordinated Term Debts					4,147	4,227
Total Subordinated Term Debts					5,693	5,786

22.2.1 Interest is payable semi-annually on February 10 and August 10 commencing February 10, 2000. The fixed rate funding has been converted to floating rate at three-month 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.

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

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

22.2.4 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.

22.2.5 Interest is payable annually at a fixed rate of 4.25%.

22.2.6 Interest is payable annually at a fixed rate of 3.5%.

22.2.7 Interest is payable semi-annually on January 24 and July 24, commencing July 24, 1997. Subsequent to the issue, DBS Bank (Hong Kong) Limited repurchased and cancelled part of the Fixed Rate Subordinated Notes.

23. SINGAPORE GOVERNMENT SECURITIES AND TREASURY BILLS

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

In \$ millions	DBSH Group	
	2003	2002
Trading book	2,432	550
Investment book	9,006	8,467
Total	11,438	9,017
Investment book		
Cost, adjusted for unamortised premium and discount	9,017	8,467
Less: Provision for diminution in value (Note 28)	11	–
Net book value of investment book	9,006	8,467
Market value of investment book	9,006	8,613

24. TRADING SECURITIES

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

In \$ millions	DBSH Group	
	2003	2002
Quoted		
Other Government securities and treasury bills	1,580	2,049
Corporate debt securities	4,443	1,552
Equity securities	410	71
Total	6,433	3,672
Industry Breakdown		
Manufacturing	530	166
Building and Construction	121	61
General Commerce	21	–
Transportation, Storage and Communications	476	241
Financial Institutions, Investment and Holding Companies	2,354	624
Others (includes other Government securities and treasury bills)	2,931	2,580
Total net book value	6,433	3,672

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

In \$ millions	DBSH Group	
	2003	2002
Gross	66,414	62,901
Less:		
Specific provisions (Note 26)	1,151	1,288
General provisions (Note 26)	928	904
Net total	64,335	60,709
Including:		
Bills receivable	1,481	1,574
Loans	62,854	59,135
Net total	64,335	60,709
Industry Breakdown		
Manufacturing	6,434	5,856
Building and Construction	7,682	8,057
Housing Loans	22,289	21,910
General Commerce	6,634	5,707
Transportation, Storage and Communications	4,821	4,617
Financial Institutions, Investment and Holding Companies	5,559	3,626
Professionals and Private Individuals (except Housing Loans)	7,393	7,784
Others	5,602	5,344
Gross total	66,414	62,901
Analysed by Currency and Fixed/ Variable Rates		
<u>Fixed rate</u> ^(a)		
Singapore dollar	8,867	8,359
Hong Kong dollar	262	460
US dollar	4	1
Thai Baht	945	862
Others	96	1
Sub-total	10,174	9,683
<u>Variable rate</u> ^(b)		
Singapore dollar	21,026	21,673
Hong Kong dollar	20,089	20,238
US dollar	8,658	7,333
Thai Baht	2,393	2,128
Others	4,074	1,846
Sub-total	56,240	53,218
Total (Gross)	66,414	62,901

(a) Fixed rate loans refer to long-term loans where the interest rates are fixed for the initial 1 to 3 years for certain mortgage loans, and over the entire loan period for other loans.

(b) Variable rate loans refer to loans that are pegged to prime, short-term cost of funds or inter-bank rates, as well as fixed rate loans that have effectively been converted to variable rate loans through interest rate swaps.

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

In \$ millions	DBSH Group			Interest-in-suspense
	Specific	General	Total	
2003				
Balance at January 1	1,288	904	2,192	340
Amounts written off during the year	(511)	–	(511)	(93)
Charge to profit and loss account	352	30	382	–
Interest suspended during the year	3	–	3	94
Exchange and other movements	19	(6)	13	16
Balance at December 31	1,151	928	2,079	357
2002				
Balance at January 1	1,422	1,019	2,441	325
Amounts written off during the year	(351)	–	(351)	(52)
Charge/(credit) to profit and loss account	401	(70)	331	–
Interest suspended/(recovered) during the year	(8)	–	(8)	76
Exchange and other movements ^(a)	(176)	(45)	(221)	(9)
Balance at December 31	1,288	904	2,192	340

(a) Included a transfer of provisions amounting to \$148 million for foreclosed properties of DBS Thai Danu Bank Public Company Limited.

27. INVESTMENT SECURITIES

In \$ millions	DBSH Group	
	2003	2002
Quoted		
Other Government securities & treasury bills	4,953	3,752
Corporate debt securities	16,919	9,892
Equity securities	789	749
Unquoted equity securities	453	464
	23,114	14,857
Less: Provision for diminution in value (Note 28)	286	266
Total net book value	22,828	14,591
Market value of quoted securities	22,921	14,386
Industry Breakdown		
Manufacturing	823	230
Building and Construction	875	548
General Commerce	213	36
Transportation, Storage and Communications	1,134	1,216
Financial Institutions, Investment and Holding Companies	11,624	8,152
Others (includes other Government securities and treasury bills)	8,159	4,409
Total net book value	22,828	14,591

28. PROVISION FOR DIMINUTION IN VALUE OF OTHER ASSETS

In \$ millions	DBSH Group				
	Investment securities		Fixed assets and Others		Total
	Specific	General	Specific	General	
2003					
Balance at January 1	220	46	637	50	953
Amounts written off during the year	(59)	–	(4)	–	(63)
Charge to profit and loss account	65	34	35	25	159
Exchange and other movements	(9)	–	30	–	21
Balance at December 31	217	80	698	75	1,070
Specific and general provisions are in respect of the following:					
Singapore Government securities and treasury bills (Note 23)	–	11	–	–	11
Investment securities (Note 27)	217	69	–	–	286
Fixed assets (Note 32)	–	–	374	–	374
Other banking risks ^(a)	–	–	71	71	142
Other assets ^(b)	–	–	253	4	257
	217	80	698	75	1,070
2002					
Balance at January 1	243	1	351	50	645
Amounts (written off)/recovered during the year	(30)	–	(3)	–	(33)
Charge/(credit) to profit and loss account	25	45	153	(10)	213
Exchange and other movements	(18)	–	136	10	128
Balance at December 31	220	46	637	50	953
Specific and general provisions are in respect of the following:					
Investment securities (Note 27)	220	46	–	–	266
Fixed assets (Note 32)	–	–	303	–	303
Other banking risks ^(a)	–	–	108	50	158
Other assets ^(b)	–	–	226	–	226
	220	46	637	50	953

(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 DBS Thai Danu Bank Public Company Limited.

29. SUBSIDIARY COMPANIES

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

In \$ millions	2003	2002
Unquoted equity shares, at cost	6,731	6,731
Amounts due from subsidiary company (Note 29.7)	31	216
Total	6,762	6,947

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

Subsidiary companies	Country of incorporation/ business	Principal activities	Interest held by DBSH				Cost of investment held by DBSH	
			Directly 2003	Directly 2002	Indirectly 2003	Indirectly 2002	2003	2002
			%	%	%	%	\$ millions	\$ millions
Unquoted								
DBS Bank Ltd (formerly "The Development Bank of Singapore Ltd")	Singapore	Commercial banking and financial services	100	100	–	–	6,726	6,726
ICS Reinsurance Pte Ltd ("ICS Re") ^(b)	Singapore	Dormant	41.3	41.3	10.2	10.2	– ^(a)	– ^(a)
Reinsurance Management Corporation of Asia (Pte) Ltd	Singapore	Management of reinsurance companies	20	20	60	60	– ^(a)	– ^(a)
RMCA Holdings Pte Ltd	Singapore	Investment holding and management of reinsurance companies	100	100	–	–	5	5
The Insurance Corporation of Singapore (UK) Limited ("ICS UK") ^(b) (Under liquidation)	United Kingdom	Dormant	98	98	–	–	– ^(a)	– ^(a)
Total							6,731	6,731

(a) Amount under \$500,000

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

29.3 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 DBSH's subsidiaries	
			DBS Bank 2003	DBS Bank 2002	Other DBSH's subsidiaries 2003	Other DBSH's subsidiaries 2002	2003	2002
			%	%	%	%	\$ millions	\$ millions
Quoted								
DBS Thai Danu Bank Public Company Limited ^(b) (Market value: 2003: \$243 million; 2002: \$232 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	22
DBS Asset Management Ltd	Singapore	Investment management services and unit trusts	100	100	–	–	4	4
DBSAM Funds	Luxembourg	Collective investment scheme	–	–	100	–	–	–
DBS Asset Management (Cayman) Limited (Liquidated)	Cayman Island	Investment management services	–	–	–	100	–	– ^(c)

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Subsidiary companies	Country of incorporation/ business	Principal activities	Interest held by				Cost of investment held by DBSH's subsidiaries	
			DBS Bank		Other DBSH's subsidiaries		2003	2002
			2003	2002	2003	2002	\$ millions	\$ millions
			%	%	%	%		
DBS Asset Management (Hong Kong) Ltd ^(b)	Hong Kong	Investment management services	–	–	100	100	3	3
DBS Asset Management (United States) Pte Ltd	Singapore	Investment management services	–	–	100	100	– ^(c)	– ^(c)
DBS Card Centre Pte Ltd (Under liquidation)	Singapore	Dormant	100	100	–	–	8	8
DBS Capital Funding Corporation	Cayman 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 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	100	–	–	9,919	10,713
Benchmark Farm Finance (Four) Limited (Under liquidation)	United Kingdom	Dormant	–	–	100	100	– ^(a)	– ^(a)
Dao Heng Bank Group Limited ^(b)	Bermuda/ Hong Kong	Investment holding	–	–	100	100	9,430	9,445
Dao Heng Bank Trustee (BVI) Limited ^(b) (Under liquidation)	British Virgin Islands	Dormant	–	–	100	100	– ^(c)	– ^(c)
Dao Heng Bank Trustee Limited ^(b)	Hong Kong	Trustee services	–	–	100	100	1	1
Dao Heng Bullion Limited (Under liquidation)	Hong Kong	Dormant	–	–	100	100	– ^(c)	– ^(c)
Dao Heng Finance Limited ^(b)	Hong Kong	Finance company	–	–	100	100	7	8
Dao Heng London plc (formerly "Dao Heng Bank [London] Plc") (Under liquidation)	United Kingdom	Dormant	–	–	100	100	– ^(a)	– ^(a)
Dao Heng Nominees Limited (Under liquidation)	United Kingdom	Dormant	–	–	100	100	– ^(a)	– ^(a)
DBS Bank (Hong Kong) Limited ^(b) (formerly "Dao Heng Bank Ltd")	Hong Kong	Commercial banking and financial securities	–	–	100	100	1,267	1,289

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 DBSH's subsidiaries	
			DBS Bank		Other DBSH's subsidiaries		2003	2002
			2003	2002	2003	2002	\$ millions	\$ millions
			%	%	%	%		
DBS Corporate Services (Hong Kong) Limited ^(b) (formerly "Dao Heng Corporate Services Ltd")	Hong Kong	Investment holding and corporate services	–	–	100	100	– ^(d)	– ^(c)
DBS H.K. Capital (BVI) Limited (formerly "Dao Heng Capital (BVI) Limited")	British Virgin Islands	Dormant	–	–	100	100	– ^(d)	– ^(c)
DBS Kwong On Finance Limited ^(b)	Hong Kong	Deposit-taking finance company	–	–	100	100	5	6
DBS Kwong On Futures Limited ^(b)	Hong Kong	Dormant	–	–	100	100	1	1
DBS Kwong On (Nominees) Limited ^(b) (formerly "DBS Kwong On Bank Nominees Limited")	Hong Kong	Nominee services	–	–	100	100	– ^(d)	– ^(c)
DBS Kwong On Securities Limited (Under liquidation)	Hong Kong	Dormant	–	–	100	100	3	3
DBS Overseas Limited ^(b) (formerly "Overseas Trust Bank Limited")	Hong Kong	Dormant	–	–	100	100	– ^(d)	864
DBS Trustee H.K. (Jersey) Limited ^(b) (formerly Dao Heng Trustee (Jersey) Limited)	Jersey/ Hong Kong	Corporate services	–	–	100	100	– ^(d)	– ^(c)
DHB Limited ^(b)	Hong Kong	Investment holding	–	–	100	100	18	18
DHJ Management Limited ^(b)	British Virgin Islands/ Hong Kong	Dormant	–	–	100	100	– ^(d)	– ^(c)
Dransfield Resources Limited (Under liquidation)	British Virgin Islands/ United Kingdom	Dormant	–	–	100	100	– ^(d)	– ^(c)
EFI Nominees Limited ^(b)	Hong Kong	Nominee services	–	–	100	100	– ^(d)	– ^(c)
Hang Lung Bank (Nominee) Limited ^(b)	Hong Kong	Nominee services	–	–	100	100	– ^(d)	– ^(c)
Hang Lung Godown Company Limited (Under liquidation)	Hong Kong	Dormant	–	–	100	100	1	1

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Notes to the consolidated financial statements

Subsidiary companies	Country of incorporation/ business	Principal activities	Interest held by				Cost of investment held by DBSH's subsidiaries	
			DBS Bank		Other DBSH's subsidiaries		2003	2002
			2003	2002	2003	2002	2003	2002
			%	%	%	%	\$ millions	\$ millions
JT Administration Limited ^(b)	British Virgin Islands/ Hong Kong	Dormant	–	–	100	100	– ^(c)	– ^(c)
Kenson Asia Ltd ^(b)	Hong Kong	Dormant	–	–	100	100	– ^(c)	– ^(c)
Kingly Management Ltd ^(b)	Hong Kong	Dormant	–	–	100	100	– ^(c)	– ^(c)
Market Success Limited ^(b)	British Virgin Islands/ Hong Kong	Dormant	–	–	100	100	– ^(c)	– ^(c)
Omega One Limited ^(b)	Hong Kong	Dormant	–	–	100	–	– ^(c)	–
Omega Two Limited ^(b)	Hong Kong	Dormant	–	–	100	–	– ^(c)	–
OTB Card Company Limited ^(b)	Hong Kong	Property investment	–	–	100	100	17	17
OTB International Factors Limited ^(b)	Hong Kong	Dormant	–	–	100	100	2	2
O.T.B. Investment Limited (Under liquidation)	Hong Kong	Dormant	–	–	100	100	– ^(c)	– ^(c)
OTB Property Management Limited (Under liquidation)	Hong Kong	Dormant	–	–	100	100	– ^(c)	– ^(c)
OTB Services Limited ^(b)	Hong Kong	Provision of consultancy services	–	–	100	100	1	1
Overseas Trust Bank Nominees Limited ^(b)	Hong Kong	Nominee services	–	–	100	100	– ^(c)	– ^(c)
Ting Hong Nominees Limited ^(b)	Hong Kong	Nominee services	–	–	100	100	– ^(c)	– ^(c)
Worldson Services Ltd ^(b)	Hong Kong	Dormant	–	–	100	100	– ^(c)	– ^(c)
DBS 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. (Liquidated)	The Philippines	Dormant	–	100	–	–	–	– ^(c)
DBS Group Holdings (Hong Kong) Ltd	Bermuda	Investment holding	100	100	–	–	683	940

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 DBSH's subsidiaries	
			DBS Bank		Other DBSH's subsidiaries		2003	2002
			2003	2002	2003	2002	\$ millions	\$ millions
			%	%	%	%		
DBS Kwong On Limited ^(b) (formerly "DBS Kwong On Bank Limited")	Hong Kong	Dormant	–	–	100	100	–	719
DBS Nominees Pte Ltd	Singapore	Nominee services	100	100	–	–	– ^(d)	– ^(c)
Kendrick Services Limited	British Virgin Islands	Corporate directorship services	–	–	100	100	– ^(d)	– ^(c)
Lushington Investment Limited	British Virgin Islands	Corporate shareholding services	–	–	100	100	– ^(d)	– ^(c)
DBS Trustee Ltd ^(f)	Singapore	Trustee services	20	20	80	80	3	3
DBS Vickers Securities Holdings Pte Ltd	Singapore	Investment holding	100	59.5	–	–	538	323
Ballas Nominees (Private) Limited (Under liquidation)	Singapore	Dormant	–	–	100	100	– ^(d)	– ^(c)
DBS Futures Hong Kong Ltd (Liquidated)	Hong Kong	Dormant	–	–	–	100	–	2
DBS Securities Holding Pte Ltd (Under liquidation)	Singapore	Investment holding	–	–	100	100	277	285
DBS Securities Nominees (HK) Ltd (Liquidated)	Hong Kong	Dormant	–	–	–	100	–	^(c)
DBS Securities Philippines, Inc (Liquidated)	The Philippines	Dormant	–	–	–	100	–	11
DBS TD Waterhouse Holdings Pte Ltd	Singapore	Investment holding	–	–	73	–	24	–
DBS TD Waterhouse (Hong Kong) Ltd ^(b)	Hong Kong	Securities broker and margin financing	–	–	100	–	28	–
DBS TD Waterhouse Securities (Hong Kong) Ltd ^(b)	Hong Kong	Securities broker	–	–	100	–	1	–
DBS TD Waterhouse (Singapore) Pte Ltd	Singapore	Securities broker	–	–	100	–	10	–
DBS Trading Pte Ltd (Under liquidation)	Singapore	Dormant	–	–	100	100	– ^(d)	– ^(c)
DBS Vickers Futures (Hong Kong) Limited ^(b)	Hong Kong	Futures broker	–	–	100	100	8	8

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Subsidiary companies	Country of incorporation/ business	Principal activities	Interest held by				Cost of investment held by DBSH's subsidiaries	
			DBS Bank		Other DBSH's subsidiaries		2003	2002
			2003	2002	2003	2002	2003	2002
			%	%	%	%	\$ millions	\$ millions
DBS Vickers (Hong Kong) Limited ^(b)	Hong Kong	Securities broker	–	–	100	100	51	72
DBS Vickers Research Singapore Pte Ltd	Singapore	Investment advisory services	–	–	100	100	– ^(c)	– ^(c)
DBS Vickers Securities (Hong Kong) Ltd ^(b)	Hong Kong	Securities broker	–	–	100	100	2	42
DBS Vickers Securities Malaysia Pte Ltd (Under liquidation)	Singapore	Investment holding	–	–	100	100	17	17
DBS Vickers Securities Nominees (Hong Kong) Limited ^(b)	Hong Kong	Nominee services	–	–	100	100	– ^(c)	– ^(c)
DBS Vickers Securities Nominees (Singapore) Pte Ltd	Singapore	Nominee services	–	–	100	100	– ^(c)	– ^(c)
DBS Vickers Securities (Phils.), Inc. (Under liquidation)	The Philippines	Dormant	–	–	100	100	10	10
DBS Vickers Securities (Singapore) Pte Ltd	Singapore	Securities and futures broker	–	–	100	100	25	25
DBS Vickers Securities (Thailand) Co Ltd ^(b)	Thailand	Securities broker	–	–	100	100	50	82
DBS Vickers Securities (UK) Ltd ^(b)	United Kingdom	Securities broker	–	–	100	100	– ^(c)	– ^(c)
DBS Vickers Securities (USA), Inc ^(b)	United States	Securities broker	–	–	100	100	4	4
First Independent Insurance Brokerage Pte Ltd (Under liquidation)	Singapore	Dormant	–	–	100	100	– ^(c)	– ^(c)
Hwang-DBS Vickers Research (Malaysia) Sdn Bhd (formerly "DBS Vickers Research (Malaysia) Sdn Bhd")	Malaysia	Investment advisory services	–	–	^(g)	100	^(g)	1
J. Ballas (Hong Kong) Company Limited (Liquidated)	Hong Kong	Dormant	–	–	–	100	–	1

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 DBSH's subsidiaries	
			DBS Bank		Other DBSH's subsidiaries		2003	2002
			2003	2002	2003	2002	\$ millions	\$ millions
			%	%	%	%		
PT DBS Securities Indonesia (Under liquidation)	Indonesia	Dormant	–	–	75	75	5	9
PT DBS Vickers Securities (Indonesia) ^(b)	Indonesia	Securities broker	–	–	75	75	8	6
Vickers Ballas & Co. Pte Ltd (Under liquidation)	Singapore	Dormant	–	–	100	100	65	65
Vickers Ballas Asset Management Pte Ltd	Singapore	Fund management	–	–	100	100	1	1
Vickers Ballas (B.V.) Holdings Limited (Liquidated)	British Virgin Islands/ Hong Kong	Dormant	–	–	–	100	–	– ^(c)
Vickers Ballas Capital Limited (Liquidated)	Hong Kong	Dormant	–	–	–	100	–	– ^(c)
Vickers Ballas Consultancy Services Limited ^(b)	Hong Kong	Dormant	–	–	100	100	– ^(d)	– ^(c)
Vickers Ballas Futures Pte Ltd (Under liquidation)	Singapore	Dormant	–	–	100	100	1	1
Vickers Ballas Hong Kong Holdings Ltd (Liquidated)	Bermuda/ Hong Kong	Dormant	–	–	–	100	–	– ^(c)
Vickers Ballas Hong Kong Securities Ltd (Liquidated)	Hong Kong	Dormant	–	–	–	100	–	3
Vickers Ballas Investment Management Limited ^(b)	Hong Kong	Direct investment and investment advisory services	–	–	100	100	– ^(d)	– ^(c)
Vickers Ballas Investment Research Pte Ltd (Under liquidation)	Singapore	Dormant	–	–	100	100	– ^(d)	– ^(c)
Vickers Ballas Nominees Pte Ltd (Under liquidation)	Singapore	Dormant	–	–	100	100	– ^(d)	– ^(c)
Vickers Ballas (UK) PLC (Under liquidation)	United Kingdom	Dormant	–	–	100	100	1	1
Vidasia Nominees Limited (Liquidated)	Hong Kong	Dormant	–	–	–	100	–	– ^(c)

DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

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Subsidiary companies	Country of incorporation/ business	Principal activities	Interest held by DBS Bank		Interest held by Other DBSH's subsidiaries		Cost of investment held by DBSH's subsidiaries	
			2003	2002	2003	2002	2003	2002
			%	%	%	%	\$ millions	\$ millions
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	–	–	62	60
Singapore Factory Development Ltd (Under liquidation)	Singapore	Dormant	100	100	–	–	5	5

(a) Written down to zero value.

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

(c) Amount under \$500,000.

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

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

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

(g) Ceased to be a subsidiary company during the financial year (Note 29.5.2).

29.4 CONSOLIDATION OF SPECIAL PURPOSE ENTITIES

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

This is due to the fact that:

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

DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES
Notes to the consolidated financial statements

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	
		2003	2002
		\$ millions	\$ millions
Singa Secured Assets Limited	Singapore	445	947
ALCO 1 Limited	Cayman Islands	223	225
Tampines Assets Limited	Singapore	134	162
The Dragon Partnerships	Hong Kong	(c)	129 ^(b)
New Heights Investment Limited	Cayman Islands	57	57
Red Orchid Secured Assets Limited	Cayman Islands	112	–
Constellation Investment Ltd	Cayman Islands	150	–
Skyer I & II Limited	Cayman Islands	248	–
The Development I Partnership	Hong Kong	165	–
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	United States of America	(c)	Not significant

(a) Under liquidation

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

(c) Exit/liquidated in 2003

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

29.5 ACQUISITION AND DISPOSAL OF SUBSIDIARY COMPANIES

29.5.1 DBS Vickers Securities Holdings Pte Ltd ("DBSV"), a wholly owned subsidiary of DBS Bank, increased its equity stake in DBS TD Waterhouse from 50% to 73% for a consideration of \$3 million. The net attributable tangible assets of DBS TD Waterhouse as at the date of the additional acquisition was \$3 million.

29.5.2 During the financial year, DBSV disposed 51% equity stake in Hwang DBS Vickers Research (Malaysia) Sdn Bhd (formerly "DBS Vickers Research (Malaysia) Sdn Bhd"). The cash consideration received and the net attributable tangible assets disposed were not material. On completion of the sale, at end December 2003, Hwang DBS Vickers Research (Malaysia) Sdn Bhd is an associated company of DBSH Group.

29.5.3 During the financial year, the following subsidiaries were liquidated: DBS Forex Centre Philippines, Inc., DBS Asset Management (Cayman) Limited, Vickers Ballas (Hong Kong) Holdings Limited, DBS Futures Hong Kong Limited, DBS Securities Nominees (Hong Kong) Ltd, J. Ballas (Hong Kong) Company Limited, Vickers Ballas (B.V.I) Holdings Limited, Vickers Ballas Capital Limited, Vickers Ballas Hong Kong Securities Ltd, Vidasia Nominees Limited and DBS Securities Philippines, Inc.

29.6 ACQUISITION OF ADDITIONAL INTEREST IN SUBSIDIARY COMPANIES

29.6.1 DBS Bank (Hong Kong) Limited

DBSH Group's financial statements for the year ended December 31, 2002 took into account the effect of the exercise of DBS Bank's call option on the minority shareholders of DBS Diamond Holdings Limited ("DDH") to acquire the remaining 28.4% of the share capital of DDH on January 10, 2003, and reflected an increase in DBS Bank's equity interest in DDH from 71.6% to 100%. DDH owned 100% of Dao Heng Bank Group Limited ("DHG"). Pursuant to the Hong Kong legislative and regulatory requirements, the legal merger of Dao Heng Bank Limited, Overseas Trust Bank Limited and DBS Kwong On Bank Limited was completed on July 21, 2003. The merged entity was named DBS Bank (Hong Kong) Limited on the same date.

29.6.2 DBS Vickers Securities Holdings Pte Ltd

On September 11, 2003, DBS Bank purchased the remaining 336,175,960 ordinary shares in DBS Vickers Securities Holdings Pte Ltd ("DBSV"). As a result, DBS Bank's equity interest in DBSV increased from 59.5% to 100%. The consideration paid for the additional acquisition was \$239 million and goodwill of \$108 million arising from the acquisition is amortised over a period of 8 years from October 2003.

29.7 AMOUNTS DUE FROM SUBSIDIARY COMPANY

These amounts comprise deposits with a subsidiary company.

29.8 FAIR VALUES OF ASSETS AND LIABILITIES OF SUBSIDIARY COMPANIES DISPOSED

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

The fair values of assets and liabilities of subsidiary companies disposed in the previous financial year were as follows:

In \$ millions	DBSH Group 2002
Fixed assets	5
Other assets	46
Other liabilities	(5)
	<hr/> 46
Less: Minority interests	2
	<hr/> 44
Adjusted net attributable assets	44
Add: Profit on disposal of subsidiary companies	33
	<hr/> 77
Proceeds from disposal	77
Less: Cash and bank balances in subsidiary companies disposed	45
	<hr/> 32
Net cash inflow from disposal of subsidiary companies	<hr/> <hr/> 32

29.9 FAIR VALUES OF ASSETS AND LIABILITIES OF SUBSIDIARY COMPANIES ACQUIRED

The details of the fair values of assets and liabilities of a subsidiary company during the year were as follows:

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

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

There were no new subsidiary companies acquired in the previous financial year.

30. ASSOCIATED AND JOINT VENTURE COMPANIES

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

In \$ millions	DBSH Group	
	2003	2002
Quoted equity securities at cost	1,281	1,255
Unquoted equity securities at cost	75	44
	1,356	1,299
Less: Goodwill arising from equity accounting	837	837
	519	462
Add: Net exchange translation adjustments	(52)	(22)
Share of post acquisition reserves	80	81
Total	547	521

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

In \$ millions	DBSH Group			
	2003		2002	
	NTA	Market value	NTA	Market value
<i>Held by subsidiary companies</i>				
Bank of the Philippine Islands	339	544	350	424
Hwang – DBS (Malaysia) Bhd	64	46	63	36
Total	403	590	413	460

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

Associated companies	Country of incorporation/ business	Principal activities	Interest held by DBSH/DBSH's subsidiaries (%)	
			2003	2002
Quoted				
<i>Held by DBS Bank</i>				
Bank of the Philippine Islands	The Philippines	Commercial banking and financial services	20.8	20.8
Vanda Systems & Communications Holding Limited ^(c)	Hong Kong	System integration and related services	25.7	–
<i>Held by other subsidiary companies</i>				
Hwang – DBS (Malaysia) Bhd	Malaysia	Investment holding	22.8	23.1
Thailand Carpet Manufacturing Public Company Limited ^(b)	Thailand	Carpet manufacturer	35.9	40.5
Unquoted				
<i>Held by DBSH</i>				
RMCA Reinsurance Limited ^(a)	Singapore	Investment holding	30.0	30.0

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Associated companies	Country of incorporation/ business	Principal activities	Interest held by DBSH/DBSH's subsidiaries (%)	
			2003	2002
<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
Network for Electronic Transfers (Singapore) Pte Ltd	Singapore	Electronic funds transfer	33.3	33.3
Orix Leasing Singapore Ltd	Singapore	Lease and hire-purchase financing of equipment	30.0	30.0
Venture Investment Management (S) Pte Ltd	Singapore	Investment management services	–	24.5
Investment and Capital Corporation of the Philippines	The Philippines	Financial services	20.0	20.0
Nextmall Holdings Corporation ^(c)	Cayman Islands	Supermarket	27.3	27.3
Merlion CDO 1 Limited	Cayman Islands	Special purpose entity for note issuance programme	29.3 ^(e)	–
Capital OK Company Limited (Note 30.5)	Thailand	Consumer finance	40.0	–
<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	33.3
Venture Investment Management II Ltd	Singapore	Investment manager for venture capital	30.0	30.0
Transtech Venture Management Pte Ltd	Singapore	Investment manager for venture capital	40.0	40.0
Hwang-DBS Unit Trust Berhad	Malaysia	Investment management services	30.0	30.0
Hwang-DBS Vickers Research (Malaysia) Sdn Bhd	Malaysia	Investment advisory services	49.0	^(d)
Olympia Thailand ^(b)	Thailand	Wholesale and retail	26.9	26.9
Prosperity Industrial Estate Co., Ltd ^(b)	Thailand	Land Bank	20.0	20.0

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

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

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

(d) Hwang-DBS Vickers Research (Malaysia) Sdn Bhd was a wholly owned subsidiary at end December 31, 2002 (Note 29.5.2).

(e) The interest held refers to DBS Bank's proportionate holding of the subordinate debts issued by the company, and is included as an investment in associated companies in accordance with Interpretation of Financial Reporting Standard 12, "Consolidation – Special Purpose Entities" although it is not legally owned by DBS Bank.

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

Joint venture companies	Country of incorporation/ business	Principal activities	Interest held by DBSH/DBSH's subsidiaries (%)	
			2003	2002
<i>Held by DBS Bank</i>				
Ayala DBS Holdings Inc.	The Philippines	Investment holding	40.0	40.0
Integrated Payment Venture Pte Ltd	Singapore	Dormant	50.0	50.0
<i>Held by other subsidiary companies</i>				
DBS TD Waterhouse Holdings Pte Ltd	Singapore	Investment holding	(a)	50.0
Hutchison DBS Card Limited (formerly known as "Hutchison Dao Heng Card Limited")	British Virgin Islands	Provision of credit card services	50.0	50.0

(a) Became a subsidiary effective from July 2003 (Note 29.5.1)

30.5 On December 11, 2003, DBS Bank announced the formation of an associated company Capital OK Company Limited, in Thailand. DBS Bank owns 40% in the company for an initial capital injection of Thai Baht 400 million.

30.6 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 \$ millions	DBSH Group	
	2003	2002
Profit and Loss		
Share of income	37	37
Share of expenses	(40)	(42)
Balance sheet		
Non-current assets	1	4
Current assets	247	298
Current liabilities	23	75
Non-current liabilities	189	195

31. GOODWILL

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

In \$ millions	DBSH Group	
	2003	2002
Unamortised balance at January 1	7,693	5,205
Acquisition of subsidiary companies ^(a)	108	2,767
Amortisation for the year (Note 10)	(430)	(278)
Unamortised balance at December 31	7,371	7,693

(a) Included the goodwill on acquisition of DBS Vickers Securities Holdings Pte Ltd of \$108 million (2002: NIL), DBS Diamond Holdings Limited NIL (2002: \$2,684 million) and DBS Group Holdings (Hong Kong) Limited NIL (2002: \$83 million).

The unamortised balance at December 31 is analysed below:

In \$ millions	Date of acquisition	Amortisation period	Unamortised balance at December 31		Charge to Profit and Loss Account	
			2003	2002	2003	2002
At DBS Bank level:						
DBS Diamond Holdings Ltd			7,114	7,521	407	261
	June 29, 2001	20 years	4,575	4,837	262	261
	January 10, 2003	19 years	2,539	2,684	145	—
DBS Vickers Securities Holdings Pte Ltd			182	92	18	14
	September 12, 2001	5 / 10 years	78	92	14	14
	September 11, 2003 ^(a)	8 years	104	—	4	—
DBS Group Holdings (Hong Kong) Ltd	May 7, 2002	17 years	75	80	5	3
			7,371	7,693	430	278
Included in DBS Vickers Securities Holding Pte Ltd:						
Lum Chang Securities Pte Ltd		5 years	5	7	2	2
DBS Securities Holding Pte Ltd ^(b)		5 years	8	11	3	2
			13	18	5	4

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

(b) Eliminated at Group's level.

32. FIXED ASSETS

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

In \$ millions	Leasehold properties ^(a)	Freehold properties	Total properties	Equipment, furniture and other assets	Total
Cost					
Balance at January 1, 2003	2,370	160	2,530	581	3,111
Additions	20	8	28	57	85
Disposals	(121)	(8)	(129)	(68)	(197)
Exchange differences	(18)	7	(11)	1	(10)
Balance at December 31, 2003	2,251	167	2,418	571	2,989
Accumulated depreciation					
Balance at January 1, 2003	294	30	324	223	547
Depreciation charge	61	3	64	104	168
Disposals	(69)	(1)	(70)	(48)	(118)
Exchange differences	-	1	1	1	2
Balance at December 31, 2003	286	33	319	280	599
Less: Provision for diminution in value (Note 28)	(360)	(14)	(374)	#	(374)
Net book value at December 31, 2003	1,605	120	1,725	291	2,016
Market value at December 31, 2003	2,022	126	2,148	-	2,148
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	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

Amount under \$500,000

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

32.2 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, 2003 are \$197 million (2002: \$207 million) and \$325 million (2002: \$350 million) respectively. Their market values are independently appraised at \$374 million (2002: \$400 million) and \$325 million (2002: \$350 million) respectively.

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33. OTHER ASSETS

In \$ millions	DBSH Group		2002
	2003		
Accrued interest receivable ^(a)	792		905
Balances arising from revaluation of financial instruments (Note 36)	8,865	7,383	
Less: Valuation adjustments (Note 33.1)	250	111	7,272
Deposits and prepayments (Note 33.2)	355		268
Foreclosed properties (net of provision)	148		155
Clients' monies receivable from securities business	722		276
Sundry debtors and others	1,387		1,026
Total	12,019		9,902

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

- 33.1 Valuation adjustments includes bid-offer spread adjustments made to mark all long positions to bid prices and short positions to offer prices; liquidity reserves to reflect possible price adjustments to the market values to liquidate certain material positions held by 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 2.15.2).
- 33.2 Included in "Deposits and prepayments" at December 31, 2003, was an amount of \$78 million (2002: \$101 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, 2003 had been written down to its recoverable amount at reporting date. The cumulative provision at December 31, 2003 amounting to \$44 million (2002: \$23 million) represents the shortfall in the value of shares held in the trust when compared against the purchase cost of the shares.

34. CONTINGENT LIABILITIES

DBSH Group conducts business involving 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.

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34.1 The amounts outstanding at December 31 comprise the following:

In \$ millions	DBSH Group	
	2003	2002
Acceptances on account of customers	92	305
Guarantees on account of customers	3,734	4,363
Endorsements and other obligations on account of customers		
Letters of credit	2,637	2,137
Others	432	372
Other contingent items	89	99
Total	6,984	7,276
Industry Breakdown		
Manufacturing	1,297	1,539
Building and Construction	422	485
General Commerce	2,005	1,591
Transportation, Storage and Communications	369	406
Financial Institutions, Investment and Holding Companies	698	970
Professionals and Private Individuals (except Housing Loans)	800	984
Others	1,393	1,301
Total	6,984	7,276

- 34.2 DBS Bank, a wholly owned subsidiary company of DBSH, has an existing outsourcing agreement with IBM with respect to the provision of information technology and related support to DBSH Group's operations in Singapore and Hong Kong. As with all similar market standard arrangements, there are various termination clauses contained within the agreement that under certain circumstances could require DBSH Group to pay a penalty on early termination of the contract. The exact amount of any penalty amount cannot be reliably determined, as it is dependent upon business volumes over the period of the contract and on the timing of the termination itself.
- 34.3 Included in "Other contingent items" at December 31, 2003, is an amount of \$89 million (2002: \$91 million), representing the termination fee payable by DBS Bank should it terminate its Life Insurance Bancassurance Distribution Agreement with Aviva Ltd prematurely before the expiry date.
- 34.4 Included in "Guarantees on account of customers" at December 31, 2003, was a guarantee of \$590 million (2002:\$631 million) which was given by DBS Bank to holders of "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 23, 2004, December 23, 2005, April 30, 2006, June 30, 2006, April 30, 2008 and June 30, 2008 respectively.

35. COMMITMENTS

35.1 Undrawn Commitments

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

In \$ millions	DBSH Group	
	2003	2002
Loans and other facilities		
Undrawn credit facilities	56,548	53,665
Undisbursed commitments in debt securities and equities	124	174
Underwriting commitments in debt securities and equities	50	–
Spot foreign exchange contracts	3,180	4,471
Sub-total	<u>59,902</u>	<u>58,310</u>
Capital Commitments		
Total	<u>48</u>	<u>33</u>
Industry Breakdown		
Manufacturing	9,755	9,059
Building and Construction	4,160	3,494
Housing Loans	1,442	1,041
General Commerce	8,415	8,445
Transportation, Storage and Communications	5,215	4,687
Financial Institutions, Investment and Holding Companies	9,829	12,083
Professionals and Private Individuals (except Housing Loans)	12,884	13,179
Others	8,250	6,355
Total	<u>59,950</u>	<u>58,343</u>

35.2 Operating Lease Commitments

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

In \$ millions	DBSH Group	
	2003	2002
Not later than 1 year	93	108
Later than 1 year but not later than 5 years	116	134
Later than 5 years	14	17
Total	<u>223</u>	<u>259</u>
Total commitments (Note 35.1 and Note 35.2)	<u>60,173</u>	<u>58,602</u>

36. FINANCIAL DERIVATIVES

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

36.1.1 Interest rate contracts

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 on payment of a premium 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.

36.1.2 Exchange rate contracts

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

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

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

36.1.3 Equity related contracts

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

36.1.4 Credit related contracts

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

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36.2 The following tables summarise the contractual or underlying principal amounts of derivative financial instruments held or issued for trading and non-trading purposes. The notional or contractual amounts of these instruments indicate the volume of transactions outstanding at balance sheet date, they do not represent amounts at risk.

In the financial statements, trading derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected in "Other assets" or "Other liabilities" respectively. Non-trading derivative financial instruments are accounted for on an accrual basis.

2003						
In \$ millions	Trading			Non-Trading		
	Underlying Notional	Year-end Positive Fair Value	Year-end Negative Fair Value	Underlying Notional	Year-end Positive Fair Value	Year-end Negative Fair Value
Interest Rate Derivatives						
Forward rate agreements bought	72,746	23	98		-	-
Forward rate agreements sold	82,827	107	32	-	-	-
Interest rate swaps	726,878	6,337	5,737	14,366	851 ^(b)	218
Financial futures purchased	32,708	30	#	-	-	-
Financial futures sold	17,480	1	21	9,398	#	17
Swaptions purchased	5,048	97	-	44	1	-
Swaptions sold	6,287	-	63	306	-	2
Interest rate futures options purchased	12,227	6	-	-	-	-
Interest rate futures options written	20,912	-	5	-	-	-
Interest rate caps /floor written	7,291	53	151	-	-	-
Interest rate caps /floor purchased	9,633	79	11	-	-	-
Sub-total	994,037	6,733	6,118	24,114	852	237
Foreign Exchange Derivatives						
FX Forwards	43,913	449	465	113	-	2
FX Swaps	112,901	895	681	4,599	34	86
Currency swaps	23,705	385	346	952	-	49
Currency options purchased	15,777	285	-	-	-	-
Currency options written	15,427	-	330	-	-	-
Sub-total	211,723	2,014	1,822	5,664	34	137
Equity Derivatives						
Equity options purchased	1,609	36	-	320	#	-
Equity options sold	6,835	-	196	224	-	-
Sub-total	8,444	36	196	544	#	-
Credit Derivatives						
Credit default swaps	9,292	82	109	2,422	77	-
Sub-total	9,292	82	109	2,422	77	-
Total	1,223,496	8,865	8,245	32,744	963	374
Balances arising from off-balance sheet financial instruments (see Other liabilities / Other assets Notes 20/33)		8,865 ^(a)	8,245			

Amount under \$500,000

(a) These gross position fair value are subject to certain valuation adjustments to reflect possible price adjustments to the market value to liquidate certain material positions held by the Group (Note 2.15.2).

(b) Include fair value of interest rate swaps used to hedge the subordinated debts issued by DBS Bank and DBS Capital Funding Corporation (Note 38).

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The following table shows an analysis of DBSH Group's derivatives financial instruments at December 31, 2002:

In \$ millions	2002					
	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 ^(a)	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 20/33)		7,383 ^(b)	6,915			

Amount under \$500,000

(a) These gross position fair value are subject to certain valuation adjustments to reflect possible price adjustments to the market value to liquidate certain material positions held by the Group (Note 2.15.2).

(b) Include fair value of interest rate swaps used to hedge the subordinated debts issued by DBS Bank and DBS Capital Funding Corporation (Note 38).

The contractual or underlying principal amounts of derivative financial instruments of bank and non-bank counterparties amounted to \$1,033,070 million (2002: \$590,443 million) and \$223,170 million (2002: \$188,324 million) respectively.

37. FINANCIAL INSTRUMENTS – USAGE AND RISK MANAGEMENT

37.1 Use of Financial Instruments

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

DBSH Group takes positions in exchange-traded and over-the-counter financial instruments including derivatives to take advantage of short-term market movements in, inter alia, equity, bond, currency, interest rate and commodity rates and prices. These positions can be for its own dealing purposes or as part of its services to meet customers' needs. Trading limits on the daily level of market risk exposure that can be taken are set by the Board 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. The Group's investment portfolio comprises mainly highly rated government and corporate bonds, and includes other investments such as third-party managed funds. Derivatives may be used to gain or to hedge market exposure in such investments.

37.2 Financial Risk Management Objectives and Policies

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

37.2.1 Market Risk

Market risk arises from changes in market rates such as interest rates, foreign exchange rates and equity prices, as well as in their correlation and volatility levels. DBSH Group's trading and investment market risk appetite is determined by the Board of Directors, with detailed limit frameworks governing the different activities approved by the Board Risk Management Committee. The principal risk measures and controls on market risk are Value at Risk (VaR) and stress loss. VaR expresses the potential loss on the current portfolio assuming a specified time horizon before positions can be adjusted (holding period), and measured to a specified level of confidence, based on historical market movements. Stress loss is assessed against a set of forward-looking scenarios using stress moves in the market variables. At the business unit operations level, trading exposures are measured and controlled by various market risk limits (such as stop loss and time bucket concentration limits). All trading activities are subject to mark-to-market valuation to reflect the current market value of the trading portfolio and their profit and loss. Investments are subject to limits by market risk type as well as concentration limits. The Group Asset and Liability Management Committee oversees structural interest rate risk arising from mismatches in the Group's customer loans and deposits, and structural foreign exchange risk.

37.2.2 Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument or the interest income of a portfolio will fluctuate due to changes in market interest rates. It results primarily from the timing mismatch in re-pricing of interest-bearing assets and liabilities. DBSH Group manages its interest rate risk by 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. It should also be noted that any representation of interest rate risk at a specific date offers only a snapshot of the risks taken by the Group, since the position is being actively managed and can vary significantly on a daily basis. As such, it may not be representative of the level of risk at other times.

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In \$ millions	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Non-interest bearing	Total
December 31, 2003								
Cash, and balances and placements								
with central banks and banks	5,763	10,768	8,026	6,209	–	–	1,713	32,479
Securities ^(a)	943	1,726	3,989	4,842	8,669	19,019	1,511	40,699
Loans to, and bills receivable from,								
non-bank customers	26,378	16,691	8,069	9,677	1,676	1,006	838	64,335
Other assets ^(b)	–	–	–	–	–	–	22,082	22,082
Total assets	33,084	29,185	20,084	20,728	10,345	20,025	26,144	159,595
Subordinated term debts	–	–	6	19	49	5,404	215	5,693
Deposits and balances of banks	1,834	2,179	1,467	1,167	850	–	–	7,497
Deposits and other accounts of								
non-bank customers	68,215	17,559	8,068	5,489	2,707	6,003	–	108,041
Other liabilities ^(c)	78	918	1,368	1,104	1,212	918	16,745	22,343
Total liabilities	70,127	20,656	10,909	7,779	4,818	12,325	16,960	143,574
Minority interests	–	–	–	–	–	–	1,125	1,125
Equity	–	–	–	–	–	–	14,896	14,896
Total liabilities and equity	70,127	20,656	10,909	7,779	4,818	12,325	32,981	159,595
On-balance sheet interest rate gap (37,043)		8,529	9,175	12,949	5,527	7,700	(6,837)	–
Off-balance sheet interest rate gap								
– Financial derivatives	8,272	588	(5,656)	(1,263)	635	(2,576)	–	–

- (a) Securities include Singapore Government securities and treasury bills, trading securities and investment securities.
(b) Other assets include associated and joint venture companies, goodwill, fixed assets and other assets.
(c) Other liabilities include debt securities issued, other borrowings, bills payable, current and deferred taxation and other liabilities.

In \$ millions	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Non-interest bearing	Total
December 31, 2002								
Cash, and balances and placements								
with central banks and banks	9,270	11,927	9,280	7,176	1,077	90	2,134	40,954
Securities ^(a)	2,923	1,679	2,705	3,584	5,688	9,545	1,156	27,280
Loans to, and bills receivable from,								
non-bank customers	22,247	15,671	10,210	8,717	1,283	2,060	521	60,709
Other assets ^(b)	–	–	–	–	–	–	20,502	20,502
Total assets	34,440	29,277	22,195	19,477	8,048	11,695	24,313	149,445
Subordinated term debts	–	–	7	17	26	5,535	201	5,786
Deposits and balances of banks	1,852	1,606	992	396	31	–	–	4,877
Deposits and other accounts of								
non-bank customers	61,823	20,765	10,401	5,494	1,058	1,774	–	101,315
Other liabilities ^(c)	543	239	855	873	1,025	1,912	16,510	21,957
Total liabilities	64,218	22,610	12,255	6,780	2,140	9,221	16,711	133,935
Minority interests	–	–	–	–	–	–	1,273	1,273
Equity	–	–	–	–	–	–	14,237	14,237
Total liabilities and equity	64,218	22,610	12,255	6,780	2,140	9,221	32,221	149,445
On-balance sheet interest rate gap (29,778)		6,667	9,940	12,697	5,908	2,474	(7,908)	–
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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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, 2003			
Assets			
Cash, and balances and placements with central banks	0	0	0
Securities ^(a)	0.56 – 3.72	2.65 – 3.52	1.15 – 5.57
Balances, placements with, and loans to banks	0.59 – 0.76	1.00 – 1.20	0.35
Loans to, and bills receivable from, non-bank customers	2.98 – 3.34	2.67 – 3.92	3.34 – 11.85
Liabilities			
Subordinated term debts	5.35	7.13 – 7.88	Not applicable
Deposits and balances of banks	0.21 – 0.53	1.08 – 1.21	0.14
Deposits and other accounts of non-bank customers	0 – 0.49	0.01 – 0.79	0.01 – 1.74
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	Not applicable
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

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

37.2.3 Currency risk

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

In \$ millions	Singapore Dollar	US Dollar	Hong Kong Dollar	Thai Baht	Others	Total
December 31, 2003						
Cash, and balances and placements						
with central banks and banks	7,427	18,641	1,263	184	4,964	32,479
Securities ^(a)	14,031	15,467	3,383	436	7,382	40,699
Loans to, and bills receivable from,						
non-bank customers	28,232	8,660	19,941	2,958	4,544	64,335
Other assets ^(b)	11,589	4,992	4,060	602	839	22,082
Total assets	61,279	47,760	28,647	4,180	17,729	159,595
Subordinated term debts	100	5,247	–	346	–	5,693
Deposits and balances of banks	334	4,854	210	13	2,086	7,497
Deposits and other accounts of						
non-bank customers	56,513	23,449	17,210	3,533	7,336	108,041
Other liabilities ^(c)	5,784	7,531	6,058	95	2,875	22,343
Total liabilities	62,731	41,081	23,478	3,987	12,297	143,574
Minority interests	1,125	–	–	–	–	1,125
Equity	14,896	–	–	–	–	14,896
Total liabilities and equity	78,752	41,081	23,478	3,987	12,297	159,595
Net on-balance sheet position	(17,473)	6,679	5,169	193	5,432	–
Net off-balance sheet position	15,556	(6,126)	(5,320)	29	(4,139)	–

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

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

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

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In \$ millions	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)	12,020	6,956	3,571	392	4,341	27,280
Loans to, and bills receivable from,						
non-bank customers	28,090	7,852	20,266	2,618	1,883	60,709
Other assets ^(b)	11,608	3,843	3,069	477	1,505	20,502
Total assets	58,561	44,426	28,563	3,644	14,251	149,445
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)	6,554	6,401	7,774	77	1,151	21,957
Total liabilities	61,022	34,164	26,676	3,653	8,420	133,935
Minority interests	1,266	–	–	–	7	1,273
Equity	14,237	–	–	–	–	14,237
Total liabilities and equity	76,525	34,164	26,676	3,653	8,427	149,445
Net on-balance sheet position	(17,964)	10,262	1,887	(9)	5,824	–
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.

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

In \$ millions	Net investments in overseas operations ^(a)	Borrowings which hedge the net investments ^(b)	Remaining structural currency exposures
Functional currency of the operation involved			
December 31, 2003			
US Dollar	203	195	8
Hong Kong Dollar	3,621	3,531	90
Thai Baht	(4)	(48)	44
Others	782	313	469
Total	4,602	3,991	611
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

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

(b) Include forwards and non-deliverable forwards used to hedge the investments.

37.2.4 Credit Risk

Credit risk represents the loss which DBSH Group would suffer if a client or counterparty failed to meet its contractual obligations. Senior management sets the overall direction and policy for managing credit risk at the enterprise level. In so doing, it directs the risk appetite and underwriting activities for various countries, industries and counterparties taking into account factors such as prevailing business and economic conditions. DBSH Group is guided by a set of credit principles and policies embodied in its Core Credit Risk Policy, to which all extensions of credit must adhere. These principles and policies have been developed with the objective of promoting best practices and consistent credit risk management standards throughout the organisation.

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

37.2.4.1 Derivatives

At any one time, the credit exposure of derivatives transactions is limited to the positive mark-to-market value to 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, together with potential exposures from market movements, is managed as part of the overall lending limits to the counterparties. Credit exposures on these instruments are usually unsecured, except where the Group enters into collateralised margin transactions with counterparties.

37.2.4.2 Master Netting Arrangements

DBSH Group further manages its credit exposure by entering into master netting arrangements with counterparties 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.

37.2.4.3 Credit related commitments

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

Commitments to extend credit include unused portions of loan commitments, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, 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.

37.2.4.4 Non-performing loans and provisions

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

At December 31, 2003, DBSH Group's total non-performing loans amounted to \$3,780 million (2002: \$4,224 million). Out of the total NPLs, \$1,854 million (49%) [2002: \$2,153 million (51%)] were secured by collateral.

Details of DBSH Group's NPLs and provisions at December 31, 2003 are as follows:

In \$ millions	Singapore	Hong Kong	Regional Countries		Other Countries	Total
			DTDB ^(a)	Others		
December 31, 2003						
Non- Performing Loans (NPLs)	1,255	643	1,044	501	337	3,780
Substandard	842	475	839	352	269	2,777
Doubtful	42	66	20	49	27	204
Loss	371	102	185	100	41	799
NPLs as a % of Group total assets	0.8%	0.4%	0.7%	0.3%	0.2%	2.4%
Non-bank NPLs as a % of non-bank loans in the respective countries ^(b)	3.3%	2.9%	28.8%	19.0%	8.5%	5.2%
Total Cumulative Provisions	851	418	561	389	168	2,387
Specific provisions	475	190	378	193	87	1,323
General provisions	376	228	183	196	81	1,064
Total Cumulative Provisions as a % of:						
Group total assets	0.5%	0.3%	0.4%	0.2%	0.1%	1.5%
NPLs in the respective countries	68%	65%	54%	78%	50%	63%
Unsecured NPLs in the respective countries	173%	180%	105%	111%	53%	124%

(a) 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) Computed based on total non-bank customer NPLs (excluding non-performing debt securities and contingent items) divided by total gross non-bank customer loans.

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

In \$' millions	Regional Countries				Other Countries	Total
	Singapore	Hong Kong	DTDB ^(a)	Others		
December 31, 2002						
Non- Performing Loans (NPLs)	1,546	772	905	690	311	4,224
Substandard	1,051	574	815	466	208	3,114
Doubtful	23	59	7	96	67	252
Loss	472	139	83	128	36	858
NPLs as a % of						
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 ^(b)	4.2%	3.5%	27.0%	40.6%	8.7%	6.1%
Total Cumulative Provisions	879	449	553	458	161	2,500
Specific provisions	527	227	372	273	112	1,511
General provisions	352	222	181	185	49	989
Total Cumulative Provisions						
as a % of:						
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) Computed based on total non-bank customer NPLs (excluding non-performing debt securities and contingent items) divided by total gross non-bank customer loans.

37.2.4.5 Ageing of non-performing loans

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

In \$ millions	DBSH Group	
	2003	2002
Non-default		
Default loans	1,695	1,554
Less than 3 months	2,085	2,670
Over 3 months and less than 6 months	448	651
Over 6 months	255	323
	1,382	1,696
Total	3,780	4,224

37.2.5 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, exposures are monitored against these limits, and action is taken if limits are breached.

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

At December 31, 2003, DBSH Group has exposures to certain countries in the Asia Pacific region. The exposures are determined based on the location of the credit risk of the customers and counterparties regardless of where the transactions are booked.

The DBSH Group's exposures (assets and non-performing loans) to the Regional Countries, Hong Kong and China at December 31, 2003 are as follows:

In \$ millions	Loans and debt securities				Less: Intercompany Loans/ Investments in Financial Subsidiaries/ Overseas Branches	Net exposure		
	Bank	Central Banks & & Govt. Securities	Non Bank ^(a)	Investments		Amount	As a % of Total Assets	NPLs ^(b)
Assets in	(1)	(2)	(3)	(4)	(5)	(6)=(1+2 +3+4-5)	(7)	
Total Regional Countries	5,016	1,104	6,395	955	1,954	11,516	7.3%	1,545
Malaysia	1,280	13	1,356	90	1,034	1,705	1.1%	233
Indonesia	126	56	365	73	128	492	0.3%	55
Thailand (excluding DTDB)	231	9	221	63	214	310	0.2%	188
Korea	3,326	531	885	1	577	4,166	2.6%	17
The Philippines	46	149	103	604	1	901	0.6%	8
DTDB ^(c)	7	346	3,465	124	-	3,942	2.5%	1,044
Hong Kong	2,457	2,013	23,235	11,935	13,238	26,402	16.5%	643
China	965	24	692	21	393	1,309	0.8%	130
Total	8,438	3,141	30,322	12,911	15,585	39,227	24.6%	2,318

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

(b) NPLs include classified bank loans, debt securities and contingent items.

(c) DTDB: DBS Thai Danu Bank Public Company Limited.

The DBSH Group's exposures (assets and non-performing loans) to the Regional Countries, Hong Kong and China at December 31, 2002 are as follows:

In \$ millions	Loans and debt securities				Less: Intercompany Loans/ Investments in Financial Subsidiaries/ Overseas Branches	Net exposure		
	Bank	Central Banks & & Govt. Securities	Non Bank ^(a)	Investments		Amount	As a % of Total Assets	NPLs ^(b)
Assets in	(1)	(2)	(3)	(4)	(5)	(6)=(1+2 +3+4-5)	(7)	
Total Regional Countries	2,753	680	4,870	813	834	8,282	5.5%	1,595
Malaysia	743	4	677	89	561	952	0.6%	329
Indonesia	109	73	247	72	79	422	0.3%	110
Thailand (excluding DTDB)	98	23	244	73	135	303	0.2%	197
Korea	1,724	249	418	4	54	2,341	1.6%	17
The Philippines	20	49	143	493	5	700	0.5%	37
DTDB ^(c)	59	282	3,141	82	-	3,564	2.3%	905
Hong Kong	1,830	2,372	22,303	10,346	11,074	25,777	17.3%	772
China	1,001	27	718	-	362	1,384	0.9%	167
Total	5,584	3,079	27,891	11,159	12,270	35,443	23.7%	2,534

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

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

(c) DTDB: DBS Thai Danu Bank Public Company Limited.

37.2.5.2 Industry analysis of non-performing loans

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

In \$ millions	DBSH Group			
	2003 Outstanding	2003 Specific Provisions	2002 Outstanding	2002 Specific Provisions
Non-performing customer loans				
Manufacturing	894	360	916	400
Building and Construction	414	98	427	129
Housing Loans	198	63	193	49
General Commerce	576	289	723	289
Transportation, Storage and Communications	98	25	139	35
Financial Institutions, Investment and Holding Companies	208	66	365	113
Professionals and Private Individuals (except Housing Loans)	399	157	413	181
Others	695	165	693	175
Sub-total	3,482	1,223	3,869	1,371
Non-performing debt securities	184	73	146	79
Non-performing contingent items	114	27	209	61
Total	3,780	1,323	4,224	1,511

37.2.6 Liquidity Risk

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting its financial obligations. DBSH Group's objective in liquidity management is to ensure that there is sufficient liquidity to meet obligations under normal as well as adverse circumstances and take advantage of lending and investment opportunities as they arise. As part of its liquidity risk management, DBSH Group focuses on a number of components, including limits on behavioural maturity mismatches, key ratios, diversification of funding sources, liquid assets, funding capacity and contingency planning.

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

In \$ millions	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	No specific maturity	Total
December 31, 2003								
Cash, and balances and placements with central banks and banks	7,338	10,737	7,068	6,828	394	19	95	32,479
Securities ^(a)	6,589	664	1,142	4,242	9,181	17,780	1,101	40,699
Loans to, and bills receivable from, non-bank customers	7,005	5,151	5,223	7,384	10,657	28,915	–	64,335
Other assets ^(b)	251	–	–	–	–	–	21,831	22,082
Total assets	21,183	16,552	13,433	18,454	20,232	46,714	23,027	159,595
Subordinated term debts	–	–	6	19	49	5,404	215	5,693
Deposits and balances of banks	1,894	2,125	1,464	1,158	850	6	–	7,497
Deposits and other accounts of non-bank customers	68,215	17,559	8,068	5,489	2,707	6,003	–	108,041
Other liabilities ^(c)	293	472	376	1,492	1,940	1,775	15,995	22,343
Total liabilities	70,402	20,156	9,914	8,158	5,546	13,188	16,210	143,574
Minority interests	–	–	–	–	–	–	1,125	1,125
Equity	–	–	–	–	–	–	14,896	14,896
Total liabilities and equity	70,402	20,156	9,914	8,158	5,546	13,188	32,231	159,595
Net liquidity gap	(49,219)	(3,604)	3,519	10,296	14,686	33,526	(9,204)	–

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

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

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

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In \$ millions	Less than 7 days	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	No specific maturity	Total
December 31, 2002								
Cash, and balances and placements with central banks and banks	11,400	11,932	9,274	7,159	1,094	95	–	40,954
Securities ^(a)	3,943	809	1,731	3,432	5,820	10,459	1,086	27,280
Loans to, and bills receivable from, non-bank customers	5,221	9,174	4,170	4,816	8,914	28,414	–	60,709
Other assets ^(b)	–	–	–	–	–	–	20,502	20,502
Total assets	20,564	21,915	15,175	15,407	15,828	38,968	21,588	149,445
Subordinated term debts	–	–	7	17	26	5,535	201	5,786
Deposits and balances of banks	1,852	1,606	992	396	31	–	–	4,877
Deposits and other accounts of non-bank customers	61,824	20,764	10,401	5,494	1,058	1,774	–	101,315
Other liabilities ^(c)	543	3,653	855	1,262	1,025	1,911	12,708	21,957
Total liabilities	64,219	26,023	12,255	7,169	2,140	9,220	12,909	133,935
Minority interests	–	–	–	–	–	–	1,273	1,273
Equity	–	–	–	–	–	–	14,237	14,237
Total liabilities and equity	64,219	26,023	12,255	7,169	2,140	9,220	28,419	149,445
Net liquidity gap	(43,655)	(4,108)	2,920	8,238	13,688	29,748	(6,831)	–

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

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

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

38. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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 \$ millions	DBSH Group			
	2003		2002	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash, and balances and placements with central banks and banks	32,479	32,500	40,954	40,981
Securities	40,699	41,167	27,280	27,588
Financial liabilities				
Deposits and balances of banks	7,497	7,499	4,877	4,880
Deposits and other accounts of non-bank customers	108,041	108,045	101,315	101,316
Other borrowings, debt securities issued and bills payable	5,967	5,967	5,431	5,431
Subordinated term debts	5,693	6,384	5,786	6,663

Cash, and balances and placements with central banks and banks

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

Securities

Securities include Singapore Government securities and treasury bills, trading securities and investment securities. Fair value is based on the market prices or broker/dealer price quotations. Where market prices are not available, fair values are estimated based on validated internal valuation models. For equities, where market price information is not available, fair value has been estimated by reference to the net tangible asset backing of the investee.

Deposits, and balances of banks and non-bank customers

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

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

Other borrowings, debt securities and bills payable

The fair value approximates their carrying amounts.

Subordinated term debts

The estimated fair value of subordinated term debts is based on a discounted cash flow model using a current yield curve appropriate for the remaining term to maturity. The fixed rate USD subordinated term debts issued by DBS Bank and DBS Capital Funding Corporation have been converted to floating rate via interest rate swaps. The difference between fair value and carrying amount will be largely offset by the corresponding fair value of hedging interest rate swaps. (Note 36.2).

39. ASSETS PLEDGED

The aggregate carrying amounts of assets that have been mortgaged or pledged in the normal course of business to secure the liabilities of DBSH Group have been disclosed under Notes 21.2.5 to 21.2.10 and Note 29.4. In addition, securities sold under repurchase agreements at December 31, 2003 was \$3,329 million (2002: \$3,507 million).

40. SEGMENTAL ANALYSIS

40.1 BUSINESS SEGMENT ANALYSIS

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

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

The various customer segments are described below:

– **Consumer Banking**

Consumer Banking focuses on providing products and services to individual customers. The products and services offered to customers include credit facilities (mortgage, personal loans, etc.), credit cards, deposit collection, remittance services, and asset management products.

– **Enterprise Banking**

Enterprise Banking focuses on providing products and services to small and medium enterprises. The products and services offered to customers include credit facilities (overdraft, factoring/accounts receivable purchase, trade financing, commercial/industrial property financing, hire purchase and government financing and assistance schemes), deposit, payment and collection services and treasury products.

– **Investment Banking**

Investment Banking caters to the business needs of large corporate customers and financial institutions. The products and services offered to customers include direct lending, advisory banking services, bond issuance, equity financing, syndicated financing, mergers and acquisitions advisory services, debt restructuring advisory services, private equity, nominee and trustee services and cash management services.

– **Treasury and Markets**

Treasury and Markets is primarily involved in market making, structuring and trading of financial products including foreign exchange, securities and interest rate/ credit/ equity/ foreign exchange derivatives. Income from treasury products and services relating to customers of other segments is reflected in the respective customer segments.

The other segments 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 centre 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, as well as certain subsidiaries including stock broking and asset management.

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

In \$ millions	DBSH Group						Total
	Consumer Banking	Enterprise Banking	Investment Banking	Treasury and Markets ^(a)	Funding Portfolio ^(a)	Central Operations	
2003							
Income before operating expenses	1,441	631	668	367	461	630	4,198
Operating profit before provisions, taxation and goodwill amortisation	601	397	452	266	334	307	2,357
Net profit before taxation and goodwill amortisation	422	286	364	266	349	180	1,867
Taxation	(87)	(56)	(48)	(46)	(58)	(54)	(349)
Net profit after taxation and before goodwill amortisation	336	231	317	217	288	66	1,455
Goodwill amortisation							(430)
Net profit attributable to members							1,025
<u>Other Information</u>							
Total assets before goodwill	27,569	13,871	27,888	18,811	33,708	30,377	152,224
Goodwill							7,371
Total assets							159,595
Total liabilities	66,043	13,987	13,687	12,686	19,462	17,709	143,574
Capital expenditure	13	7	9	4	3	49	85
Depreciation	37	13	6	7	7	98	168
2002							
Income before operating expenses	1,452	602	704	413	415	560	4,146
Operating profit before provisions, taxation and goodwill amortisation	573	364	481	305	306	266	2,295
Net profit before taxation and goodwill amortisation	419	307	381	305	316	68	1,796
Taxation	(84)	(53)	(46)	(51)	(51)	(26)	(311)
Net profit after taxation and before goodwill amortisation	316	216	329	244	256	14	1,375
Goodwill amortisation							(278)
Net profit attributable to members							1,097
<u>Other Information</u>							
Total assets before goodwill	26,912	13,899	21,581	11,044	41,219	27,097	141,752
Goodwill							7,693
Total assets							149,445
Total liabilities	67,027	13,723	11,585	10,238	13,305	18,057	133,935
Capital expenditure	54	12	6	8	11	21	112
Depreciation	54	18	6	9	14	71	172

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

40.2 GEOGRAPHICAL SEGMENT ANALYSIS

DBSH Group operates in four main geographical areas:

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

Singapore and Hong Kong contributed 60% and 32% of the consolidated income before operating expenses, and 64% and 26% of total assets (excluding goodwill), respectively.

Income before operating expenses and net profit attributable to members are based on the country in which the transactions are booked except for special general provisions for regional exposures and additional provisions for DBS Thai Danu Bank Public Company Limited (“DTDB”)’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.

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

In \$ millions	Total assets	DBSH Group Income before operating expenses	Net profit attributable to members
2003			
Singapore ^(a)	97,655	2,496	850
Hong Kong	39,101	1,335	486
Regional countries ^(a)	6,813	271	81
Rest of the world	8,655	96	38
Sub-total	152,224	4,198	1,455
Goodwill	7,371	–	(430)
Total	159,595	4,198	1,025
2002			
Singapore ^(a)	93,100	2,567	937
Hong Kong	38,739	1,292	336
Regional countries ^(a)	5,003	199	67
Rest of the world	4,910	88	35
Sub-total	141,752	4,146	1,375
Goodwill	7,693	–	(278)
Total	149,445	4,146	1,097

(a) Special general provisions for regional exposures and additional provisions for DTDB’s loans are booked in Singapore.

41. RELATED PARTY TRANSACTIONS

41.1 During the financial year, DBSH Group has banking transactions with related parties, consisting of associated companies, joint ventures, directors and key management personnel of the DBSH Group. These include deposit taking, loans and credit card facilities. These transactions are made in the ordinary course of business and carried out at arms length commercial terms, and are not material.

In addition, directors and key management personnel received remuneration in respect of their services rendered during the financial year. Non-cash benefits which include share options and performance shares were also granted.

41.2 DIRECTORS AND KEY MANAGEMENT PERSONNEL REMUNERATION AND FEES

Total remuneration and fees paid to DBSH Directors and directors of subsidiary companies, as well as key management personnel were as follows:

In \$ millions	DBSH		DBSH Group	
	2003	2002	2003	2002
Remuneration of DBSH directors	–	–	8	6
Remuneration of directors of subsidiary companies	–	–	19	23
Fees of DBSH directors	1 ^(a)	# ^(a)	1	1
Fees of directors of subsidiary companies	–	–	#	1
Total directors' remuneration and fees	1	#	28	31
Remuneration of key management personnel ^(b)	–	–	8	9
Total remuneration and fees	1	#	36	40

Amount under \$500,000

(a) Directors fees for DBSH Directors amounted to \$648,000 (2002: \$487,000).

(b) Refers to members of the Management Committee, excluding members who are also DBSH/DBS Bank Directors.

41.3 SHARE OPTIONS GRANTED TO DBSH DIRECTORS AND KEY MANAGEMENT PERSONNEL

The aggregate number of share options granted to DBSH Directors and key management personnel during the financial year were 143,100 and 340,500 (2002: 375,000 and 380,000) respectively. The share options were granted on the same terms and conditions as those offered to other employees of DBSH Group. The outstanding number of share options granted to DBSH Directors and key management personnel at the end of the financial year were 705,225 and 1,269,150 (2002: 727,375 and 1,107,952) respectively.

41.4 PERFORMANCE SHARES GRANTED TO DBSH DIRECTORS AND KEY MANAGEMENT PERSONNEL

During the financial year, 76,930 and 35,250 (2002: 50,000 and 54,740) awards in respect of DBSH ordinary shares were granted to DBSH Directors and key management personnel respectively. The award numbers represent a 100% payout. The payout at the end of the performance period could range from a minimum of 50% of the shares awarded to 200%, dependent on the DBSH Group's performance vis-a-vis target performance levels measured by return on equity.

42. SUBSEQUENT EVENTS

On January 28, 2004, Thai Military Bank PCL ("TMB"), DBS Bank Ltd ("DBS") and DBS Thai Danu Bank PCL ("DTDB") announced that a Memorandum of Understanding ("MoU") was signed to combine TMB and DTDB in a strategic merger to create the 6th largest banking group in Thailand by assets. The MoU sets out, among others, the principles and structure of the merger, management and areas of governance and business cooperation. The proposed structure is a tender offer by TMB for all the shares of DTDB in consideration for new TMB shares. The parties have also agreed to explore incorporating The Industrial Finance Corporation of Thailand ("IFCT") in a three-way merger to create Thailand's 5th largest bank.

The proposed merger is subject to approvals from the Thai Minister of Finance, the Bank of Thailand, the Stock Exchange of Thailand, the Securities and Exchange Commission of Thailand, the Thai Ministry of Commerce, the Monetary Authority of Singapore and the shareholders.

The effect of the proposed merger of TMB, DTDB and IFCT on the DBSH Group's financials will depend on finalisation of the details. It is expected to have a positive non-cash accounting impact on DBSH Group's financials and capital adequacy ratios.