

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

1. GENERAL

The consolidated financial statements are expressed in Singapore dollars. DBS Group Holdings Ltd (“DBSH”) is domiciled in Singapore and is principally an investment holding company. The principal activities of the subsidiary companies of DBSH are disclosed in Notes 33.2 and 33.3.

The registered office of DBS Group Holdings Ltd is located at 6 Shenton Way, DBS Building Tower One, Singapore 068809. At December 31, 2001, DBSH and its subsidiary companies (“DBSH Group”) employed 13,157 (2000: 11,190) staff.

Key details of The Development Bank of Singapore Ltd (“DBS Bank”)’s financial statements are included as supplementary information to these consolidated 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 and, except where noted, are consistent with those applied in the previous financial year. The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

2.1 BASIS OF PRESENTATION

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

In 2001, DBSH Group adopted the following SAS:

SAS 8 (2000)	Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies
SAS 10 (2000)	Events Occurring after the Balance Sheet Date
SAS 17 (2000)	Employee Benefits
SAS 22 (2000)	Business Combinations
SAS 31	Provisions, Contingent Liabilities and Contingent Assets
SAS 32	Financial Instruments – Disclosure and Presentation
SAS 34	Intangible Assets
SAS 35	Discontinuing Operations
SAS 36	Impairment of Assets

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of DBSH and its subsidiary companies. These subsidiary companies are companies in which DBSH has an interest of over 50% in the issued share capital at balance sheet date. The results of subsidiary companies acquired or disposed of during the year are included from the date of acquisition or to the date of disposal except for those investments that are excluded for reasons as disclosed in Note 33.2. Intercompany balances and transactions and resulting unrealised profits or losses are eliminated in full on consolidation. Where necessary, accounting policies for subsidiary companies have been changed to ensure consistency with the policies adopted by DBSH.

Interpretation of Statement of Accounting Standard (“INT”) 5, “Consolidation: Special Purpose Entities (“SPE”)” requires that SPEs be consolidated when the substance of the relationship between the Group and the SPE indicates that the SPE is controlled by the Group. The implementation of INT 5 has resulted in the consolidation of certain SPEs established in the ordinary course of the Group’s business. The names of these SPEs are disclosed in Note 33.4.

2.3 GOODWILL

Goodwill may arise on the acquisition of subsidiary companies and business undertakings. It represents the excess of the consideration of the acquisition over the fair value of the Group’s share of the identifiable net assets of the acquired subsidiary companies or business undertakings at the date of acquisition.

In accordance with SAS 22 (2000), goodwill on acquisition of subsidiary companies and business undertakings acquired after January 1, 2001, is reported in the balance sheet as an intangible asset and will be amortised using the straight-line method over a maximum period of 20 years or its useful life, whichever is the lower.

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.

Prior to SAS 22 (2000), the accounting policy was to write off goodwill directly to reserves in the year of acquisition. The transitional arrangement of SAS 22 (2000) allow this goodwill to remain eliminated. In the event of a subsequent disposal, any goodwill previously charged directly to reserves prior to SAS 22 (2000) will be written back and reflected in the profit and loss account.

2.4 SUBSIDIARY COMPANIES AND ASSOCIATED COMPANIES

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

Associated companies are companies in which DBSH Group has a long-term equity interest of between 20% and 50% and over whose financial decisions and operating policies DBSH Group exercises significant influence.

DBSH Group's share of the results of its associated companies is included in the consolidated profit and loss account. DBSH Group's share of the post acquisition reserves of its associated companies is included in the net book values of its investments in associated companies in the consolidated balance sheet except for those investments that are excluded for reasons as disclosed in Note 34.3.

The results of the associated companies are taken from the latest audited accounts or unaudited management accounts of the associated companies concerned, prepared up to dates not more than six months prior to the end of the financial year of DBSH Group. Where the accounting policies of the associated companies do not conform to those of DBSH Group, appropriate adjustments are made in the consolidated financial statements if the amounts involved are material to DBSH Group.

Unrealised gains on transactions between DBSH Group and its associated companies are eliminated to the extent of the Group's interest in the associated 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 company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated companies.

2.5 JOINT VENTURE COMPANIES

A joint venture is a contractual arrangement whereby DBSH Group and its joint venture partners undertake an economic activity which is subject to control, and none of the parties involved unilaterally has control over the economic activity.

Investments in joint venture companies are stated in the financial statements of DBSH and its subsidiary companies at cost less provision for diminution in value, except where such diminution is temporary.

DBSH Group's share of the results of its joint venture companies is included in the consolidated profit and loss account. DBSH Group's share of the post acquisition reserves of its joint venture companies is included in the net book values of its investments in joint venture companies in the consolidated balance sheet.

The results of the joint venture companies are taken from the latest audited accounts or unaudited management accounts of the joint venture companies concerned, prepared up to dates not more than six months prior to the end of the financial year of DBSH Group. Where the accounting policies of the joint venture companies do not conform to those of DBSH Group, appropriate adjustments are made in the consolidated financial statements if the amounts involved are material to DBSH Group.

2.6 FOREIGN CURRENCIES

Amounts receivable and payable in foreign currencies are translated into Singapore dollars at the exchange rates ruling at balance sheet date and transactions during the year are translated at the exchange rates ruling at the transaction dates. The financial statements of foreign subsidiary companies and branch operations are translated into Singapore dollars at the exchange rates ruling at balance sheet date. All exchange differences are taken up in the consolidated profit and loss account except for translation differences on opening net investments in foreign subsidiary companies and branches regarded as foreign entities (as defined in Statement of Accounting Standard 20), and the related foreign currency borrowings designated as hedges, which are taken directly to reserves.

2.7 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.

2.7.1 NON-TRADING TRANSACTIONS

Derivatives may be used to hedge interest rate, exchange rate or 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 which results from potential movements in interest rates, exchange rates and market values; 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 is deferred and amortised as interest income or expense in the profit and loss account over the remaining life of the items previously being hedged.

When the underlying assets, liabilities, other positions or cashflows are terminated prior to the hedging transactions, or anticipated transactions are no longer likely to occur, the hedging transactions are measured on a fair value accounting basis 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.

2.7.2 TRADING TRANSACTIONS

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

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

2.7.3 VALUATION ADJUSTMENTS FOR TRADING INSTRUMENTS

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

2.7.4 NETTING AGREEMENTS

DBSH Group enters into master netting agreements with counterparties whenever possible. Master netting agreements provide that, if an event of default occurs, all outstanding transactions with the counterparty will be terminated and all amounts outstanding will be settled on a net basis.

Transactions with positive fair values are netted against transactions with negative fair values where DBSH Group has the ability to insist on net settlement which is assured beyond doubt, based on a legal right that would survive the insolvency of the counterparty.

2.8 BASIS OF VALUATION OF ASSETS**2.8.1 LOANS AND ADVANCES**

Loans and advances include housing loans, term loans, money market loans to corporates, overdrafts, bills financing, credit card advances, etc. These are carried at recoverable amounts i.e., outstanding balances after deduction of provisions for bad and doubtful debts.

Collateral is obtained if, based on an evaluation of the customer's credit worthiness, it is considered necessary for the customer's overall borrowing facility. Some of the assets typically accepted as collateral are cash deposits, receivables, inventories, plant and equipment, real estate and investments.

2.8.1.1 NON-PERFORMING LOANS

Loans are classified into non-performing grades (*Substandard*, *Doubtful* or *Loss*) under the following conditions:

Substandard – A *Substandard* grade is appropriate when well-defined weakness or weaknesses jeopardize the orderly repayment of debt. A credit that is 90 days past due or a restructured loan (Note 2.8.1.2) would be classified as substandard or worse.

Doubtful – A *Doubtful* grade is appropriate when full repayment of outstanding debt appears questionable and there is likely to be a loss, the exact amount of which cannot be determined as yet.

Loss – A *Loss* grade is appropriate when a credit is considered uncollectible or is of such little value that its continuance as a booked asset is unwarranted.

DBSH Group also applies a split classification (*Substandard/Loss*) in some instances, generally for weak credits where realization of collateral security or unencumbered assets is anticipated as the only source of repayment. In such cases, the realizable portion of the loan is classified as *Substandard* while the unrealizable portion is classified as *Loss*.

2.8.1.2 RESTRUCTURED LOANS

Loans are classified as restructured when concessions are granted to the original terms for reasons related to the financial difficulties of the borrower. 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.

2.8.1.3 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.

2.8.2 DEBT SECURITIES AND EQUITIES

2.8.2.1 SINGAPORE GOVERNMENT SECURITIES AND TREASURY BILLS

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

2.8.2.2 TRADING SECURITIES

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

2.8.2.3 INVESTMENT SECURITIES

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

2.8.3 FORECLOSED PROPERTIES

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

2.8.4 PROVISIONS FOR OTHER ASSETS AND BANKING RISKS

Specific and general provisions are made against other assets and banking risks not covered by Note 2.8.1 and 2.8.2 above so as to reduce them to their estimated realisable values.

2.8.5 FIXED ASSETS

All fixed assets are initially recorded at cost. Where the carrying amount of an asset is greater than its recoverable amount, a specific provision will be made for impairment.

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

Repos are treated as collateralised borrowing and the amount borrowed is shown as a liability, and included in deposits and balances of banks. The securities sold under repos are treated as pledged assets and remain on the balance sheet as an asset, included in Singapore Government securities and treasury bills (Note 26), and Trading Securities (Note 27). Reverse repos are treated as collateralised lending and the amount lent is shown as an asset, and included in balances, placements with, and loans and advances to banks. The difference between the amount received and the amount paid under repos, and reverse repos is amortised as interest expense and interest income respectively on a straight-line basis.

2.10 RECOGNITION OF INCOME**2.10.1 INTEREST INCOME**

Interest income is recognised on an accrual basis. Interest on hire purchase and lease finance is brought into the profit and loss account by apportioning interest charges over the periods of agreements, using the sum of digits method (The Rule of 78) for fixed interest rate financing quoted on a flat basis. For Local Enterprise Finance, Regionalisation Finance and Resource Productivity Scheme loans and other hire purchase loans, interest is computed based on the annuity method.

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.

2.10.2 FEE AND COMMISSION INCOME

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 interest income is recognised.

All brokerage contracts thereon are taken up in the financial statements on transaction date.

2.10.3 DIVIDENDS

Dividends from equities are recognised when declared payable.

2.10.4 PREMIUMS AND DISCOUNTS

Amortisation of premiums and accretion of discounts are recognised as interest expense or interest income over the life of the asset or liability.

2.11 REMUNERATION, 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 the Central Provident Fund (“CPF”), other staff-related allowances and contributions to the DBSH Share Ownership Scheme are recognised in the consolidated profit and loss account once incurred.

For the DBSH Performance Share Plan and the DBSH Employee Share Plan, a trust account is set up for each share plan to hold the shares purchased from the open market. The shares purchased are recorded as “Other assets” in the consolidated balance sheet. Remuneration expenses are recognised in the consolidated profit and loss account over the relevant performance period when the shares are awarded.

Options granted under the DBSH Share Option Scheme and the DBSH Share Option Plan are not recognised as remuneration expenses.

2.12 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.

2.13 DEPRECIATION

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

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

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

2.12.3 Other fixed assets are depreciated on a straight-line basis over their estimated useful lives as follows:

Plant and machinery	5 – 15 years
Computer 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.

2.14 TAXATION

The taxation charged to the profit and loss account represents tax at the current rate based on taxable profits earned during the financial year. Deferred taxation in the balance sheet, computed based on the liability method, represents tax at current rates on the timing differences between accounting income and taxable income. Timing differences are principally in respect of depreciation.

2.15 PROVISIONS

Provisions are recognised when the 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.

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.

2.16 SHARE CAPITAL

Ordinary shares, non-voting convertible preference shares and non-voting redeemable convertible preference shares with discretionary dividends are classified as equity. Share issue costs incurred directly in connection with a business combination are included in the cost of acquisition. Dividends on ordinary shares are recognised in equity in the year in which they are declared.

2.17 BORROWING, INCLUDING REDEEMABLE PREFERENCE SHARES

SAS 32, "Financial Instruments : Disclosures and Presentation", effective for DBSH Group for the year ended December 31, 2001, requires DBSH as an issuer of a financial instrument to classify the instrument either as a liability or equity in accordance with the substance of the contractual arrangement on initial recognition. As a consequence, preference shares, which are redeemable on a specific date or at the option of the shareholder or and carry non-discretionary dividend obligations, are classified as long-term liabilities under such circumstances. The dividends on these preference shares are recognised in the profit and loss account as interest expense.

2.18 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.

2.19 COMPARATIVES

Where necessary, comparative figures have been adjusted to conform with changes in the presentation in the current year. Where applicable, the comparatives have been adjusted or extended to take into account the requirements of the revised or new SAS which DBSH Group have implemented in 2001. With the exception of SAS 31 (see Note 16.8), there are no significant changes in the accounting policies that affect operating profit resulting from the adoption of the revised or new standards in these consolidated financial statements.

2.20 RECENT ACCOUNTING STANDARDS NOT YET ADOPTED

	Accounting Standards	Adoption date
SAS 12	Revised, Income Taxes	Financial periods commencing on or after April 1, 2001
SAS 37	Information reflecting the Effects of Changing Prices	Financial periods commencing on or after April 1, 2001
SAS 38	Financial Reporting in Hyperinflationary Economies	Financial periods commencing on or after April 1, 2001
SAS 33	Financial Instruments: Recognition and Measurement	Deferred until further notice

The implementation of the above standards is not expected to have a material impact on the financial statements of DBSH and the DBSH Group except for the following:

SAS 33, Financial Instruments: Recognition and Measurement

In July 2000, the Institute of Certified Public Accountants of Singapore ("ICPAS") issued SAS 33, "Financial Instruments: Recognition and Measurement". The implementation date has been deferred until further notice in an announcement by ICPAS in January 2002.

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

3. SEGMENTAL PRESENTATION

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

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

Descriptions of business and geographical segments are set out in Note 45.

4. ACCOUNTING PRESENTATION

The disclosures made in the following notes to the consolidated financial statements are intended to comply with the requirements of the Singapore Companies Act as well as the SAS. In addition, the disclosures on net structural currency exposure is presented voluntarily as part of the disclosures of risk management policies with the view of enhancing the understanding of financial statement users.

5. NET INTEREST INCOME AND MARGIN

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.

In S\$'million	DBSH Group					
	2001			2000		
	Average balance	Interest	Average rate (%)	Average balance	Interest	Average rate (%)
Interest bearing assets	120,656	5,271	4.37	101,020	4,897	4.85
Non-interest bearing assets	11,823	-	-	6,732	-	-
Total assets	132,479			107,752		
Interest bearing liabilities	114,522	3,014	2.63	94,038	2,858	3.04
Non-interest bearing liabilities	6,447	-	-	2,842	-	-
Total liabilities	120,969			96,880		
Net interest income		2,257			2,039	
Net interest income as a % of average interest bearing assets			1.87			2.02

Average balances are calculated on a monthly average basis.

Interest bearing assets comprise cash, balances and placements with central banks; balances, placements with, and loans and advances to banks; and loans and advances to non-bank customers including bills receivable; and debt securities held. Non-interest bearing assets comprise equity investments, fixed assets, accrued interest receivable, sundry debtors, revaluation of financial instruments, sundry deposits and prepayments, and goodwill and intangible assets.

Interest bearing liabilities comprise subordinated term debts, deposits and balances of banks, deposits and other accounts of non-bank customers, debt securities issued and other borrowings. Non-interest bearing liabilities comprise accrued operating expenses, sundry creditors, balances arising from revaluation of financial instruments and interest and other income received in advance.

6. FEE AND COMMISSION INCOME

Fee and commission income comprises the following:

In S\$'000	DBSH Group	
	2001	2000
Trade finance fees	109,560	75,126
Deposit-related	93,547	60,342
Credit cards	82,351	33,340
Loan-related	80,770	50,809
Investment banking	78,267	97,861
Stockbroking	72,715	77,286
Fund management	71,771	61,732
Guarantees	29,128	25,886
Others	21,061	26,092
Total	639,170	508,474

7. DIVIDENDS

Dividends reflected in DBSH include income received from DBS Bank and The Insurance Corporation of Singapore Limited.

Dividends reflected in DBSH Group (DBSH and its subsidiary companies) include gross dividend income from trading and non-trading equity investments.

8. RENTAL INCOME

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

9. OTHER INCOME

Other income comprises the following:

In S\$'000	DBSH Group	
	2001	2000
Net gains on		
– Foreign exchange	229,825	118,994
– Debt securities and derivatives	94,085	23,022
– Singapore Government securities	79,918	32,954
Net gains on disposal of investment securities		
– Disposal of The Insurance Corporation of Singapore (ICS) shares net of related expenses (Note 33.6.3)	120,071	–
– Others	10,372	40,823
Net loss on trading equities	(1,242)	(560)
Net gains on disposal of fixed assets	21,583	9,167
Underwriting income from insurance business (Note 33.6.3)	3,427	23,500
Others	27,868	20,288
Total	585,907	268,188

Net gains on foreign exchange includes gains and losses from spot and forward contracts, options, futures and translation of foreign currency assets and liabilities.

Net gains on debt securities and derivatives income includes the gains and losses from market making in fixed income instruments, interest rate and currency swaps, options and other derivatives as well as money market instruments.

The net gains on disposal of fixed assets includes a S\$31,242,000 gain arising from the sale of DBS Securities Building.

In 2000, the accretion of premium amounting to S\$11,361,000, which is related to call options on covered warrants, as well as the premium realised upon the exercise of the covered warrants by the warrant holders, were included in net gains on sale of trading equities. The accretion of premium was calculated on a straight-line basis over the life of the options. The amount was nil for 2001.

10. OPERATING EXPENSES

In S\$'000	DBSH Group	
	2001	2000
Staff costs	865,494	613,221
Technology-related expenses	206,088	132,367
Occupancy expenses	200,084	147,384
Goodwill amortisation (Note 36)	131,414	–
Revenue-related expenses	86,626	67,999
Office administration expenses	80,912	53,394
Professional & consultancy fees	54,613	72,514
Restructuring and integration costs (Note 23)	40,445	–
Other expenses	207,201	158,787
Total operating expenses	1,872,877	1,245,666

10.1 Staff costs include salaries, bonuses, contributions to the Central Provident Fund, and all other staff-related expenses (Note 2.11). Contributions to the Central Provident Fund was S\$43,321,000 (2000: S\$29,725,000).

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

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

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

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

Professional and consultancy fees include fees paid to consultants for DBSH Group's various initiatives, legal fees and other professional fees.

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

- 10.3** The restructuring and integration costs of S\$40,445,000 in 2001 are due to the restructuring of Dao Heng Bank Group Limited (S\$18,780,000), DBS Kwong On Bank Limited (S\$4,900,000) and DBS Vickers Securities Holdings Pte Ltd (S\$16,765,000). These costs are subject to detailed formal plans that are under implementation or have been communicated to those affected by the plans.

- 10.4** Operating expenses include the following:

In S\$'000	DBSH		DBSH Group	
	2001	2000	2001	2000
(1) Directors' fees and remuneration	516	614	28,283	19,745
Remuneration of DBSH's directors (a)	-	-	16,802¹	11,541
Remuneration of directors of subsidiary companies of DBSH Group	-	-	10,378	7,074
Fees of DBSH's directors (a)	516	614	596	703
Fees of directors of subsidiary companies of DBSH Group	-	-	507	427
(2) Auditors' remuneration	70	70	9,235	6,464
Audit fees	-	-	-	-
- PwC ² Singapore	70	70	1,659	2,096
- Other auditors including associated firms of PwC Singapore	-	-	3,251	1,737
Fees for non-audit services ³	-	-	-	-
- PwC Singapore	-	-	3,349	2,218
- Other auditors including associated firms of PwC Singapore	-	-	976	413
(3) Depreciation of fixed assets (Note 35)	-	-	168,705	135,996
Premises and other properties	-	-	60,096	51,562
Computer and office equipment, furniture and fittings and other fixed assets	-	-	108,609	84,434
(4) Maintenance and hire of fixed assets including buildings	-	-	118,561	71,315
(5) Rental of premises	-	-	81,154	55,025

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

2 PricewaterhouseCoopers

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

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

	2001*	2000*
S\$500,000 and above	3	2
S\$250,000 to S\$499,999	-	-
Below S\$250,000	10	9
Total	13	11

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

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

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

In S\$'000	DBSH Group	
	2001	2000
Specific provision for loans (Note 29)	233,969	19,936
Specific provision for diminution in value of investments and other assets (Note 30)	104,628	32,135
Release of general provision for loans (Note 29)	(64,195)	(62,492)
(Release)/Provision of general provision for diminution in value of investments and other assets (Note 30)	(531)	702
Provision for contingencies and other banking risks (Note 30)	104,984	63,363
– Fixed assets	88,611	60,644
– Others	16,373	2,719
Total	378,855	53,644

The release of general provision for loans is due to a reduction of regional exposure to Indonesia, Thailand and The Philippines.

12. TAXATION

In S\$'000	DBSH Group	
	2001	2000
Taxation charge in respect of profit for the financial year:		
Current taxation	237,731	305,089
Deferred taxation (Note 24)	18,973	3,657
Total	256,704	308,746

The taxation charge on the profit for the year is lower than that derived by applying the statutory income tax rate of 24.5%. This is principally because profit arising from DBS Bank Asian Currency Unit offshore transactions is subject to tax at a concessionary rate of 10%.

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

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. For "Cash Basis" earnings per share, the impact of goodwill amortisation was excluded from net profit attributable to members.

In S\$'000	DBSH Group	
	2001	2000
Weighted average number of ordinary shares in issue ('000) (a)	1,248,626	1,204,068
Net profit attributable to members	999,124	1,388,846
Less: Preference dividends	20,744	24,438
Net profit attributable to members after adjustment of preference dividends (b)	978,380	1,364,408
Add: Goodwill amortisation	131,414	–
Net profit attributable to members after adjustment of preference dividends and goodwill amortisation (cash basis) (c)	1,109,794	1,364,408
Basic Earnings Per Ordinary Share (Cents) (b)/(a)	78	113
Cash Basis – Basic Earnings Per Ordinary Share (Cents) (c)/(a)	89	113

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

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

In S\$'000	DBSH Group	
	2001	2000
Weighted average number of ordinary shares in issue	1,248,626	1,204,068
Dilutive effect of share options	1,056	2,488
Full conversion of DBSH Non-voting CPS	25,106	25,113
Full conversion of DBSH Non-voting redeemable CPS	66,475	66,475
Weighted average number of ordinary shares in issue assuming dilution (a)	1,341,263	1,298,144

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

In S\$'000	DBSH Group	
	2001	2000
Net profit attributable to members	999,124	1,388,846
Less: Preference dividends	20,744	24,438
Net profit attributable to members after adjustment of preference dividends	978,380	1,364,408
Adjustment to net profit arising from:		
(i) Full conversion of DBSH Non-voting CPS	5,687	6,511
(ii) Full conversion of DBSH Non-voting redeemable CPS	15,057	17,927
Adjusted net profit attributable to members (b)	999,124	1,388,846
Add: Goodwill amortisation	131,414	-
Cash Basis – Adjusted net profit attributable to members (c)	1,130,538	1,388,846
Diluted Earnings Per Ordinary Share (Cents) (b)/(a)	74	107
Cash Basis – Diluted Earnings Per Ordinary Share (Cents) (c)/(a)	84	107

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. These share units are traded at a prorated open market price.

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 (\$'000)	
	2001	2000	2001	2000
At beginning of the year	2,321,029	2,368,029	45,260	64,647
At end of the year	2,807,529	2,321,029	38,463	45,260

14.2 DBSH SHARE OPTION SCHEME

The DBSH Share Option Scheme (the "Option Scheme") was adopted by the shareholders of DBSH at an Extraordinary General Meeting held on September 18, 1999, to replace the DBS Bank Share Option Scheme (the "DBS Bank Option Scheme") previously implemented by DBS Bank, following the restructuring of DBS Bank as a wholly-owned subsidiary of DBSH.

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

The movement of the unissued ordinary shares of DBSH of par value S\$1.00 each comprised in outstanding existing unexercised options (the "DBSH Options") will continue to remain valid until the date of expiration of the relevant DBSH Options.

DBSH Options	Number of unissued ordinary shares			Number of unissued ordinary shares Dec 31, 2001	Subscription price per ordinary share	Date of expiration
	Jan 1, 2001	During the year				
		Exercised	Lapsed			
1996	709,701	699,145	10,556	–	S\$8.02	May 8, 2001
1997	1,444,207	280,595	–	1,163,612	S\$7.29	May 5, 2002
1998	1,408,344	263,200	–	1,145,144	S\$7.69	April 7, 2003
	3,562,252	1,242,940	10,556	2,308,756		

Ordinary shares of DBSH of par value S\$1.00 issued upon exercise of share options during the year ended December 31, 2001 yielded the following proceeds, at the following market value:

In S\$'000	2001	2000
Ordinary share capital – at par	1,243	2,217
Share premium	8,434	15,478
Proceeds	9,677	17,695
Market value, at exercise date, of shares issued	19,831	48,014

14.3 DBSH SHARE OPTION PLAN

The DBS Bank Share Option Plan (the "DBS Bank Option Plan") was adopted by the shareholders of DBS Bank at an Extraordinary General Meeting of DBS Bank held on June 19, 1999 to replace the DBS Bank Option Scheme. At an Extraordinary General Meeting held on September 18, 1999, the shareholders of DBSH adopted the DBSH Share Option Plan (the "Option Plan") to replace the DBS Bank Option Plan, following the restructuring of DBS Bank as a wholly-owned subsidiary of DBSH.

The Option plan gives option holder the right to purchase DBSH ordinary shares at a pre-determined price ("Subscription price"). The proportion of the total number of share options that is exercisable may be subject to a schedule.

The number of share options granted will depend, inter-alia, on DBSH Group's performance as well as the performance of the individual.

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

DBSH Options	Number of unissued ordinary shares			Number of unissued ordinary shares	Subscription price per ordinary share	Date of expiration
	Jan 1, 2001	During the year				
	Granted	Exercised	Lapsed	Dec 31, 2001		
1999	4,651,276	-	43,927	229,991	4,377,358	S\$15.30 July 27, 2009
March 2000	1,887,000	-	-	136,200	1,750,800	S\$20.87 March 5, 2010
July 2000	1,251,000	-	-	62,200	1,188,800	S\$22.33 July 26, 2010
March 2001	-	13,913,000	-	820,000	13,093,000	S\$17.70 March 14, 2011
June 2001	-	21,000	-	-	21,000	S\$14.76 May 31, 2011
August 2001	-	1,682,000	-	-	1,682,000	S\$12.93 July 31, 2011
	7,789,276	15,616,000	43,927	1,248,391	22,112,958	

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

In S\$'000	2001	2000
Ordinary share capital – at par	44	175
Share premium	628	2,497
Proceeds	672	2,672
Market value, at exercise date, of shares issued	818	3,671

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.

The number of shares awarded is based on DBSH Group's 3-year period performance (e.g., 1999, 2000, and 2001) as well as the performance of the individual. At the start of the 3-year performance period, an eligible employee will be advised on the number of DBSH ordinary shares that he could receive at the end of the performance period, which is based on his demonstrated performance. At the end of the 3-year performance period, the final payout will be based on DBSH Group's performance vis-à-vis target performance levels measured by Return on Equity (“ROE”). The payout could be in the form of shares or a combination of cash and shares. The payout from the PSP could range from a minimum of 50% to a maximum of 200% of the number of performance shares that have been initially awarded. The minimum payout is subject to the absolute discretion of the Compensation Committee.

During the financial year, 2,378,420 shares were awarded to selected employees pursuant to the DBSH Performance Share Plan.

14.5 DBSH EMPLOYEE SHARE PLAN

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

Participants will receive ordinary shares of DBSH (“DBSH shares”) free of charge, the equivalent in cash, or combinations thereof, provided that certain prescribed performance targets are met. Participants will be allocated DBSH shares acquired from the market in accordance with guidelines established by DBSH. In respect of each financial year, DBSH will determine the performance targets applicable and the number of DBSH shares to be allocated to each participant or category of participants upon the attainment of such targets. Upon the attainment of the prescribed performance targets, the DBSH shares will be vested with the participants on terms and conditions to be determined by DBSH.

The Employee Share Plan may be altered from time to time at the absolute discretion of DBSH.

During the financial year, no shares were granted under the Employee Share Plan.

15. SHARE CAPITAL

15.1 The share capital of DBSH at December 31, 2001, is as follows:

In S\$'000	DBSH	
	2001	2000
Authorised		
4,000,000,000 ordinary shares of S\$1 each (Note 15.2(1))	4,000,000	2,000,000
500,000,000 non-voting convertible preference shares of S\$1 each	500,000	500,000
500,000,000 non-voting redeemable convertible preference shares of S\$1 each	500,000	500,000
	1,000,000	1,000,000
Issued and fully paid-up		
1,446,825,612 (2000: 1,215,661,271) ordinary shares of S\$1 each	1,446,826	1,215,661
25,106,101 (2000: 25,112,719) non-voting convertible preference shares of S\$1 each	25,106	25,113
66,475,374 (2000: 66,475,374) non-voting redeemable convertible preference shares of S\$1 each	66,475	66,475
Total Issued and Paid-up Share Capital of DBSH	1,538,407	1,307,249

- 15.2 (1) On August 6, 2001, DBSH increased its authorised share capital by S\$2,000,000,000 through the creation of 2,000,000,000 ordinary shares of par value S\$1.00 each.
- (2) On November 9, 2001, DBSH issued 110,416,667 ordinary shares of par value S\$1.00 each at an issued price of S\$9.60 per share for cash, amounting to S\$1,060,000,003, for general corporate purposes, including the maintenance of required minimum total capital adequacy ratios.
- (3) On November 13, 2001, DBSH issued 119,454,189 ordinary shares of par value S\$1.00 each at an issued price of S\$9.50 per share for cash, amounting to S\$1,134,814,796, for general corporate purposes, including the maintenance of required minimum total capital adequacy ratios.
- (4) During the financial year, pursuant to the DBSH Share Option Scheme (the "Option Scheme") and DBSH Share Option Plan (the "Option Plan"), DBSH issued 1,286,867 ordinary shares of par value S\$1.00 each, fully paid in cash upon the exercise of the options granted.
- (5) During the financial year, DBSH issued 6,618 ordinary shares of par value S\$1.00 each, fully paid in cash upon the conversion of the non-voting convertible preference shares.

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

16. RESERVES**16.1 SHARE PREMIUM ACCOUNT**

In S\$'000	DBSH Group	
	2001	2000
Balance at January 1	6,809	4,967
Issue of ordinary shares (Note 15.2 (2) and (3))	1,964,944	-
Exercise of share options pursuant to the DBSH Share Option Scheme and DBSH Share Option Plan [Note 15.2 (4)]	9,061	17,970
Expenses relating to issue of shares	(22,909)	-
Issue of ordinary shares as consideration for the restructuring of The Insurance Corporation of Singapore Limited as a subsidiary of DBSH	-	169,627
Redemption of DBSH Non-voting redeemable convertible preference shares	-	(185,755)
Balance at December 31	1,957,905	6,809

16.2 OTHER RESERVE

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

In S\$'000	DBSH Group	
	2001	2000
Balance at January 1	4,273,129	4,273,129
Expenses relating to issue of shares	(2,112)	-
Balance at December 31	4,271,017	4,273,129

16.3 CAPITAL REDEMPTION RESERVE

The capital redemption reserve arises out of the redemption of 28,410,000 Non-voting redeemable convertible preference shares of par value S\$1.00 each by way of capital reduction in 2000. This reserve is non-distributable.

In S\$'000	DBSH Group	
	2001	2000
Balance at January 1	28,410	-
Redemption of DBSH Non-voting redeemable convertible preference shares	-	28,410
Balance at December 31	28,410	28,410

16.4 CAPITAL RESERVE

The capital reserve comprises net exchange translation adjustments arising from translation differences on opening net investments in foreign subsidiaries and branches, and the related foreign currency borrowings designated as a hedge, and any goodwill or reserve arising from acquisition of subsidiary companies, associated companies and business undertakings, prior to January 1, 2001.

In S\$'000	DBSH Group	
	2001	2000
Balance at January 1	-	170,984
Net exchange translation adjustments during the year	(4,533)	(4,581)
Goodwill written back on disposal of subsidiary companies	28,573	-
Capital reserve arising from equity accounting	-	(15,734)
Goodwill arising from acquisitions of subsidiary and associated companies	-	(150,669)
Balance at December 31	24,040	-

Prior to SAS 22 (2000), the accounting policy was to write off goodwill directly to reserves in the year of acquisition. The transitional arrangements of SAS 22 (2000) allows this goodwill to remain eliminated. In the event of a subsequent disposal, any goodwill previously charged directly to reserves prior to SAS 22 (2000) will be written back and reflected in the profit and loss account.

16.5 GENERAL RESERVE

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

In S\$'000	DBSH Group	
	2001	2000
RESERVE FUND		
Balance at January 1	1,755,105	1,634,921
Net exchange translation adjustments during the year	72	-
Appropriation from profit and loss account (Note 16.6)	66,043	120,184
Balance at December 31	1,821,220	1,755,105

16.6 REVENUE RESERVE

In S\$'000	DBSH Group	
	2001	2000
Balance at January 1		
– as previously reported	3,124,048	3,466,969
– effect of adopting SAS 31 in connection with accounting for dividends (Note 16.8)	295,589	–
Balance at January 1 as restated	3,419,637	3,466,969
Net profit attributable to members	999,124	1,388,846
Writeback of excess provision for preference dividend in prior year	–	2,235
Share of reserve arising from equity accounting	(1,872)	172
Goodwill arising from acquisitions of subsidiary and associated companies	–	(761,504)
Under-provision of dividend on ordinary shares in prior year	–	(3,397)
Redemption of DBSH non-voting redeemable convertible preference shares (CPS)	–	(414,265)
Transfer to general reserve (Note 16.5)	(66,043)	(120,184)
Goodwill transferred from capital reserve on disposal of subsidiary companies	(28,573)	–
	(96,488)	(1,296,943)
Amount available for distribution	4,322,273	3,558,872
Less: Final dividend on ordinary shares of 16%, paid less income tax for the financial year ended December 31, 2000	146,976	–
Special dividend on ordinary shares of 15%, paid less income tax for the financial year ended December 31, 2000	137,790	–
Final dividend on DBSH non-voting CPS of 16%, paid less income tax for the financial year ended December 31, 2000	3,034	–
Final dividend on DBSH non-voting redeemable CPS of 16%, paid less income tax for the financial year ended December 31, 2000	8,030	–
Interim dividend on ordinary shares paid 14% (2000:14%) less income tax	128,615	125,861
Interim dividend on DBSH non-voting CPS paid 14% (2000: 14%) less income tax	2,654	3,478
Interim dividend on DBSH non-voting redeemable CPS paid 14% (2000: 14%) less income tax	7,026	9,896
Proposed final dividend on ordinary shares NIL% (2000: 16%) less income tax	–	146,851
Proposed special dividend on ordinary shares NIL% (2000: 15%) less income tax	–	137,674
Proposed final dividend on DBSH non-voting CPS NIL% (2000: 16%) less income tax	–	3,034
Proposed final dividend on DBSH non-voting redeemable CPS NIL% (2000: 16%) less income tax	–	8,030
Balance at December 31	3,888,148	3,124,048

Prior to SAS 22 (2000), the accounting policy was to write off goodwill directly to reserve in the year of acquisition. The transitional arrangement of SAS 22 (2000) allow this goodwill to remain eliminated. In the event of a subsequent disposal, any goodwill previously charged directly to reserves prior to SAS 22 (2000) will be written back and reflected in the profit and loss account.

16.7 DIVIDEND PROPOSED

Set out below are the dividend proposed for the financial year ended December 31, 2001. These financial statements do not reflect the dividend payable, which will be accounted for in the Shareholders' Funds as an appropriation of revenue reserves in the year ending December 31, 2002.

In S\$'000	DBSH Group 2001
(i) Proposed final dividend on ordinary shares of 16% less income tax	174,777
(ii) Proposed final dividend on DBSH non-voting CPS of 16% less income tax	3,033
(iii) Proposed final dividend on DBSH non-voting redeemable CPS of 16% less income tax	8,030
	<u>185,840</u>

16.8 EFFECTS OF ADOPTING SAS 31

SAS 31 requires dividend to be accrued in the financial statements only when declared and not when proposed.

Following the adoption of SAS 31, the following amounts had been adjusted to the revenue reserves at January 1, 2001. The comparative information has not been restated.

In S\$'000	DBSH Group 2001	2000
Dividend	295,589	-

17. MINORITY INTERESTS – EQUITY

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

In S\$'million	Note	DBSH Group	
		2001	2000
DBS Diamond Holdings Ltd	17.1	870	-
DBS Group Holdings (Hong Kong) Ltd		130	117
DBS Thai Danu Bank Public Company Limited	17.2	(277)	(278)
DBS Vickers Securities Holdings Pte Ltd	17.1	228	-
Other subsidiaries		27	35
		<u>978</u>	<u>(126)</u>

The balances above included the effect of foreign exchange fluctuations.

- 17.1 DBSH Group determines parent and minority interests in preparing consolidated financial statements on present ownership interests. Further details are disclosed in Notes 33.6.1, 33.6.2 and 39.

DBS Diamond Holdings Ltd

As noted in Note 33.6.1, the DBSH Group financial statements include the results of Dao Heng Bank Group Limited ("DHG") from June 29, 2001, the date when DBS Bank gained control of DHG via its subsidiary company, DBS Diamond Holdings Ltd ("DDH").

Under the Cash and Share Option (Option B) offered by DBS Bank to the shareholders of DHG, DBS Bank has a Call Option which gives DBS Bank the right to require each DDH minority shareholder to sell his shares by giving a notice within a period of seven business days following December 31, 2002, at a purchase price of HK\$21.70 per share.

Under the Cash and Share Option (Option B), DBS Bank is subject to a Put Option provision. Under the Put Option, each DDH minority shareholder has the right to require DBS Bank to purchase his shares by giving a notice within a period of seven business days following December 31, 2002 at a purchase price of HK\$21.70 per share.

All shareholders of DDH are entitled to receive a dividend of not less than 45% of the net profits earned by DDH for each six-month period ended June 30 or December 31 except where DHG may breach the liquidity or capital adequacy requirements imposed on it under the Hong Kong Banking Ordinance. The dividend is to be calculated based on earnings (applying the same accounting principles of DHG before the date of the Joint Announcement) from carrying on of business in the ordinary course with practice applicable prior to the date of the Joint Announcement, and disregarding the effect of any changes attributable to restructuring adjustments or other exceptional matters, including goodwill and transfer pricing. Holders of the options do not receive any other shareholder rights.

Should either of the options be exercised by DBS Bank or the DDH minority interest, DBS Bank would be required to pay an amount of HK\$15,327.1 million (\$\$3,637.0 million) within 5 days of the exercise date of the options.

DBS Vickers Securities Holdings Pte Ltd

As noted in Note 33.6.2, the DBSH Group financial statements include the results of DBS Vickers Securities Holdings Pte Ltd ("DBSV") from September 12, 2001.

The minority interest of DBSV have a Put Option exercisable on September 12, 2003 at a price of S\$0.90 per Option Share and 3.1 per cent per annum on the value of the option (S\$0.90) compounded annually. Subject to an amount which the Board of DBSV may consider necessary for (i) the appropriation of prudent and proper reserves, (ii) the retention out of profits of funds to meet the working capital requirements and to finance growth of the DBSV Group, and (iii) the requirements as to capital adequacy, solvency or otherwise of the DBSV Group, DBSV shall distribute to shareholders 35% of the net profits after tax for each year ended December 31. The holder of the Put Option does not receive any other shareholder rights.

Should the Put Option be exercised by the minority interest, DBS Bank would be required to pay an amount of S\$321.6 million on September 12, 2003.

DBS Bank accounts for the above options as derivative contracts, and the options will be accounted for as such until any settlement date when the physical shares are acquired. The financial impact of these options being exercised is set forth in Note 39.

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

The published financial statements of DTDB are prepared under Thai Generally Accepted Accounting Principles ("GAAP") and show that DTDB has positive net assets. However, the amounts consolidated in the DBSH accounts for DTDB are prepared under Singapore GAAP. There are significant differences in accounting for loan provisions* and certain equity instruments under Thai and Singapore regulatory guidelines and consequently, when Singapore guidelines are applied to the minority's share of DTDB's net assets, a debit balance arises. Such debit balance continue to exist although DTDB has posted a profit for the year as such profits are insufficient to offset the translation loss arising on consolidation of DTDB's results.

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

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

* There is a difference in regulatory guidelines for recording bad and doubtful debt provisions in DTDB in Thailand and DBSH Group in Singapore. The higher debt provisions carried in DBSH Group's accounts are not represented by actual crystallized 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 crystallize as losses in DTDB's accounts.

18. MINORITY INTERESTS - NON-EQUITY

Non-equity minority interests are preference shares held by third parties in a subsidiary company of DBSH Group.

Non-equity minority interests comprise S\$1,100 million 6% non-cumulative non-convertible perpetual preference shares, of par value of S\$0.01 and a liquidation preference of S\$100 each, issued by its subsidiary company, DBS Bank, on May 28, 2001. 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%.

19. SUBORDINATED TERM DEBTS

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

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

19.1 UNDATED SUBORDINATED TERM DEBTS

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

In S\$'000	Note	DBSH Group		
		2001	2000	
<i>Face Value</i>	<i>Issue Date</i>			
Issued by DBS Capital Funding Corporation				
US\$725m	7.657% Non-Cumulative Guaranteed Preference Shares, Series A	Mar 21, 2001 (a)	1,340,315	-
S\$100m	5.35% Non-Cumulative Guaranteed Preference Shares, Series B	Mar 21, 2001 (a)	100,000	-
Issued by DBS Thai Danu Bank Public Company Limited				
THB5,000m	Fixed Rate Perpetual Subordinated Debentures No.1	Jun 3, 1999 (b)	209,410	199,811
Total Undated Subordinated Term Debts			1,649,725	199,811

- (a) Singapore Statement of Accounting Standard 32, "Financial Instruments : Disclosures and Presentation" which is effective for financial statements covering periods beginning on or after October 1, 2000, requires the issuer of a financial instrument to classify the instrument either as a liability or equity in accordance with the substance of the contractual arrangement on initial recognition. As a consequence, these preference shares, which will convert into a floating coupon at the end of 10 years that is considered sufficiently higher than market rate would indirectly cause the Group to redeem these preference shares. As such, they have been accounted for as long-term liabilities under such circumstances. The dividends on these preference shares are recognised in the income statement as interest expense.

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

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

19.2 DATED SUBORDINATED TERM DEBTS

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

In S\$'000	Face Value	Issue Date	Maturity Date	Note	DBSH Group	
					2001	2000
Issued by DBS Bank						
US\$750m	7 7/8% Subordinated Notes	Aug 10, 1999	Aug 10, 2009	(a)	1,387,763	1,299,563
US\$500m	7 7/8% Subordinated Notes	Apr 15, 2000	Apr 15, 2010	(b)	925,175	866,375
US\$850m	7 1/8% Subordinated Notes	May 15, 2001	May 15, 2011	(c)	1,571,793	–
Issued by DBS Thai Danu Bank Public Company Limited						
THB500m	Floating Rate Subordinated term debt	Jan 29, 1993	Jan 29, 2001	(d)	–	19,985
THB6,791m	Subordinated Debentures No.2	Jun 3, 1999	May 28, 2006	(e)	72,564	69,285
THB1,077m	4.25% Fixed Rate Subordinated term debt	Jan 18, 2000	Jan 17, 2010	(f)	45,117	43,049
THB260m	3.50% Fixed Rate Subordinated term debt	Dec 28, 2000	Dec 27, 2010	(g)	10,892	10,392
Issued by Dao Heng Bank Limited						
US\$350m	7.75% Fixed Rate Subordinated term debt	Jan 24, 1997	Jan 24, 2007	(h)	484,076	–
Total					4,497,380	2,308,649
Repayable:						
– Less than one year					24,754	43,635
– Over one year					4,472,626	2,265,014
Total Dated Subordinated Term Debts					4,497,380	2,308,649
Total Subordinated Term Debts					6,147,105	2,508,460

- (a) Interest is payable semi-annually on February 10 and August 10 commencing February 10, 2000. The fixed rate funding has been converted to floating rate at three-month London Interbank Offered Rate ("LIBOR") + 1.0475% via interest rate swaps. In computing DBSH Group's capital adequacy ratio, these notes qualify as Tier II capital.
- (b) Interest is payable semi-annually on April 15 and October 15 commencing October 15, 2000. The fixed rate funding has been converted to floating rate at six-month LIBOR + 0.485%, fixing in arrears via interest rate swaps. In computing DBSH Group's capital adequacy ratio, these notes qualify as Tier II capital.
- (c) Interest is payable semi-annually on May 15 and November 15 commencing November 15, 2001. The fixed rate funding has been converted to floating rate at three-month LIBOR + 1.252% via interest rate swaps. In computing DBSH Group's capital adequacy ratio, these notes qualify as Tier II capital.

- (d) Interest was payable semi-annually at DTDB's six-month average minimum overdraft rate.
- (e) 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.
- (f) Interest is payable annually at a fixed rate of 4.25%.
- (g) Interest is payable annually at a fixed rate of 3.5%.
- (h) Interest is payable semi-annually on January 24 and July 24, commencing July 24, 1997. Subsequent to the issue, Dao Heng Bank Limited repurchased and cancelled part of the Fixed Rate Subordinated term debt. At December 31, 2001, the outstanding amount of the term debt is US\$261,620,000.

20. OTHER DEBT SECURITIES IN ISSUE

The following is a summary of the other debt securities in issue at December 31:

20.1 NEGOTIABLE CERTIFICATES OF DEPOSITS

In S\$'000	<i>Interest Rate and Face Value Repayment Terms</i>		<i>Issue Date Maturity Date</i>		DBSH Group	
					2001	2000
Issued by DBS Bank						
HK\$100m	10.255%, payable quarterly	Jan 5, 1998	Jan 5, 2001	–		22,216
HK\$100m	8.75%, payable quarterly	May 6, 1998	Feb 12, 2001	–		22,216
HK\$100m	7.565%, payable quarterly	Jun 25, 1999	Jun 25, 2001	–		22,216
HK\$100m	10.10%, payable quarterly	Jan 5, 1998	Jul 5, 2001	–		22,216
HK\$100m	7.38%, payable yearly	Jul 5, 2000	Jul 5, 2002	23,730		22,215
HK\$150m	5.18%, payable quarterly	Apr 10, 2001	Jun 16, 2003	35,594		–
HK\$60m	5.17%, payable quarterly	Apr 23, 2001	Dec 30, 2002	14,238		–
HK\$5m	3.00%, payable yearly	Nov 2, 2001	Nov 3, 2003	1,187		–
HK\$100m	3-mth interbank offer rate for HK\$ deposits + 0.30%, payable quarterly	Mar 19, 1999	Mar 19, 2002	23,729		22,216
HK\$100m	1-mth interbank offer rate for HK\$ deposits + 0.40%, payable monthly	Mar 22, 1999	Mar 22, 2002	23,729		22,216
HK\$100m	1-mth interbank offer rate for HK\$ deposits + 0.40%, payable monthly	Mar 26, 1999	Mar 26, 2002	23,729		22,216
HK\$50m	1-mth interbank offer rate for HK\$ deposits + 0.30%, payable monthly	Mar 26, 1999	Mar 26, 2002	11,865		11,108
HK\$150m	1-mth interbank offer rate for HK\$ deposits + 0.18%, payable monthly	Jun 5, 2000	Jun 5, 2002	35,594		33,323
HK\$100m	3-mth interbank offer rate for HK\$ deposits + 0.20%, payable monthly	Jul 12, 2000	Jul 12, 2002	23,729		22,215
HK\$100m	3-mth interbank offer rate for HK\$ deposits + 0.18%, payable monthly	Jun 15, 2000	Jun 16, 2003	23,729		22,215
Issued by DBS Kwong On Bank Limited						
HK\$900m	1-mth Hibor* + 0.10%, payable monthly	Jul 26, 2000	Jul 25, 2001	–		199,940
HK\$300m	1-mth Hibor* + 0.30%, payable monthly	Jul 26, 2000	Jul 28, 2003	71,188		66,647

In S\$'000					DBSH Group	
	Face Value	Interest Rate and Repayment Terms	Issue Date	Maturity Date	2001	2000
Issued by DBS China Square Ltd						
S\$100m	3-mth interbank offer rate for S\$ deposits + variable margin, payable quarterly	Nov 15, 1996	Nov 15, 2001	–	76,000	
S\$103m	3-mth interbank offer rate for S\$ deposits + variable margin, payable quarterly	Nov 30, 2001	Nov 30, 2006	103,000		–
Issued by Dao Heng Bank Limited						
HK\$200m	5.50%, payable yearly	Jan 23, 2001	Jan 23, 2002	47,459		–
HK\$43m	5.00%, payable quarterly	Feb 5, 2001	Feb 5, 2002	10,204		–
HK\$200m	7.47%, payable quarterly	Feb 22, 2000	Feb 22, 2002	47,459		–
HK\$75m	7.28%, payable quarterly	Mar 30, 2000	Mar 29, 2002	17,797		–
HK\$100m	7.55%, payable yearly	May 4, 2000	May 6, 2002	23,729		–
HK\$50m	5.01%, payable quarterly	Apr 27, 2001	Jul 26, 2002	11,865		–
HK\$200m	7.84%, payable quarterly	Jul 27, 1999	Jul 29, 2002	47,459		–
HK\$303m	8.05%, payable quarterly	Jul 27, 1999	Jul 29, 2002	71,900		–
HK\$50m	7.82%, payable quarterly	Sep 29, 1999	Sep 30, 2002	11,865		–
HK\$20m	4.38%, payable quarterly	May 28, 2001	Oct 28, 2002	4,746		–
HK\$5m	7.95%, payable quarterly	Nov 16, 2002	Nov 18, 2002	1,186		–
US\$3m	2.08%, payable quarterly	Nov 28, 2001	Nov 29, 2002	5,551		–
HK\$50m	5.10%, payable quarterly	Apr 20, 2001	Dec 20, 2002	11,865		–
HK\$50m	7.39%, payable quarterly	Jul 5, 2000	Jul 7, 2003	11,865		–
HK\$20m	4.75%, payable yearly	Jul 26, 2001	Jul 28, 2003	4,746		–
HK\$5m	4.49%, payable quarterly	Sep 10, 2001	Sep 10, 2004	1,186		–
HK\$5m	3.74%, payable quarterly	Sep 28, 2001	Sep 28, 2004	1,186		–
HK\$5m	3.30%, payable quarterly	Oct 12, 2001	Oct 12, 2004	1,186		–
HK\$200m	8.30%, payable quarterly	Sep 14, 1999	Sep 14, 2004	47,459		–
HK\$100m	8.65%, payable yearly	Nov 3, 1999	Nov 3, 2004	23,729		–
HK\$130m	8.40%, payable yearly	Nov 30, 1999	Nov 30, 2004	30,848		–
HK\$150m	7.85%, payable quarterly	Mar 7, 2000	Mar 7, 2005	35,594		–
HK\$50m	8.00%, payable quarterly	Mar 8, 2000	Mar 8, 2005	11,865		–
HK\$6.5m	4.45%, payable quarterly	Oct 10, 2001	Oct 10, 2006	1,542		–
HK\$100m	8.34%, payable quarterly	May 10, 2000	Nov 12, 2007	23,729		–
HK\$50m	3-mth Hibor* + 0.16%, payable quarterly	Jan 12, 2001	Jan 11, 2002	11,865		–
Issued by Dao Heng Bank Limited						
HK\$100m	3-mth Hibor* + 0.45%, payable quarterly	Jan 28, 2000	Jan 28, 2002	23,729		–
HK\$24m	3-mth Hibor* + 0.12%, payable quarterly	Feb 15, 2001	Feb 15, 2002	5,695		–
HK\$30m	3-mth Hibor* + 0.30%, payable quarterly	Mar 10, 2000	Mar 11, 2002	7,119		–
HK\$10m	1-mth Hibor* + 0.12%, payable monthly	Apr 27, 2001	Apr 29, 2002	2,373		–
HK\$220m	1-mth Hibor* + 0.80%, payable monthly	Oct 22, 1999	Oct 22, 2002	52,204		–
HK\$100m	3-mth Hibor* + 0.20%, payable quarterly	Oct 31, 2000	Oct 31, 2002	23,729		–
HK\$200m	3-mth Hibor* + 0.55%, payable quarterly	Jan 17, 2000	Jan 17, 2003	47,458		–
HK\$200m	3-mth Hibor* + 0.50%, payable quarterly	Jan 25, 2000	Jan 27, 2003	47,458		–
HK\$40m	3-mth Hibor* + 0.50%, payable quarterly	Feb 16, 2000	Feb 17, 2003	9,492		–
HK\$10m	3-mth Hibor* + 0.32%, payable quarterly	Mar 20, 2000	Mar 20, 2003	2,373		–
HK\$150m	3-mth Hibor* + 0.28%, payable quarterly	May 16, 2000	May 16, 2003	35,594		–

In S\$'000	<i>Interest Rate and Repayment Terms</i>	<i>Issue Date</i>	<i>Maturity Date</i>	DBSH Group	
				2001	2000
HK\$200m	3-mth Hibor* + 0.25%, payable quarterly	Aug 31, 2000	Aug 29, 2003	47,458	-
HK\$100m	3-mth Hibor* + 0.30%, payable quarterly	Sep 27, 2000	Sep 29, 2003	23,729	-
HK\$100m	3-mth Hibor* + 0.28%, payable quarterly	Apr 26, 2000	Apr 28, 2003	23,729	-
Total				1,287,066	609,175
Repayable:					
- Less than one year				620,142	364,804
- Over one year				666,924	244,371
Total Negotiable Certificates of Deposits				1,287,066	609,175

* Hibor: Hong Kong Interbank Offer Rate

20.2 OTHER DEBT SECURITIES

In S\$'000	Note	DBSH Group	
		2001	2000
Issued by DBS Bank			
S\$ Equity linked notes	(a)	31,230	18,890
Foreign currency equity linked notes	(b)	193,593	26,692
S\$ Credit linked notes	(c)	496,479	-
Foreign currency credit linked notes	(d)	158,251	-
Foreign currency interest rate linked notes	(e)	5,529	-
Foreign currency exchange linked notes	(f)	9,251	-
Issued by ALCO 1 Limited			
Collateralised notes	(g)	224,374	-
Issued by Tampines Assets Limited			
Senior secured bonds	(h)	108,000	-
Issued by Singa Secured Assets Limited			
Asset-backed short-term notes programme (Money Plus)	(i)	1,003,130	-
Issued by Dao Heng Bank Limited			
HK\$5m Commercial Paper, maturing Feb 10, 2003		1,121	-
Total		2,230,958	45,582
Repayable:			
- Less than one year		1,417,873	11,263
- Over one year		813,085	34,319
Total other debt securities		2,230,958	45,582
Total other debt securities in issue		3,518,024	654,757

- (a) The SGD notes, with an embedded equity option were issued between December 15, 2000 and December 28, 2001 and mature between January 7, 2002 to May 15, 2006. The payouts at maturity are linked to the closing value of certain underlying equities listed on various stock exchanges or the closing value of certain underlying stock exchange indices or the net asset value of certain underlying equity funds.

- (b) The US\$/Euro/A\$ notes, with an embedded equity option, were issued between December 15, 2000 and December 27, 2001 and mature between January 11, 2002 and May 15, 2006. 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 stock exchange indices or the net asset value of certain underlying equity funds.
- (c) The SGD notes, with an embedded credit default swap, were issued between February 9, 2001 and November 30, 2001 and mature between March 16, 2002 and September 6, 2011. 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.
- (d) The US\$/Euro/HK\$ notes, with an embedded credit default swap, were issued between February 9, 2001 and November 30, 2001 and mature between March 16, 2002 and September 6, 2011. 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.
- (e) The USD notes, with an embedded interest rate derivative, were issued on December 10, 2001 and mature on December 10, 2004. The payouts at maturity are linked to the market interest rate of certain indices.
- (f) The USD notes, with an embedded foreign exchange rate derivative, were issued between November 16, 2001 and December 28, 2001 and mature between February 19, 2002 and March 27, 2002. The payouts at maturity are linked to the market foreign exchange rate of the underlying foreign currencies.
- (g) ALCO1 Limited (a special purpose vehicle) issued S\$224,374,000 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 risk weighted assets through credit derivatives and synthetic securitization. These Notes comprise:
- (i) US\$29,550,000 Class A1 Notes with interest determined at the three-month US dollar London interbank offer rate plus a mark-up of 0.50%;
 - (ii) S\$30,000,000 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\$12,150,000 Class B1 Notes with interest determined at the three-month US dollar London interbank offer rate plus a mark-up of 0.85%;
 - (iv) S\$20,000,000 Class B2 Notes with interest determined at the three-month Singapore dollar interbank swap offer rate plus a mark-up of 0.80%;
 - (v) S\$56,000,000 Class C Notes at a fixed rate of 5.20%; and
 - (vi) S\$42,000,000 Class D Notes at a fixed rate of 6.70%.
- (h) In connection with a securitized disposition of Tampines Center, S\$180 million seven-year, fixed rate bonds were issued on December 7, 1999 together with 18,000 preference shares, and mature in 2006. The bonds were issued in 2 classes – (a) S\$108 million Senior Bonds; and (b) S\$72 million Junior Bonds. The Junior Bonds are held by DBS Bank and are eliminated at Group level. Interest is payable semi-annually on June 7 and December 7, at a fixed rate of 5.625% for the Senior Bonds and 6% for the Junior Bonds.

- (i) These are short-dated notes issued with a maturity of less than six months as follows:
- 2.6% S\$50 million Series 13-01 issued on July 17, 2001 and maturing January 17, 2002;
 - 2.5% S\$25.76 million Series 15-01 issued on July 27, 2001 and maturing January 28, 2002;
 - 2.6% S\$60.93 million Series 05-03 issued on August 20, 2001 and maturing February 20, 2002;
 - 2.45% S\$16.8 million Series 18-01 issued on September 26, 2001 and maturing March 26, 2002;
 - 2.18% S\$28.5 million Series 19-01 issued on October 4, 2001 and maturing January 4, 2002;
 - 2.25% S\$126.1 million Series 02-06 issued on October 5, 2001 and maturing January 7, 2002;
 - 2.25% S\$19.78 million Series 09-05 issued on October 5, 2001 and maturing January 7, 2002;
 - 1.6% S\$19.47 million Series 20-01 issued on October 18, 2001 and maturing January 18, 2002;
 - 2% S\$85.3 million Series 21-01 issued on October 25, 2001 and maturing January 25, 2002;
 - 2% S\$50 million Series 22-01 issued on October 30, 2001 and maturing January 30, 2002;
 - 2% S\$76.6 million Series 4-06 issued on November 2, 2001 and maturing February 4, 2002;
 - 1.5% S\$40.7 million Series 7-08 issued on November 5, 2001 and maturing January 7, 2002;
 - 1.5% S\$13.75 million Series 16-02 issued on November 12, 2001 and maturing February 14, 2002;
 - 1.2% S\$55.64 million Series 06-06 issued on November 23, 2001 and maturing February 25, 2002;
 - 1.1% S\$41.25 million Series 08-08 issued on November 26, 2001 and maturing January 28, 2002;
 - 1.46% S\$184.9 million Series 01-07 issued on December 7, 2001 and maturing March 7, 2002;
 - 1.225% S\$10.6 million Series 03-17 issued on December 10, 2001 and maturing January 10, 2002;
 - 1.25% S\$34.65 million Series 12-07 issued on December 19, 2001 and maturing January 21, 2002;
 - 1.57% S\$31.5 million Series 14-02 issued on December 20, 2001 and maturing May 20, 2002;
 - 1.5% S\$15.5 million Series 17-02 issued on December 21, 2001 and maturing March 21, 2002;
 - 1.5% S\$15.4 million Series 11-04 issued on December 24, 2001 and maturing March 25, 2002

21. DEPOSITS AND OTHER ACCOUNTS OF NON-BANK CUSTOMERS

In S\$'000	DBSH Group	
	2001	2000
Analysed by Currency		
Singapore dollar	55,136,598	55,532,800
US dollar	21,811,153	14,572,609
Hong Kong dollar	20,975,647	4,414,063
Thai Baht	3,242,353	2,864,286
Others	5,605,552	3,336,712
Total	106,771,303	80,720,470
Analysed by Product		
Savings accounts (include S\$ autosave)	43,749,962	38,057,027
Current accounts	9,577,440	8,098,287
Fixed deposits	52,337,709	34,005,229
Other deposits	1,106,192	559,927
Total	106,771,303	80,720,470

22. OTHER LIABILITIES

In S\$'000	DBSH Group	
	2001	2000
Payable in respect of short sale of debt securities	3,682,349	101,616
Balances arising from revaluation of financial instruments (Note 39)	2,823,598	979,182
Sundry creditors	889,871	395,558
Interest payable	716,679	883,472
Accrued operating expenses	357,500	314,546
Clients' monies payable in respect of securities business	261,632	85,337
Liabilities arising from collateral received	181,282	59,244
Interest and other income received in advance	158,302	107,672
Clients' monies payable in respect of factoring business	86,451	107,269
Other provisions (Note 23)	68,868	–
Other foreign exchange revaluation	50,402	–
Other liabilities arising in respect of insurance business	–	89,808
Total	9,276,934	3,123,704

Included in "Payable in respect of short sale of debt securities" is a liability totalling HK\$15.3 billion (\$\$3.6 billion) in respect of certain Hong Kong treasury bills that are subject to sale and repurchase agreement entered into by a subsidiary company.

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

23. OTHER PROVISIONS

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

In S\$'000	DBSH Group
	2001
Balance at January 1	–
Restructuring provisions arising on acquisitions	52,393
Charged to profit and loss account (Note 10)	40,445
Utilised during the year	(23,970)
Balance at December 31	68,868

24. DEFERRED TAXATION

Deferred taxation is computed based on the liability method. Provision for deferred tax is made for material timing differences in the recognition of certain income and expenses for accounting and for taxation purposes to the extent that it is probable that the liability will materialise. The movement in deferred tax, which substantially relates to timing differences between tax and accounting depreciation of fixed assets, is as follows:

In S\$'000	DBSH Group	
	2001	2000
Balance at January 1	18,420	14,763
Provision during the year (Note 12)	18,973	3,657
Balance at December 31	37,393	18,420

25. LIFE FUND NET ASSETS

During the year, DBSH disposed its 100% stake in The Insurance Corporation of Singapore Limited (Note 33.6.3). DBSH Group has no share in the life fund net assets following the disposal. The net assets in the Life Fund at December 31, 2000 are as follows:

In S\$'000	DBSH Group 2000	
Fixed assets		43,196
Investments		877,455
Policy loans		57,565
Other current assets		360,148
Total assets		1,338,364
Less: Deferred taxation		5,252
Other current liabilities		44,257
		<u>1,288,855</u>

26. SINGAPORE GOVERNMENT SECURITIES AND TREASURY BILLS

In S\$'000	DBSH Group	
	2001	2000
Cost, adjusted for unamortised premium and discount	9,196,598	8,654,588
Less: Provision for diminution in value (Note 30)	10,869	4
Net book value	<u>9,185,729</u>	8,654,584
Market value	<u>9,197,167</u>	8,701,136
Included in the above Singapore Government securities and treasury bills are as follows:		
Securities sold under repurchase agreements	<u>63,044</u>	36,368

27. TRADING SECURITIES

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

In S\$'000	DBSH Group	
	2001	2000
Quoted		
Non-Singapore Government securities and treasury bills	6,029,898	1,825,907
Corporate debt securities	3,994,324	1,947,100
Equity shares	891,131	1,143,742
Total	10,915,353	4,916,749
Less: Provision for diminution in value (Note 30)	137,465	67,328
Net book value	<u>10,777,888</u>	4,849,421
Market value	<u>10,820,583</u>	4,998,853
Industry Breakdown		
Manufacturing	299,248	445,975
Building and Construction	522,333	478,413
General Commerce	64,914	117,972
Transportation, Storage and Communications	470,160	93,530
Financial Institutions, Investment and Holding Companies	2,947,115	1,556,247
Others	6,474,118	2,157,284
Total net book value	<u>10,777,888</u>	4,849,421
Included in the above Non-Singapore Government securities and treasury bills are as follows:		
Securities sold under repurchase agreements	<u>4,215,521</u>	565,837

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

In S\$'000	DBSH Group	
	2001	2000
Gross	70,648,938	54,166,424
Less:		
Specific provisions (Note 29)	1,421,905	1,140,841
General provisions (Note 29)	1,019,029	1,001,813
Net total	68,208,004	52,023,770
Including:		
Bills receivable	1,529,740	992,391
Loans	66,678,264	51,031,379
Net total	68,208,004	52,023,770
Industry Breakdown		
Manufacturing	6,383,011	5,797,205
Building and Construction	10,226,838	8,726,059
Housing Loans	24,406,683	16,304,465
General Commerce	5,252,762	3,701,000
Transportation, Storage and Communications	6,102,917	3,486,777
Financial Institutions, Investment and Holding Companies	4,096,536	4,143,338
Professionals and Private Individuals (except Housing Loans)	8,373,417	6,317,007
Others	5,806,774	5,690,573
Gross total	70,648,938	54,166,424
Analysed by Currency and Fixed/ Variable Rates		
<i>Fixed rate</i>		
Singapore dollar	12,369,182	11,330,517
Hong Kong dollar	778,169	155,391
US dollar	1,275	9,505
Thai Baht	940,941	775,109
Others	2,053	86,209
Sub-total	14,091,620	12,356,731
<i>Variable rate</i>		
Singapore dollar	21,539,218	24,745,574
Hong Kong dollar	22,741,459	5,283,933
US dollar	8,334,755	8,248,547
Thai Baht	2,092,035	1,813,599
Others	1,849,851	1,718,040
Sub-total	56,557,318	41,809,693
Total (Gross)	70,648,938	54,166,424

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

Included in loans and advances of DBSH Group is a loan of S\$45.0 million (2000: S\$337.0 million) extended to a company which is wholly-owned by a substantial shareholder of DBSH.

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

In S\$'000	DBSH Group			Interest-in-suspense
	Specific	General	Total	
2001				
Balance at January 1	1,140,841	1,001,813	2,142,654	48,961
On acquisition of subsidiary companies	335,033	195,332	530,365	-
Utilisation/transfers during the year	(282,557)	(113,921)	(396,478)	(14,977)
Charge/(write-back) to profit and loss account (Note 11)	233,969	(64,195)	169,774	-
Interest (written off)/suspended during the year	(5,381)	-	(5,381)	34,415
Balance at December 31	1,421,905	1,019,029	2,440,934	68,399
2000				
Balance at January 1	2,923,661	1,144,528	4,068,189	86,036
Utilisation/transfers during the year	(1,806,006)	(80,223)	(1,886,229)	(71,824)
Charge/(write-back) to profit and loss account (Note 11)	19,936	(62,492)	(42,556)	-
Interest suspended during the year	3,250	-	3,250	34,749
Balance at December 31	1,140,841	1,001,813	2,142,654	48,961

Included in the provision is an amount of S\$145.0 million (2000: S\$136.0 million) set aside for possible valuation losses from foreclosed properties taken in satisfaction of certain loan arrangements of DTDB (Note 32).

30. PROVISION FOR DIMINUTION IN VALUE OF OTHER ASSETS AND BANKING RISKS

In S\$'000	DBSH Group				Interest-in-suspense
	Debt and equity securities		Other assets and banking risks @	Total	
	Specific	General	Specific & General		
2001					
Balance at January 1	126,284	1,294	214,057	341,635	2,526
On acquisition of subsidiary companies	36,235	-	53,450	89,685	-
Utilisation/transfers during the year	(24,210)	-	(22,264)	(46,474)	-
Charge/(writeback) to profit and loss account (Note 11)	104,628	(531)	104,984	209,081	-
Interest suspended during the year	-	-	-	-	555
Balance at December 31	242,937	763	350,227	593,927	3,081

Specific and general provisions are in respect of the following:

Singapore Government securities and treasury bills (Note 26)	10,869	-	-	10,869	
Trading securities (Note 27)	136,702	763	-	137,465	
Investment securities (Note 31)	95,366	-	-	95,366	
Fixed assets (Note 35)	-	-	212,596	212,596	
Other banking risks	-	-	125,122	125,122	
Other assets	-	-	12,509	12,509	
	242,937	763	350,227	593,927	

In S\$'000	Debt and equity securities		DBSH Group Other assets and banking risks @		Interest-in-suspense
	Specific	General	Specific & General	Total	
2000					
Balance at January 1	107,862	592	147,342	255,796	3,087
On acquisition of subsidiary companies	19,112	–	105	19,217	–
Utilisation/transfers during the year	(32,825)	–	3,247	(29,578)	(1,516)
Charge to profit and loss account (Note 11)	32,135	702	63,363	96,200	–
Interest suspended during the year	–	–	–	–	955
Balance at December 31	126,284	1,294	214,057	341,635	2,526
Specific and general provisions are in respect of the following:					
Singapore Government securities and treasury bills (Note 26)	4	–	–	4	
Trading securities (Note 27)	66,034	1,294	–	67,328	
Investment securities (Note 31)	60,246	–	–	60,246	
Fixed assets (Note 35)	–	–	105,235	105,235	
Other banking risks [@]	–	–	72,196	72,196	
Other assets [@]	–	–	36,626	36,626	
	126,284	1,294	214,057	341,635	

@ Provision for other assets and banking risks include specific provisions made against certain fixed assets, inter-bank loans or contingent items that have been identified to be impaired.

31. INVESTMENT SECURITIES

In S\$'000	DBSH Group	
	2001	2000
Quoted equity shares	7,550	32,881
Unquoted equity shares	1,156,415	316,673
Debt securities	3,331,009	51,983
	4,494,974	401,537
Less: Provision for diminution in value (Note 30)	95,366	60,246
Total net book value	4,399,608	341,291
Market value of quoted equity shares and debt securities	59,598	66,901
Industry Breakdown		
Building and Construction	108,327	84,715
Financial Institutions, Investment and Holding Companies	3,359,893	124,475
General Commerce	1,544	–
Manufacturing	29,373	26,689
Transportation, Storage and Communications	199,264	3,285
Others	701,207	102,127
Total net book value	4,399,608	341,291

32. OTHER ASSETS

In S\$'000	DBSH Group	
	2001	2000
Accrued interest receivable ^a	1,071,147	1,296,147
Accrued income	39,461	81,980
Balances arising from revaluation of financial instruments (Note 39)	2,866,798	935,621
Less: Valuation adjustment	<u>101,887</u>	<u>20,000</u>
Deposits and prepayments	436,286	215,980
Foreclosed properties	325,258	302,209
Sundry debtors	720,161	259,882
Clients' monies receivable from securities business	285,818	105,249
Foreign exchange translation loss	22,564	100,779
Total	<u>5,665,606</u>	<u>3,277,847</u>

a Accrued interest receivable is net of interest-in-suspense (Notes 29 and 30).

Included in deposits and prepayments at December 31, 2001, is an amount of S\$148.4 million (2000: S\$149.0 million) relating to an advance placed in a trust account set up with a trust company to facilitate the purchase of shares from the open market in connection with the DBSH Performance Share Plan and the DBSH Employee Share Plan (Note 14).

A provision of S\$145.0 million (2000: S\$136.0 million) set aside in respect of foreclosed properties in DTDB is described in Note 29.

Valuation adjustment includes bid-offer spread adjustment made to mark all long positions to bid prices and short positions to offer prices as well as liquidity reserve to reflect possible price adjustment to the market value to liquidate certain material positions held by the Group (Note 2.7.3).

33. SUBSIDIARY COMPANIES

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

In S\$'000	DBSH	
	2001	2000
Unquoted equity shares, at cost	5,214,311	1,546,984
Amounts due from subsidiary companies	<u>374,620</u>	<u>2,150,169</u>
Total	<u>5,588,931</u>	<u>3,697,153</u>

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

Subsidiary Companies	Country of Incorporation/ Business	Principal Activities	Interest Held By DBSH				Cost of Investment Held by DBSH	
			Directly		Indirectly		2001	2000
			2001	2000	2001	2000	\$'000	\$'000
			%	%	%	%		
Unquoted								
The Development Bank of Singapore Ltd	Singapore	Commercial banking and financial services	100	100	-	-	5,209,144	1,324,133
The Insurance Corporation of Singapore Limited (Note 33.6.3)	Singapore	General and life insurance businesses	-	100	-	-	-	222,851
ICS Reinsurance Pte Ltd ("ICS Re") ^(b)	Singapore	Dormant	41.3	-	10.2	51.5	-(a)	-(a)
Reinsurance Management Corporation of Asia (Pte) Ltd	Singapore	Management of reinsurance companies	20	-	60	80	100	-
RMCA Holdings Pte Ltd	Singapore	Investment holding and management of reinsurance companies	100	-	-	100	5,067	-
The Insurance Corporation of Singapore (UK) Limited ("ICS UK") ^(b)	United Kingdom	In provisional liquidation	98	-	-	98	-(a)	-(a)
Total							5,214,311	1,546,984

(a) Amount under S\$500.

(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.

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

Subsidiary Companies	Country of Incorporation/ Business	Principal Activities	Interest Held By				Cost of Investment Held by	
			DBS Bank		Other DBSH'S Subsidiaries		DBSH's Subsidiaries	
			2001	2000	2001	2000	2001	2000
			%	%	%	%	\$'000	\$'000
<i>Held by DBS Bank and other subsidiaries</i>								
Quoted								
DBS Thai Danu Bank Public Company Limited ^(b) (Market value: 2001: S\$277,669,968; 2000: S\$418,797,439)	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	-	-	-(a)	-(a)
DBS Asia Capital Limited ^(b)	Hong Kong	Corporate finance and advisory services	100	100	-	-	23,728	22,214
DBS Asset Management Ltd	Singapore	Investment management services and unit trusts	100	100	-	-	4,000	4,000
DBS Asset Management (United States) Pte Ltd	Singapore	Investment management services	-	-	100	100	250	250
DBS Asset Management (Hong Kong) Ltd ^(b)	Hong Kong	Investment management services	-	-	100	100	2,832	2,322
DBS Asset Management (Cayman) Limited ^(b)	Cayman Island	Investment management services	-	-	100	-	-(a)	-
DBS Bank Philippines, Inc. ^(b) (Note 33.6.7)	Philippines	Commercial banking and financial services	-	71.7	-	-	-	33,821
DBS Card Centre Pte Ltd	Singapore	Dormant	100	100	-	-	8,000	8,000

Subsidiary Companies	Country of Incorporation/ Business	Principal Activities	Interest Held By				Cost of Investment Held by	
			DBS Bank		Other DBSH'S Subsidiaries		DBSH's Subsidiaries	
			2001	2000	2001	2000	2001	2000
<i>Held by DBS Bank and other subsidiaries</i>			%	%	%	%	S\$'000	S\$'000
DBS Capital Funding Corporation	Cayman Island	Special purpose vehicle for capital raising	100	-	-	-	_(e)	-
DBS Capital Investments Ltd	Singapore	Venture capital investments	100	100	-	-	17,942 ^(d)	17,942 ^(d)
DBS China Square Ltd	Singapore	Property investment holding	70	70	-	-	160,000 ^(e)	119,000 ^(e)
DBS Computer Services Pte Ltd	Singapore	Computer services and IT consultancy	100	100	-	-	_(e)	_(e)
DBS Diamond Holdings Ltd	Bermuda	Investment holding	71.6	-	-	-	7,287,414	-
Dao Heng Bank Group Limited ^(b)	Bermuda/ Hong Kong	Investment holding	-	-	100	-	10,059,377	-
Dao Heng Bank Trustee (BVI) Limited ^(b)	British Virgin Islands	Trustee services	-	-	100	-	463	-
Dao Heng Capital (BVI) Limited ^(b)	British Virgin Islands	Dormant	-	-	100	-	_(e)	-
Dransfield Resources Limited ^(b)	British Virgin Islands/United Kingdom	Property investment	-	-	100	-	_(e)	-
Dao Heng Assurance Limited ^(b)	Hong Kong	Insurance	-	-	100	-	35,594	-
Dao Heng Bank Limited ^(b)	Hong Kong	Commercial banking and financial securities	-	-	100	-	1,372,778	-
Dao Heng Bank Trustee Limited ^(b)	Hong Kong	Trustee services	-	-	100	-	712	-
Dao Heng Bullion Limited ^(b)	Hong Kong	Bullion broking	-	-	100	-	96	-
Dao Heng Corporate Services Limited ^(b)	Hong Kong	Investment holding and corporate services	-	-	100	-	119	-
Dao Heng Finance Limited ^(b)	Hong Kong	Finance company	-	-	100	-	8,062	-
DHB Limited ^(b)	Hong Kong	Investment holding	-	-	100	-	19,193	-
EFI Nominees Limited ^(b)	Hong Kong	Nominee services	-	-	100	-	_(e)	-
Hang Lung Bank (Nominee) Limited ^(b)	Hong Kong	Nominee services	-	-	100	-	2	-
Hang Lung Godown Company Limited ^(b)	Hong Kong	Property holding	-	-	100	-	831	-
Kenson Asia Ltd ^(b)	Hong Kong	Dormant	-	-	100	-	_(e)	-
Kingly Management Ltd ^(b)	Hong Kong	Dormant	-	-	100	-	_(e)	-
OTB Card Company Limited ^(b)	Hong Kong	Property investment	-	-	100	-	17,892	-
OTB International Factors Limited ^(b)	Hong Kong	Dormant	-	-	100	-	1,824	-
O.T.B. Investment Limited ^(b)	Hong Kong	Investment holding	-	-	100	-	12	-
OTB Property Management Limited ^(b)	Hong Kong	Property management	-	-	100	-	2	-
OTB Services Limited ^(b)	Hong Kong	Provision of consultancy services	-	-	100	-	712	-
Overseas Trust Bank Limited ^(b)	Hong Kong	Commercial banking and financial services	-	-	100	-	919,973	-
Overseas Trust Bank Nominees Limited ^(b)	Hong Kong	Nominee services	-	-	100	-	12	-
Ting Hong Nominees Limited ^(b)	Hong Kong	Nominee services	-	-	100	-	2	-

Subsidiary Companies	Country of Incorporation/ Business	Principal Activities	Interest Held By				Cost of Investment Held by	
			DBS Bank 2001	DBS Bank 2000	Other DBSH'S Subsidiaries 2001	Other DBSH'S Subsidiaries 2000	DBSH's Subsidiaries 2001	DBSH's Subsidiaries 2000
<i>Held by DBS Bank and other subsidiaries</i>			%	%	%	%	S\$'000	S\$'000
Worldson Services Ltd ^(b)	Hong Kong	Dormant	-	-	100	-	-(c)	-
Dao Heng Trustee (Jersey) Limited ^(b)	Jersey	Corporate services	-	-	100	-	268	-
Benchmark Farm Finance (Four) Limited ^(b)	United Kingdom	Dormant	-	-	100	-	-(a)	-
Dao Heng London plc (formerly known as Dao Heng Bank (London) Plc) ^(b)	United Kingdom	Dormant	-	-	100	-	-(a)	-
Dao Heng Nominees Limited ^(b)	United Kingdom	Dormant	-	-	100	-	-(a)	-
DBS Factors Pte Ltd	Singapore	Dormant	100	100	-	-	5,000	5,000
DBSF Ltd (formerly known as DBS Finance Ltd)	Singapore	Dormant	100	100	-	-	7,000	142,000
DBSF Investments Pte Ltd	Singapore	Property holding	-	-	100	100	16,805	16,805
DBS Finance Nominees Pte Ltd	Singapore	Trust, nominee and agency services	100	-	-	100	-(c)	-(c)
DBS Forex Centre Philippines, Inc. ^(b) (under voluntary liquidation)	Philippines	Dormant	100	100	-	-	298	289
DBS Group Holdings (Hong Kong) Ltd	Bermuda	Investment holding	87.3	87.3	-	-	797,293	746,873
DBS Kwong On Bank Limited ^(b)	Hong Kong	Commercial banking and financial services	-	-	100	100	896,936	839,721
DBS Kwong On Bank (Nominees) Limited ^(b)	Hong Kong	Trust, nominee and agency services	-	-	100	100	-(c)	-(c)
DBS Kwong On Finance Limited ^(b)	Hong Kong	Deposit-taking finance company	-	-	100	100	5,932	5,554
DBS Kwong On Futures Limited ^(b)	Hong Kong	Dormant	-	-	100	100	593	555
DBS Kwong On Insurance Company Limited ^(b)	Hong Kong	Insurance company	-	-	100	100	2,373	2,222
DBS Kwong On Property Agency Company Limited ^(b) (In voluntary liquidation)	Hong Kong	Agency services for buying, selling and letting of properties	-	-	100	100	-	22
DBS Kwong On Securities Limited ^(b)	Hong Kong	Dormant	-	-	100	100	3,559	3,332
DBS Nominees Pte Ltd	Singapore	Nominee services	100	100	-	-	364	364
DBS Pte Ltd (In voluntary liquidation)	Singapore	Investment holding	100	100	-	-	25,201	25,201
DBS Trustee Ltd	Singapore	Trustee services	20	20	80	80	150	150
DBS Vickers Securities Holdings Pte Ltd (formerly known as Vickers Ballas Holding Limited) ^(b)	Singapore	Investment holding	59.5	-	-	-	418,088	-
Ballas Nominees (Private) Limited	Singapore	Nominees, attorneys, agents and trustees	-	-	100	-	-(c)	-
DBS Securities Holding Pte Ltd	Singapore	Investment holding	-	100	100	-	285,068	121,500
DBS Securities Malaysia Pte Ltd	Singapore	Investment holding	-	-	100	100	16,500	16,500

Subsidiary Companies	Country of Incorporation/ Business	Principal Activities	Interest Held By				Cost of Investment Held by	
			DBS Bank		Other DBSH'S Subsidiaries		DBSH's Subsidiaries	
			2001	2000	2001	2000	2001	2000
<i>Held by DBS Bank and other subsidiaries</i>			%	%	%	%	S\$'000	S\$'000
DBS Trading Pte Ltd	Singapore	Margin trading in foreign exchange, gold and futures	-	100	100	-	17,725	10,000
DBS Thai Danu Securities Ltd ^(b) (Note 33.6.6)	Thailand	Stockbroking and corporate finance services	-	-	-	100	-	31,710
DBS Vickers Research Singapore Pte Ltd (formerly known as DBS Investment Research Pte Ltd)	Singapore	Market research consultancy	-	-	100	100	-(^(c))	-(^(c))
DBS Vickers Securities Nominees Singapore Pte Ltd (formerly known as DBS Securities Nominees Pte Ltd)	Singapore	Nominee services	-	-	100	100	-(^(c))	-(^(c))
DBS Vickers Securities (Singapore) Pte Ltd (formerly known as DBS Securities Singapore Pte Ltd)	Singapore	Securities broker	-	-	100	100	25,000	25,000
First Independent Insurance Brokerage Pte Ltd	Singapore	Life insurance broking (presently inactive)	-	-	100	-	83	-
J Ballas Trading Pte Ltd	Singapore	Dormant	-	-	100	-	-(^(c))	-
Vickers Ballas & Co. Pte Ltd	Singapore	Underwriting, buying, selling and dealing as brokers and traders in shares and stocks	-	-	100	-	142,385	-
Vickers Ballas Asset Management Pte Ltd	Singapore	Marketing, distributing and managing investment funds	-	-	100	-	1,000	-
Vickers Ballas Futures Pte Ltd	Singapore	Futures broker	-	-	100	-	7,000	-
Vickers Ballas Investment Research Pte Ltd	Singapore	Investment advisory services	-	-	100	-	200	-
Vickers Ballas Nominees Pte Ltd (formerly known as Lum Chang Nominees Ltd) ^(b)	Singapore	Nominee services	-	-	100	-	-(^(c))	-
Vernant Assets Limited	Singapore	Dormant	-	-	100	-	-(^(c))	-
DBS Vickers Research (Malaysia) Sdn Bhd (formerly known as Vickers Ballas Research (M) Sdn Bhd) ^(b)	Malaysia	Investment advisory services	-	-	100	-	1,482	-
DBS-Capital Trust Securities India Pvt Ltd ^(b)	India	Securities broker	-	-	75	75	6,979	6,979
Vickers Ballas Hong Kong Holdings Ltd ^(b)	Bermuda/ Hong Kong	Dormant	-	-	100	-	21	-
Oriental Hearts International Limited ^(b)	British Virgin Islands/ Hong Kong	Investment holding	-	-	100	-	-(^(c))	-
Pan Shine Investment Limited ^(b)	British Virgin Islands/ Hong Kong	Investment holding	-	-	100	-	-(^(c))	-
DBS Futures Hong Kong Ltd ^(b)	Hong Kong	Dormant	-	-	100	100	2,373	2,222

Subsidiary Companies	Country of Incorporation/ Business	Principal Activities	Interest Held By				Cost of Investment Held by	
			DBS Bank		Other DBSH'S Subsidiaries		DBSH's Subsidiaries	
			2001	2000	2001	2000	2001	2000
<i>Held by DBS Bank and other subsidiaries</i>			%	%	%	%	S\$'000	S\$'000
DBS Securities Nominees (HK) Ltd ^(b)	Hong Kong	Nominee services	-	-	100	100	119	111
DBS Vickers Futures (Hong Kong) Limited (formerly known as Vickers Ballas Hong Kong Futures Limited) ^(b)	Hong Kong	Futures broker	-	-	100	-	8,247	-
DBS Vickers (Hong Kong) Limited (formerly known as Vickers Ballas Hong Kong Limited) ^(b)	Hong Kong	Dealing as broker in stocks & shares	-	-	100	-	71,735	-
DBS Vickers Securities (Hong Kong) Ltd (formerly known as DBS Securities Hong Kong Ltd) ^(b)	Hong Kong	Stockbroking	-	-	100	100	41,782	41,782
DBS Vickers Securities Nominees (Hong Kong) Limited (formerly known as Vihong Nominees Ltd) ^(b)	Hong Kong	Nominees services	-	-	100	-	-(^c)	-
J. Ballas (Hong Kong) Company Limited ^(b)	Hong Kong	Investment holding	-	-	100	-	1,358	-
Vickers Ballas (B.V.I) Holdings Limited ^(b)	British Virgin Islands/ Hong Kong	Dormant	-	-	100	-	-(^c)	-
Vickers Ballas Capital Limited ^(b)	Hong Kong	Corporate finance and advisory services	-	-	100	-	-(^c)	-
Vickers Ballas Consultancy Services Limited ^(b)	Hong Kong	Advisory and consultancy services	-	-	100	-	-(^c)	-
Vickers Ballas Hong Kong Securities Ltd ^(b)	Hong Kong	Dormant	-	-	100	-	2,532	-
Vickers Ballas Investment Management Limited ^(b)	Hong Kong	Direct investment and investment advisory services	-	-	100	-	2,373	-
Vidasia Nominees Limited (under liquidation) ^(b)	Hong Kong	Nominee services	-	-	100	-	-(^c)	-
DBS Securities Philippines, Inc ^(b) (under liquidation)	Philippines	Securities broker and dealing in securities	-	-	100	100	11,090	11,090
DBS Vickers Securities (Phils.), Inc. (formerly known as Vickers Ballas Securities (Phils.), Inc.) ^(b)	Philippines	Securities broker	-	-	100	-	10,098	-
DBS Vickers Securities (Thailand) Co., Ltd (formerly known as Vickers Ballas Securities (Thailand) Co., Ltd) ^(b)	Thailand	Securities broker	-	-	100	-	82,096	-
DBS Vickers Securities (UK) Ltd (formerly known as DBS Securities UK Ltd) ^(b)	United Kingdom	Securities broker	-	-	100	100	175	175
DBS Vickers Securities (USA), Inc (formerly known as Vickers Ballas (USA) Inc) ^(b)	United States	Securities broker	-	-	100	-	3,221	-
Vickers Ballas (UK) PLC ^(b)	United Kingdom	Stockbroking and advisory services	-	-	100	-	1,116	-

Subsidiary Companies	Country of Incorporation/ Business	Principal Activities	Interest Held By				Cost of Investment Held by	
			DBS Bank 2001	2000	Other DBSH'S Subsidiaries 2001	2000	DBSH's Subsidiaries 2001	2000
<i>Held by DBS Bank and other subsidiaries</i>			%	%	%	%	S\$'000	S\$'000
PT DBS Securities Indonesia ^(b)	Indonesia	Securities broker	-	-	75	75	13,791	13,791
PT DBS Vickers Securities (Indonesia) (formerly known as PT Vickers Ballas Indonesia) ^(b)	Indonesia	Underwriting, brokerage of, and dealing in securities, corporate finance activities, investment co-ordination, investments consultant and related activities	-	-	75	-	6,141	-
Inter-Roof Manufacturing Co., Ltd	Thailand	Roof tile manufacturer	-	-	-	76	-	_(e)
NDC Capital Holdings Pte Ltd	Singapore	Dormant	100	100	-	-	56,459	56,459
NDC Merchant Bank Nominees Pte Ltd	Singapore	Dormant	-	-	100	100	_(e)	_(e)
POSB Computer Services Pte Ltd	Singapore	Computer services and IT consultancy	100	100	-	-	9,470	9,470
PT Bank DBS Indonesia ^(b)	Indonesia	Commercial banking and financial services	99	99	-	-	38,381	31,518
Singapore Factory Development Ltd	Singapore	Group financing	100	100	-	-	5,525	5,525
Singapore Bankers Club Pte Ltd	Singapore	Dormant	100	100	-	-	_(e)	_(e)
Thai Danu-DBS Co Ltd ^(b)	Thailand	Under liquidation	49	49	51	51	1,257	1,200

(a) Written down to zero value.

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

(c) Amount under S\$500/-.

(d) Included cost of investment in preference shares held amounting to S\$17,932,000.

(e) Included cost of investment in preference shares held amounting to S\$73,500,000.

33.4 CONSOLIDATION OF SPECIAL PURPOSE ENTITIES

At December 31, 2001, DBSH Group consolidated certain entities in substance although these entities are not legally owned by DBSH Group.

The rationale for consolidation of the following special purpose entities under Interpretation of Statement of Accounting Standard (INT) 5: Consolidation – Special Purpose Entities (“SPEs”) together with the share of total assets at December 31, 2001 are set out as follows:

Name of entity	Country of Entity	Reason for consolidation	Share of total assets
			S\$'000
ALCO 1 Limited	Singapore	In substance, DBS Bank could be judged to retain the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.	224,374
Singa Secured Assets Limited	Singapore	In substance, DBS Bank could be judged to retain the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.	1,041,721
Tampines Assets Limited	Singapore	In substance, DBS Bank could be judged to retain the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.	160,000
The Preferred Shares – Subordinated Debentures of DBS Thai Danu Plc. Fund	Thailand	In substance, the activities of the SPE are being conducted on behalf of DBS Thai Danu Bank according to its specific business needs which is to issue the Capital Augmented Preferred Shares for DBS Thai Danu Bank in 1999.	Not significant

Name of entity	Country of Entity	Reason for consolidation	Share of total assets
			S\$'000
The Thirteenth Dragon Partnership	Hong Kong	In substance, the activities of these tax partnerships are being conducted on behalf of Dao Heng Bank according to its specific business needs.	61,142
The Fourteenth Dragon Partnership	Hong Kong	In substance, the activities of these tax partnerships are being conducted on behalf of Dao Heng Bank according to its specific business needs.	67,372
The Fifteenth Dragon Partnership	Hong Kong	In substance, the activities of these tax partnerships are being conducted on behalf of Dao Heng Bank according to its specific business needs.	63,385
The Sixteenth Dragon Partnership	Hong Kong	In substance, the activities of these tax partnerships are being conducted on behalf of Dao Heng Bank according to its specific business needs.	14,219
The Seventeenth Dragon Partnership	Hong Kong	In substance, the activities of these tax partnerships are being conducted on behalf of Dao Heng Bank according to its specific business needs.	141,794
New Heights Investment Limited	Cayman Islands	In substance, DBS Bank could be judged to retain the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.	Not significant

None of the above entities are material to DBSH Group's results.

In addition, DBSH Group has incorporated certain special purpose entities during the year for which these entities currently have no activities at December 31, 2001.

33.5 GROUP RESTRUCTURING

33.5.1 On January 29, 2001, DBS Finance Limited ("DBS Finance"), a wholly-owned subsidiary company of DBS Bank, integrated its operations into DBS Bank pursuant to the Scheme of Arrangement and Amalgamation under Sections 210 and 212 of the Companies Act, Chapter 50 ("Scheme").

The following events took place:

- All of DBS Finance's business assets, liabilities, rights and obligations (except for certain excluded assets) were transferred to DBS Bank at the respective book values of the assets and liabilities at January 29, 2001.
- DBS Finance has ceased to operate as a finance company with effect from January 29, 2001 and will remain inactive except for the holding of investment in a subsidiary company.

Following the above, DBS Finance has changed its name to DBSF Limited on January 29, 2001.

33.5.2 During the financial year, DBS Bank completed the process of transferring the business undertakings of DBS Factors Pte Ltd, a wholly-owned subsidiary company of DBS Bank, to DBS Bank. Following the transfer, DBS Factors Pte Ltd is now inactive.

33.6 ACQUISITION AND DISPOSAL OF SUBSIDIARY COMPANIES

33.6.1 Dao Heng Bank Group Limited

On April 11, 2001, DBS Bank announced its intention to acquire Dao Heng Bank Group Limited (“DHG”), a banking group incorporated in Bermuda.

The acquisition was achieved via a Voluntary Conditional Offer (the “Offer”) whereby DBS Diamond Holdings Ltd (“DDH”), a subsidiary company of DBS Bank, made an offer to the shareholders of DHG of either (i) HK\$60.01 for each DHG share (Option A), or (ii) cash of HK\$43.13 and a new share of DDH (Option B). The results of this offer were:

Offer	DDH shares taken up	Consideration (HK\$ million)	Consideration (S\$ million)	%
DBS	1,777,955,236	HK\$30,568	S\$7,123.9	71.57
Other shareholders	706,318,084	HK\$11,825		28.43
Total	2,484,273,320	HK\$42,393		100.00

Following the completion of the Offer, DBS Bank has 71.57% effective control of DDH and a cash consideration of S\$7,123.9 million was paid for the acquisition. DBSH Group determines parent and minority interests in preparing consolidated financial statements based on present ownership interests. The acquisition was accounted for under the purchase method of accounting.

The DBSH Group financial statements include the results of DHG from June 29, 2001, the date when DBS Bank gained control of DHG through DDH.

At June 29, 2001, the fair value of the identifiable assets and liabilities of DHG were S\$2,810.3 million, and comprised the following:

In S\$'000	June 29, 2001
Fixed assets	896,878
Government, trading and investment securities	10,671,106
Cash and balances, placements with, and loans to banks, loans to and bills receivable from non-bank customers	23,130,540
Other assets	657,676
Deposits and balances of banks, deposits and other accounts of non-bank customers, debt securities in issue and other borrowings	(27,847,263)
Other liabilities	(4,698,658)
	<hr/>
	2,810,279
Less: Minority interests	799,007
	<hr/>
Adjusted net attributable assets	2,011,272
Add: Goodwill (Note 36)	5,146,561
	<hr/>
Cost of acquisition (including transaction costs of S\$33.9 million)	7,157,833
Less: Cash and bank balances in subsidiary companies acquired	143,094
	<hr/>
Net cash outflow for acquisition of subsidiary companies	7,014,739

Goodwill arising from the acquisition of DHG amounted to S\$5,146.6 million. This has been computed based on the difference between the cost of acquisition of S\$7,157.8 million and DBS Bank's interest in the estimated fair value of identifiable assets and liabilities of DHG of S\$2,011.3 million. Goodwill will be amortised over a period of 20 years from the date of acquisition. The amortisation charge taken to the profit and loss account for the year ended December 31, 2001 was S\$128.9 million, leaving a balance of S\$5,017.7 million in goodwill.

The carrying value of goodwill from consolidation is reviewed when circumstances or events indicate that there may be uncertainty over the carrying amount. Goodwill will be written down for impairment when the net present value of the forecast future cash flows of the business are insufficient to support the carrying value. No write down of goodwill was made at December 31, 2001.

At December 31, 2001, the total assets of DDH under Singapore Statements of Accounting Standard included in the consolidated balance sheet of DBSH Group were S\$39,045.9 million. The net interest income of DDH included in the results of DBSH Group for the year ended December 31, 2001 was S\$320.5 million. The profit after taxation of DDH included in the results of DBSH Group for the year ended December 31, 2001 was S\$197.7 million, before deducting goodwill amortisation of S\$128.9 million and minority interest of S\$56.2 million.

DBSH Group determines parent and minority interests in preparing consolidated financial statements on present ownership interests. The following arrangements have been put in place in respect of the shares held by the minority at DDH.

Under a Call Option, DBS Bank has the right to require each DDH minority shareholder to sell his shares by giving a notice within a period of seven business days following December 31, 2002, at a purchase price of HK\$21.70 per share.

Under a Put Option, each DDH minority shareholder has the right to require DBS Bank to purchase his shares by giving a notice within a period of seven business days following December 31, 2002, at a purchase price of HK\$21.70 per share.

DBSH Group accounts for the above as derivative contracts, and the options will be accounted for as such until any settlement date when the physical shares would be acquired. Further details are disclosed in Notes 17 and 39.

When an acquisition involves more than one exchange transaction, each transaction is treated separately for the purpose of determining the fair value of the identifiable assets and liabilities acquired and for determining the amount of goodwill. As such, the actual goodwill in respect of the options, should either be exercised, is only determinable on the exercise date. Should either of the options be exercised by DBS Bank or the DDH minority interest, on a proforma basis, DBS Bank would be required to pay an amount of HK\$15,327.1 million (S\$3,637.0 million) within 5 days of the exercise date of the options.

Goodwill in connection with this transaction will be computed based on the fair value of the identifiable assets and liabilities of DHG effective December 31, 2002. Based on the fair value of identifiable assets and liabilities of DHG at June 29, 2001, the additional goodwill would have been S\$2,838.0 million, and the incremental annual amortisation charge to the profit and loss account would have been S\$141.9 million. Under these circumstances, the effective interest of DBS Bank in DHG would increase to 100% at December 31, 2002. As such, there will be no minority interest in DDH, and the annualised impact on DBSH Group's profit and loss account based on the 2001 results would have been S\$112.4 million.

33.6.2 Vickers Ballas Holdings Limited

On February 13, 2001, DBS Bank announced its intention to acquire Vickers Ballas Holdings Limited ("VB"), a securities broking firm incorporated in Singapore. The DBSH Group financial statements include the results of VB from September 12, 2001, the date when DBS Bank gained control of VB. The transaction was accounted for under the purchase method of accounting, and VB became a subsidiary company of DBS Bank from September 12, 2001.

The cash consideration paid for the acquisition was S\$418.1 million for a 59.5% interest in VB.

At the date of acquisition, the fair value of the identifiable assets and liabilities of VB was S\$537.7 million and comprised the following:

In S\$'000	September 12, 2001
Fixed assets	7,390
Government, trading and investment securities	96,153
Cash and balances, placements with, and loans to banks, loans to and bills receivable from non-bank customers	586,748
Other assets	573,929
Deposits and balances of banks, deposits and other accounts of non-bank customers, debt securities in issue and other borrowings	(29,529)
Other liabilities	(696,979)
	<hr/>
	537,712
Less: Minority interests	217,935
	<hr/>
Adjusted net attributable assets	319,777
Add: Goodwill (Note 36)	98,311
	<hr/>
Cost of acquisition	418,088
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On September 28, 2001, DBS Securities Holding Pte Ltd and DBS Trading Pte Ltd, both wholly-owned subsidiary companies of DBS Bank, were sold 100% to VB for a cash consideration of S\$306.0 million. On completion of the sale, DBSH's effective equity interests in DBS Securities Holding Pte Ltd and DBS Trading Pte Ltd were reduced from 100% to 59.5%. VB was subsequently renamed DBS Vickers Securities Holdings Pte Ltd ("DBSV").

Goodwill arising from the acquisition of DBSV amounted to S\$98.3 million. This has been computed based on the difference between the total purchase consideration of S\$418.1 million and DBS Bank's effective interest in the estimated fair value of identifiable assets and liabilities of DBSV of S\$319.8 million. The goodwill will be amortised over a period of 10 years from the date of acquisition. The amortisation charge taken to the profit and loss account for the year ended December 31, 2001 was S\$2.5 million, leaving a balance of S\$95.8 million in goodwill.

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

At December 31, 2001 the total assets of DBSV under Singapore Statements of Accounting Standards included in the consolidated balance sheet of DBSH Group were S\$1,199.4 million. The net interest income of DBSV included in the results of DBSH Group for the year ended December 31, 2001 was S\$5.6 million. The profit after taxation of DBSV included in the results of DBSH Group for the year ended December 31, 2001 was S\$12.1 million, before deducting goodwill amortisation of S\$2.5 million and minority interest of S\$5.1 million.

DBSH Group determines parent and minority interests in preparing consolidated financial statements on present ownership interests. The minority interest have a Put Option exercisable on September 12, 2003 at a price of S\$0.90 per Option Share and 3.1% per annum on the option price compounded annually. DBSH Group accounts for the above as derivative contracts, and the options will be accounted for as such until any settlement date when the physical shares are acquired. Further details are disclosed in Notes 17 and 39.

When an acquisition involves more than one exchange transaction, each transaction is treated separately for the purpose of determining the fair value of the identifiable assets and liabilities acquired and for determining the amount of goodwill. As such, the actual goodwill in respect of the Put Option, should the Put Option be exercised, is determined only on the exercise date. Should the Put Option be exercised by the minority interest, on a proforma basis, DBS Bank would be required to pay an amount of S\$321.6 million on September 12, 2003.

Goodwill in connection with this transaction will be computed based on the fair value of the identifiable assets and liabilities of DBSV as at that date. Based on the fair value of identifiable assets and liabilities of DBSV at September 12, 2001, the additional goodwill would have been S\$103.7 million, and the incremental annual amortisation charge to the profit and loss account would have been S\$10.4 million. Under these circumstances, the effective interest of DBS Bank in DBSV would increase to 100% at September 12, 2003. As such, there will be no minority interest in DBSV, and the annualised impact on DBSH Group's profit and loss account based on the 2001 results of DBSV would have been S\$20.3 million.

33.6.3 On July 21, 2001, DBSH, under a conditional sale and purchase agreement ("Agreement"), sold its 100% equity stake of 52,089,052 ordinary shares of par value S\$1.00 each in The Insurance Corporation of Singapore Limited ("ICS") to Commercial Union International Holdings Limited for a cash consideration of S\$324.0 million. In addition, ICS paid a special dividend of S\$51.0 million to DBSH prior to the completion of the Agreement. The net attributable tangible assets of ICS at the date of disposal was S\$233.8 million. On completion of the sale, DBSH's equity interest in ICS was reduced from 100% to 0% and ICS has ceased to be a subsidiary company of DBSH Group.

Under the conditions of the Agreement, the shares of the following subsidiary and associated companies of ICS were transferred to DBSH for a total consideration of S\$5.2 million:

- 20,625,003 ordinary shares of S\$1.00 each fully paid in the capital of ICS Reinsurance Private Ltd (a company under a court-approved scheme of arrangement), for a consideration of S\$1.00. DBSH's effective interest in the company remained at 51.5%.
- 5,066,546 ordinary shares of S\$1.00 each fully paid in the capital of RMCA Holdings Pte Ltd for a consideration of S\$5,066,546. DBSH's effective interest in the company remained at 100%.
- 100,000 ordinary shares of S\$1.00 each fully paid in the capital of Reinsurance Management Corporation of Asia (Pte) Ltd for a consideration of S\$100,000. DBSH's effective interest in the company remained at 80%.
- 4,900,000 ordinary shares of £1.00 each fully paid in the capital of Insurance Corporation of Singapore (UK) Limited for a consideration of £1. DBSH's effective interest in the company remained at 98%.
- 10,625,000 ordinary shares of S\$1.00 each fully paid in the capital of RMCA Reinsurance Limited (a company under a court-approved scheme of arrangement), for a consideration of S\$1.00. DBSH's effective interest in the company remained at 30%.

The total net attributable tangible assets of the companies at the date of acquisition were S\$6.3 million.

33.6.4 On July 18, 2001, DBS Thai Danu Bank Public Company Limited, a subsidiary company of DBS Bank, sold its 76% equity stake in Inter-Roof Manufacturing Co. Ltd for a total consideration of 1 Baht. The net attributable tangible assets of Inter-Roof Manufacturing Co. Ltd at the date of disposal was 5 Baht. On completion of the sale, Inter-Roof Manufacturing Co. Ltd has ceased to be a subsidiary company of DBSH Group.

33.6.5 On October 8, 2001, DBS Bank acquired an additional 28.3% equity interest in DBS Bank Philippines, Inc (DBSP) for a consideration of Philippines Peso (PHP) 853 million (S\$30.5 million). The net attributable tangible assets of DBSP at the date of acquisition was PHP 360 million (S\$12.9 million). On completion of the additional acquisition, DBSH's effective equity interest in DBSP increased from 71.7% to 100%.

33.6.6 On November 11, 2001, DBS Thai Danu Bank Public Company Limited and DBS Securities Holding Pte Ltd, both subsidiary companies of DBS Bank, sold their combined 100% equity stake in DBS Thai Danu Securities Ltd ("DTDS") for a total cash consideration of Baht 432.9 million (\$\$18.0 million). The net attributable tangible assets of DTDS at the date of disposal was Baht 365.5 million (\$\$15.3 million). On completion of the sale, DTDS has ceased to be a subsidiary company of DBSH Group.

33.6.7 On November 16, 2001, DBS Bank sold its 100% equity stake of 27,064,133 ordinary shares in DBSP to Bank of the Philippine Islands for a cash consideration of PHP 1,585 million (\$\$56.8 million). The net attributable tangible assets of DBSP at the date of disposal was PHP 1,272 million (\$\$45.6 million). On completion of the sale, DBSH's effective interest in DBSP reduced from 100% to 0% and DBSP has ceased to be a subsidiary company of DBSH Group.

33.7 AMOUNTS OWING BY SUBSIDIARY COMPANY

These amounts comprise fixed deposits with and dividend receivable from a subsidiary company.

33.8 FAIR VALUES OF ASSETS AND LIABILITIES OF SUBSIDIARY COMPANIES ACQUIRED

The details of the fair values of assets and liabilities of subsidiary companies acquired and goodwill arising during the year were as follows:

In S\$'000	2001	2000
Fixed assets	904,268	86,576
Government, trading and investment securities	10,767,259	156,846
Cash and balances, placements with, and loans to banks, loans to and bills receivable from non-bank customers	23,717,288	82,131
Other assets	1,231,605	37,099
Deposits and balances of banks, deposits and other accounts of non-bank customers, debt securities in issue and other borrowings	(27,876,792)	-
Other liabilities	(5,395,637)	(110,540)
	3,347,991	252,112
Less: Minority interests	1,016,942	807
Adjusted net attributable assets	2,331,049	251,305
Add: Goodwill (Note 36)	5,244,872	-
Cost of acquisition	7,575,921	251,305
Less: Non-cash outflow for acquisition of subsidiary companies	-	250,940
Less: Cash and bank balances in subsidiary companies acquired	143,094	-
Net cash outflow for acquisition of subsidiary companies	7,432,827	365

33.9 FAIR VALUES OF ASSETS AND LIABILITIES OF SUBSIDIARY COMPANIES DISPOSED

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

In S\$'000	DBSH Group	
	2001	2000
Fixed assets	93,444	1,558
Other assets	838,480	478
Other liabilities	(638,253)	(1,344)
	293,671	692
Less: Minority interests	-	339
Adjusted net attributable assets	293,671	353
Add: Profit on disposal of subsidiary companies	156,117	5,797
Proceeds from disposal	449,788	6,150
Less: Non-cash inflow from disposal of subsidiary companies	-	3,690
Less: Cash and bank balances in subsidiary companies disposed	84,472	-
Net cash inflow from disposal of subsidiary companies	365,316	2,460

34. ASSOCIATES AND JOINT VENTURE COMPANIES

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

In S\$'000	DBSH Group	
	2001	2000
Quoted equity shares at cost	1,108,593	1,071,800
Unquoted equities at cost	46,908	36,450
	1,155,501	1,108,250
Less: Goodwill arising from equity accounting	838,168	836,123
	317,333	272,127
Add: Group's share of post acquisition retained profits and reserves of associates, net of dividends received arising from equity accounting	241,010	285,561
	558,343	557,688
Market value of quoted equity shares	706,344	719,274

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

In S\$'000	DBSH Group			
	2001		2000	
	NTA	Market Value	NTA	Market Value
<i>Held by subsidiary companies</i>				
Bank of the Philippine Islands	368,685	655,552	358,211	639,718
Hwang-DBS (Malaysia) Bhd	63,494	50,792	60,196	79,556
Total	432,179	706,344	418,407	719,274

34.3 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	
			2001	2000
Quoted				
<i>Held by DBS Bank</i>				
Bank of the Philippine Islands	Philippines	Commercial banking and financial services	20.8	20.8
<i>Held By Other Subsidiary Companies</i>				
Hwang-DBS (Malaysia) Bhd	Malaysia	Investment holding	23.3	23.3
Unquoted				
<i>Held by DBSH</i>				
RMCA Reinsurance Limited (a)	Singapore	Investment holding	30.0	30.0
<i>Held by DBS Bank</i>				
Clearing and Payment Services Pte Ltd	Singapore	Provides service infrastructure for clearing payment and settlement of financial transactions	33.3	-

Associated Companies	Country of Incorporation/ Business	Principal Activities	Interest Held By DBSH/DBSH's Subsidiaries	
			2001	2000
<i>Held by DBS Bank</i>				
Fujitec Singapore Corporation Ltd	Singapore	Manufactures elevators, escalators and related components	26.0	26.0
General Securities Investments Ltd	Singapore	Investment holding	–	41.8
Network for Electronic Transfers (Singapore) Pte Ltd	Singapore	Electronic funds transfer	20.0	20.0
Orix Leasing Singapore Ltd	Singapore	Lease and hire-purchase financing of equipment	30.0	30.0
Singapore Polymer Corporation Pte Ltd	Singapore	Manufactures poly vinyl chloride resins and related compound	–	38.7
Spray's Shipping Pte Ltd	Singapore	Dormant	26.0	26.0
Transpac Capital Pte Ltd	Singapore	Investment manager for venture capital companies, investment advisory, consultancy and related services	–	32.0
Transpac Investments Ltd	Singapore	Investment holding	–	32.0
Venture Investment Management (S) Pte Ltd	Singapore	Investment management services	24.5	24.5
Yamaha Music (Asia) Pte Ltd	Singapore	Distributor and retailer of all kinds of musical instruments, operator and franchise of music schools	20.0	20.0
Investment and Capital Corporation of the Philippines	Philippines	Financial services	20.0	20.0
<i>Held By Other Subsidiary Companies</i>				
Asia Converge Pte Ltd	Singapore	Securities transaction processing	39.0	–
Singapore Africa Investment Management Pte Ltd	Singapore	Investment management	30.0	–
Southern Africa Investment Pte Ltd	Singapore	Venture capital investment	25.0	–
Singapore Consortium Investment Management Ltd	Singapore	Investment management services	20.0	20.0
Transtech Capital Investment I Ltd (under voluntary liquidation)	Singapore	Venture capital investment	41.5	41.5
Venture Investment Management II Ltd	Singapore	Investment manager for venture capital	30.0	30.0
Transtech Venture Management Pte Ltd	Singapore	Investment manager for venture capital	40.0	40.0
Hwang-DBS Unit Trust Berhad	Malaysia	Investment management services	30.0	30.0
Shenton Corporation	Philippines	Real estate holding company	–	24.0
Shenton Realty Corporation	Philippines	Real estate holding company	–	38.4
Roche Diagnostics (Thailand) Company Limited (b)	Thailand	Distributor of medical products	–	25.5
Thailand Carpet Manufacturing Public Company Limited (b)	Thailand	Carpet manufacturer	46.0	46.0

- (a) The associated company is under a court-approved scheme of arrangement. Consequently, equity accounting was not applied for this associated company. In 2000, this associate company was directly held by The Insurance Corporation of Singapore Limited.
- (b) The investment in this associated company was acquired as a result of debt restructuring, and is not intended to be a long-term investment. Consequently, equity accounting was not applied for this associated company.

34.4 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 Group	
			2001	2000
<i>Held By DBS Bank</i>				
Ayala DBS Holdings Inc.	Philippines	Investment holding	40.0	40.0
<i>Held By Other Subsidiary Companies</i>				
DBS TD Waterhouse Holdings Pte Ltd	Singapore	Internet trading	50.0	-
The Payment Solutions Company (formerly known as IBUYIPAY Pte Ltd)	Singapore	To design, develop, implement and maintain internet-based payment gateway	50.0	50.0
Hutchison Dao Heng Card Limited	British Virgin Islands	Provision of agency services for credit card business	50.0	-

34.4.1 During the financial year, DBS Vickers Securities Holdings Pte Ltd, a subsidiary company of DBS Bank, established a 50:50 joint-venture company, DBS TD Waterhouse Holdings Pte Ltd, with TD Waterhouse Group, Inc. for a consideration of S\$9,140,599.

34.4.2 The Group's share of the net profit after taxation, assets employed and liabilities incurred by the joint venture companies at December 31 is as follows:

In S\$'000	DBSH Group	
	2001	2000
Profit and Loss		
Share of net profit after taxation	2,424	-
Balance sheet		
Non-current assets	98,433	34
Current assets	125,583	371
Current liabilities	89,697	50
Non-current liabilities	9,205	-

35. FIXED ASSETS

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

In S\$'000	Leasehold properties	Freehold properties	Total properties	Equipment, furniture and other assets	Total
Cost					
Balance at January 1, 2001	1,356,192	569,975	1,926,167	627,916	2,554,083
Additions	2,102	4,454	6,556	177,899	184,455
Disposals	(153,318)	(98,832)	(252,150)	(256,970)	(509,120)
On acquisition of subsidiary companies	930,500	8,187	938,687	249,859	1,188,546
On consolidation of SPE	180,000	-	180,000	-	180,000
Exchange differences	972	24,393	25,365	9,645	35,010
Balance at December 31, 2001	2,316,448	508,177	2,824,625	808,349	3,632,974
Accumulated depreciation					
Balance at January 1, 2001	228,548	66,514	295,062	364,018	659,080
Depreciation charge (Note 10.4)	49,189	10,907	60,096	108,609	168,705
Disposals	(63,921)	(7,476)	(71,397)	(262,247)	(333,644)
On acquisition of subsidiary companies	91,279	1,022	92,301	164,579	256,880
Exchange differences	175	3,778	3,953	5,051	9,004
Balance at December 31, 2001	305,270	74,745	380,015	380,010	760,025
Less: Provision for diminution in value (Note 30)	(162,191)	(48,164)	(210,355)	(2,241)	(212,596)
Net book value at December 31, 2001	1,848,987	385,268	2,234,255	426,098	2,660,353
Market value at December 31, 2001	2,384,997	417,520	2,802,517	-	2,802,517
Cost					
Balance at January 1, 2000	1,342,675	579,179	1,921,854	527,161	2,449,015
Additions	59,628	4,188	63,816	183,353	247,169
Disposals	(61,798)	(75,531)	(137,329)	(97,434)	(234,763)
On acquisition of subsidiary companies	16,818	68,916	85,734	21,976	107,710
Exchange differences	(1,131)	(6,777)	(7,908)	(7,140)	(15,048)
Balance at December 31, 2000	1,356,192	569,975	1,926,167	627,916	2,554,083
Accumulated depreciation					
Balance at January 1, 2000	195,580	64,047	259,627	329,394	589,021
Depreciation charge (Note 10.4)	38,254	13,308	51,562	84,434	135,996
Disposals	(5,942)	(9,307)	(15,249)	(66,555)	(81,804)
On acquisition of subsidiary companies	1,085	547	1,632	20,503	22,135
Exchange differences	(429)	(2,081)	(2,510)	(3,758)	(6,268)
Balance at December 31, 2000	228,548	66,514	295,062	364,018	659,080
Less: Provision for diminution in value (Note 30)	(89,986)	(12,107)	(102,093)	(3,142)	(105,235)
Net book value at December 31, 2000	1,037,658	491,354	1,529,012	260,756	1,789,768
Market value at December 31, 2000	1,672,272	533,824	2,206,096	-	2,206,096

35.2 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, 2001 were S\$218.6 million (2000: S\$218.5 million) and S\$378.0 million (2000: S\$429.0 million) respectively. The market values were independently appraised at S\$460.0 million (2000: S\$493.0 million) and S\$378.0 million (2000: S\$429.0 million) respectively.

36. GOODWILL AND INTANGIBLE ASSETS

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

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

				DBSH Group 2001
In S\$'000				
Goodwill arising on consolidation				
Unamortised balance at January 1				-
Acquisition of new subsidiary companies*				5,255,624
Amortisation for the financial year				(131,414)
Unamortised balance at December 31				<u>5,124,210</u>
Comprising:				
S\$'000	Date of Acquisition	Amortisation Period	Unamortised balance at December 31, 2001	Charge to Profit and Loss Account
At the DBS Bank level				
Dao Heng Bank Group Limited	June 29, 2001	20 years	5,017,698	128,863
DBS Vickers Securities Holdings Pte Ltd	September 12, 2001	5 / 10 years	106,512	2,551
			<u>5,124,210</u>	<u>131,414</u>
Included in the DBS Vickers Securities Holding Pte Ltd				
Lum Chang Securities Pte Ltd		5 years	10,659	93
DBS Securities Holding Pte Ltd**		5 years	12,200	247
			<u>22,859</u>	<u>340</u>

* Include the goodwill on acquisition of Dao Heng Bank Group Limited (S\$5,147 million) and Vickers Ballas Holdings Limited (S\$98.3 million).

** Eliminated at Group's level.

The Board of Directors has assessed the carrying values of the goodwill of S\$5,124.2 million at December 31, 2001 to be appropriate, taking into account the expected future cash flows and revenue streams from the businesses acquired.

37. 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.

The amounts outstanding at December 31 comprise the following:

In S\$'000	DBSH Group	
	2001	2000
Acceptances on account of customers	301,949	148,922
Guarantees on account of customers	4,641,697	3,938,461
Endorsements and other obligations on account of customers		
Letters of credit	1,604,550	2,487,208
Others	253,456	163,858
Spot foreign exchange contracts	3,379,235	1,931,823
Other contingent items	101,947	4,147
Total	10,282,834	8,674,419
Industry Breakdown		
Manufacturing	2,047,008	1,869,049
Building and Construction	701,435	876,389
General Commerce	1,795,566	1,184,072
Transportation, Storage and Communications	618,045	548,242
Financial Institutions, Investment and Holding Companies	3,749,352	2,842,456
Professionals and Private Individuals (except Housing Loans)	299,564	278,652
Others	1,071,864	1,075,559
Total	10,282,834	8,674,419

Included in "Other contingent items" at December 31, 2001, is an amount of S\$91.0 million (2000: Nil), representing the termination fee payable by DBS Bank should it terminate its Life Insurance Bancassurance Distribution Agreement ("Agreement") with CGNU International Insurance PLC. The amount of termination fee payable is determined in accordance with the schedule of termination fee included in the Agreement, and ranges from S\$35.0 million to S\$91.0 million, depending on when the Agreement is terminated.

Included in "Guarantees on account of customers" at December 31, 2001, was a guarantee of S\$647.9 million (2000: S\$154.0 million) which was given by DBS Bank to holders of "DBS UP Guaranteed Fund 2.5/1, DBS UP Guaranteed Fund 3.5/1, DBS UP Guaranteed Fund 5.0/1, DBS UP Guaranteed Fund 5.0/2, DBS UP Guaranteed Fund 5.0/3, DBS UP Guaranteed Fund 7.0/2, and DBS UP Guaranteed Fund 7.0/3" on the guaranteed value payable on June 25, 2003, June 23, 2004, December 23, 2005, April 30, 2006, June 30, 2006, April 30, 2008 and June 30, 2008 respectively.

Vickers Ballas & Co ("VB & Co"), a subsidiary company, is a party to a back-to-back equity swap agreement between a former subsidiary and a third party, whose shares are subject to the equity swap agreement.

During the financial year, the Directors of Vickers Ballas & Co ("Directors") commissioned an independent financial risk consultant to assess the maximum exposure to DBSH Group arising from the equity swap agreement, and this was assessed to be approximately US\$500,000. The former subsidiary has provided a guarantee to VB&Co for any losses that may arise should the third party exercise its rights under the equity swap agreement. However, there may be a contingent liability to DBSH Group if the former subsidiary is unable to honor the guarantee when called upon by VB&Co.

At December 31, 2001, the market value of the equity swap agreement amounted to US\$5.2 million (S\$9.7 million) in favour of the former subsidiary. Accordingly, the Directors are of the view that the possibility of the third party exercising its rights under the equity swap agreement is remote. Consequently, no provision has been made in the financial statements.

38. COMMITMENTS

Commitments to lend are agreements to lend to a customer in the future, subject to certain conditions. Such commitments are either made for a fixed period, or have no specific maturity but are cancellable by the lender subject to notice requirements.

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

In S\$'000	DBSH Group	
	2001	2000
Loans and other facilities		
Undrawn credit facilities	49,124,280	32,910,381
Undrawn note issuance and revolving underwriting facilities	10,900	400
Undisbursed commitments in debt securities and equities	212,867	102,000
Underwriting commitments in debt securities and equities	148	6,665
Sub-total	49,348,195	33,019,446
Capital Commitments	26,946	45,598
Total	49,375,141	33,065,044
Industry Breakdown		
Manufacturing	4,638,105	5,843,058
Building and Construction	7,612,816	6,398,807
Housing Loans	1,011,722	1,463,223
General Commerce	5,565,657	3,678,790
Transportation, Storage and Communications	10,215,492	4,437,789
Financial Institutions, Investment and Holding Companies	6,958,752	5,654,806
Professionals and Private Individuals (except Housing Loans)	9,859,432	1,684,773
Others	3,513,165	3,903,798
Total	49,375,141	33,065,044

39. FINANCIAL DERIVATIVES

39.1 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:

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 futures are typically exchange-traded agreements to buy or sell standard amounts of a specified currency at an agreed exchange rate on a standard future date.

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.

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

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

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

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.

Equity related contracts

Equity derivatives

DBSH Group's principal equity related contracts are equity and stock index swaps and options (including warrants, which are options listed on an exchange). An equity swap is an agreement between two parties to exchange periodic payments, based upon a notional principal amount, with one side paying fixed or floating interest and the other paying based on the actual return of the stock or stock index. No principal amounts are exchanged. An equity option provides the buyer with the right, but not the obligation, either to purchase or sell a specified stock or stock index at a specified price or level on or before a specified date.

39.2 The tables below analyse the contractual or underlying principal amounts of derivative financial instruments held or issued for trading and non-trading purposes. In addition, they also set out the corresponding gross positive and negative balance sheet fair values of the derivative financial instruments by counterparties to reflect the underlying credit risk of these counterparties. In the financial statements, trading and non-trading (excluding those non-trading derivative financial instruments which are held for hedging and are accounted for on an accrual basis) derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected in "Other assets" or "Other liabilities".

In S\$'000	2001					
	Trading			Non-Trading		
	Underlying Notional	Year-end Positive Fair Value	Year-end Negative Fair Value	Underlying Notional	Year-end Positive Fair Value	Year-end Negative Fair Value
Foreign Exchange Derivatives						
FX Forwards	20,427,882	155,215	243,945	664,050	2,267	3,467
FX Swaps	138,560,941	880,505	860,544	5,806,714	78,492	120,455
Currency swaps	15,155,680	94,309	156,511	118,638	103	457
Currency options purchased (a)	11,446,873	147,621	692	-	-	-
Currency options written (b)	12,145,112	896	174,311	-	-	-
Sub-total	197,736,488	1,278,546	1,436,003	6,589,402	80,862	124,379
Interest Rate Derivatives						
Forward rate agreements bought	6,348,556	3,173	10,575	-	-	-
Forward rate agreements sold	5,870,895	9,556	1,065	-	-	-
Interest rate swaps	164,209,256	1,507,018	1,288,146	10,972,096	382,824	141,741
Financial futures purchased	530,076	597	78	-	-	-
Financial futures sold	909	-	10	-	-	-
Swaptions purchased	942,930	381	-	-	-	-
Swaptions sold	1,674,048	10,300	481	-	-	-
Interest rate futures options purchased	925,175	603	42	-	-	-
Interest rate futures options written	1,123,448	-	19,680	-	-	-
Interest rate caps / floor written	2,290,836	4,319	37,933	-	-	-
Interest rate caps / floor purchased	913,307	33,957	5,618	9,251	-	-
Sub-total	184,829,436	1,569,904	1,363,628	10,981,347	382,824	141,741
Equity Derivatives						
Equity options purchased	446,901	4,797	127	3,792,344	-	738
Equity options sold	530,000	13,551	21,349	4,113,952	1,002	2,491
Sub-total	976,901	18,348	21,476	7,906,296	1,002	3,229
Credit Derivatives						
Credit default swaps	-	-	-	3,134,046	3,088	24,127
Sub-total	-	-	-	3,134,046	3,088	24,127
Total	383,542,825	2,866,798	2,821,107	28,611,091	467,776	293,476
Balances arising from off-balance sheet financial instruments (see Other liabilities / Other assets Notes) 22/32		2,866,798*	2,821,107			2,491

* 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 2.7.3).

- (a) Included in the underlying principal is an amount of S\$7,213,000 which reflects the actual payout for the purchase of "Touch Rebates". These are derivatives which require a fixed payment as a result of some future event that have no notional amount.
- (b) Included in the underlying principal is an amount of S\$14,836,000 which reflects the actual payout required for "Touch Rebates" sold. These are derivatives which require a fixed payment as a result of some future event that have no notional amount.

The contractual or underlying principal amounts of derivative financial instruments of bank and non-bank counterparties amounted to S\$330,902 million and S\$81,252 million respectively.

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

Dao Heng Bank Group Limited

Call Option

Under the Cash and Share Option (Option B) offered by DBS Bank to the shareholders of DHG, the minority shareholders of DBS Diamond Holdings Ltd ("DDH") are subject to a Call Option provision. Under the Call Option, DBS Bank has the right to require each DDH minority shareholder to sell his shares by giving a notice within a period of seven business days following December 31, 2002 at a purchase price of HK\$21.70 per share.

The notional value of the Call Option at December 31, 2001 is S\$3,637.0 million. This amount would be payable in full if DBS Bank exercises the Call Option at maturity.

DBSH Group has determined the fair value of the Call Option at December 31, 2001 and has taken the difference between their value on the date on which they were written and December 31, 2001, through its profit and loss account. At December 31, 2001 the fair value of the Call Option was not materially different from the fair value of the Call Option at inception. The fair value was determined based on a discounted cashflow methodology approved by DBS Bank's Group Risk Department.

Put Option

Under the Cash and Share Option (Option B) offered by DBS Bank to the shareholders of DHG, DBS Bank is subject to a Put Option provision. Under the Put Option, each DDH minority shareholder has the right to require DBS Bank to purchase his shares by giving a notice within a period of seven business days following December 31, 2002 at a purchase price of HK\$21.70 per share.

The notional value of the Put Options at December 31, 2001 is S\$3,637.0 million. This amount would be payable in full should all minority shareholders exercise their Put Options at maturity.

DBSH Group has determined the fair value of the Put Options at December 31, 2001 and has taken the difference between their value on the date on which they were written and December 31, 2001, through its profit and loss account. At December 31, 2001 the fair value of the Put Options was not materially different from the fair value of the Put Option at inception. The fair value was determined based on a discounted cashflow methodology approved by DBS Bank's Group Risk Department.

Should either of the options be exercised by DBS Bank or the DDH minority interest, on a proforma basis, DBS Bank would be required to pay an amount of HK\$15,327.1 million (S\$3,637.0 million) within 5 days of the exercise date of the options.

DBS Vickers Securities Holdings Pte Ltd

Under the Shareholders' Agreement in relation to the sale and purchase of Vickers Ballas Holdings Limited, DBS Bank is subject to a Put Option provision. The minority interest may exercise a Put Option exercisable on September 12, 2003 at an Option Price of S\$0.90 per Option Share and 3.1 per cent per annum compounded annually.

The notional value of the Put Option at December 31, 2001 is S\$321.6 million. This amount would be payable in full should the minority shareholder exercises its Put Option at maturity.

DBS Bank has determined the fair value of the Put Option at December 31, 2001 and has taken the difference between its value on the date on which it was written and December 31, 2001, through its profit and loss account. At December 31, 2001 the fair value of the Put Option included in "Other liabilities" was an unrealised loss of S\$2.5 million. The fair value was determined based on discounted cash flow methodology as approved by DBS Bank's Group Risk Department.

Should the Put Option be exercised by the minority interest, on a proforma basis, DBS Bank would be required to pay an amount of S\$321.6 million on September 12, 2003.

The following table shows an analysis of DBSH Group's derivatives financial instruments at December 31, 2000:

In S\$'000	2000			
	Non Trading	Trading		
	Underlying Principal	Underlying Principal	Year-end Positive Fair Value	Year-end Negative Fair Value
Foreign Exchange (FX) Derivatives				
FX Forwards	4,085,680	5,035,600	112,209	152,960
FX swaps	19,420,597	70,896,043	468,972	517,942
Currency swaps	269,314	4,878,325	28,358	41,034
Currency options purchased	1,800	2,989,414 (a)	32,512	54
Currency options written	3,580	3,358,823 (b)	286	24,792
Sub-total	23,780,971	87,158,205	642,337	736,782
Interest Rate Derivatives				
Forward rate agreements bought	-	901,030	-	636
Forward rate agreements sold	-	217,706	343	-
Interest rate swaps	4,996,777	33,905,895	280,085	219,715
Financial futures purchased	-	5,788,640	1,224	161
Financial futures sold	-	6,677,849	560	4,125
Swaption purchased	-	111,078	2,656	-
Swaption sold	-	111,078	-	1,729
Interest rate futures option written	-	1,646,113	-	2,230
Interest rate caps/floor purchased	-	463,188	4,277	395
Interest rate caps/floor written	-	1,566,241	885	10,263
Sub-total	4,996,777	51,388,818	290,030	239,254
Equity Derivatives				
OTC Equity options purchased	-	4,435,455	393	2,789
OTC Equity options sold	-	4,433,491	2,861	357
Sub-total	-	8,868,946	3,254	3,146
Total	28,777,748	147,415,969	935,621	979,182
Balances arising from off-balance sheet financial instruments (see Other liabilities/Other assets Notes 22/32)			935,621	979,182

- (a) Included in the underlying principal is an amount of S\$2,599,000 which reflects the actual payout for the purchase of "Touch Rebates". These are derivatives which require a fixed payment as a result of some future event that have no notional amount.
- (b) Included in the underlying principal is an amount of S\$866,000 which reflects the actual payout required for "Touch Rebates" sold. These are derivatives which require a fixed payment as a result of some future event that have no notional amount.

40. USE OF FINANCIAL INSTRUMENTS

40.1 Strategy in using financial instruments

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

DBSH Group also seeks to raise its interest margins by obtaining above average margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just on-balance sheet loans and advances but DBSH Group also enters into guarantees and other commitments such as letters of credit and performance, and other bonds.

DBSH Group takes positions in traded and over the counter financial instruments including derivatives to take advantage of short-term market movements in the equity and bond markets and in currency, interest rate and commodity prices. These positions can be for its own dealing purposes or as part of its services to meet customers' needs. Trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions are set and monitored by DBS Bank's Group Risk Department. With the exception of specific hedging arrangements, foreign exchange and interest rate 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.

40.2 Financial Risk Management Objectives and Policies

The Group has set up objectives and policies to manage the risks that arise in connection with the use of financial instruments.

40.2.1 Structural Interest Rate and Foreign Exchange Risks

DBSH Group uses financial instruments for asset and liability management purposes. Various instruments are used to manage DBSH Group's on-and off-balance sheet positions. These include interest rate swaps, options, futures and currency swaps. They are used to manage structural interest rate risk and foreign exchange exposure, including capital and those arising from foreign currency investment.

Structural interest rate risk arises from mismatches in the interest rate risk profile of customer loans and deposits. It relates to basis risk arising from different interest rate benchmarks, interest rate repricing risk, yield curve movements and embedded optionality.

For foreign exchange management, the Group's objective is where possible to limit the effect of exchange rate movements on the Group's earnings. For foreign currency investments, the Group's general policy is to borrow fundable currencies. Non-fundable or illiquid currencies may be hedged using other instruments. Where appropriate; for currencies with high hedging costs or illiquidity of the market, alternative hedging strategies may be used.

40.2.2 Interest Rate Risk

The tables below summarise DBSH Group's exposure to interest rate risk. Included in the first table are the DBSH Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The fair value or amortised cost of derivative financial instruments is included in "Other assets" and "Other liabilities".

In S\$'million	Less than 7 days	1 week to 1 month	1 – 3 months	3 to 12 months	1 to 3 years	Over 3 years	Non- interest bearing	Total
2001								
Cash, and balances and placements with central banks and banks	8,397	10,805	9,693	11,744	497	38	3,540	44,714
Securities ⁽¹⁾	371	1,990	3,862	6,441	4,249	6,218	1,233	24,364
Loans to, and bills receivable from, non-bank customers	35,858	9,628	10,653	5,579	3,199	2,750	541	68,208
Other assets ⁽²⁾	2,117	-	-	-	-	-	11,891	14,008
Total assets	46,743	22,423	24,208	23,764	7,945	9,006	17,205	151,294
Subordinated term debts	-	-	7	18	48	5,865	209	6,147
Deposits and balances of banks	2,564	2,459	2,098	1,325	-	-	-	8,446
Deposits and other accounts of non-bank customers	62,746	25,276	10,951	6,951	645	202	-	106,771
Other liabilities ⁽³⁾	7,022	456	902	845	706	1,480	2,912	14,323
Total liabilities	72,332	28,191	13,958	9,139	1,399	7,547	3,121	135,687
Minority interests	-	-	-	-	-	-	2,078	2,078
Equity	-	-	-	-	-	-	13,529	13,529
Total liabilities and equity	72,332	28,191	13,958	9,139	1,399	7,547	18,728	151,294
On balance sheet interest sensitivity gap	(25,589)	(5,768)	10,250	14,625	6,546	1,459	(1,523)	-
Off-balance sheet interest sensitivity gap								
- Contingent liabilities	-	-	-	-	-	-	10,283	10,283
- Commitments	4,652	790	34,883	7,345	1,382	268	55	49,375
- Financial derivatives	7,292	38,337	83,054	64,108	2,457	563	216,343	412,154
	11,944	39,127	117,937	71,453	3,839	831	226,681	471,812

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

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

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

The table below summarises the effective average interest rate at December 31, 2001 by major currencies for monetary financial instruments:

	Singapore Dollar %	US Dollar %	Hong Kong Dollar %	Thai Baht %
Assets				
Cash, and balances and placements with central banks	–	0 – 4.37	–	–
Securities ⁽¹⁾	1.48 – 4.21	3.82 – 5.60	2.25 – 3.44	2.10 – 11.64
Balances, placements with, and loans to banks	0.89 – 1.25	1.90 – 2.86	1.25 – 5.13	–
Loans to, and bills receivable from, non-bank customers	2.68 – 6.15	3.54 – 3.65	2.25 – 5.06	4.38 – 18.51
Liabilities				
Subordinated term debts	5.35	7.13 – 7.88	–	4.10
Deposits and balances of banks	0.46 – 1.84	1.84 – 2.18	2.54	0 – 0.50
Deposits and other accounts of non-bank customers	0.02 – 1.24	0.79 – 2.95	0.10 – 6.40	0 – 4.75

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

A summary of DBSH Group's balance sheet at December 31, 2001 by currencies is as follows:

Currency Risk

In S\$/million	Singapore Dollar	US Dollar	Hong Kong Dollar	Thai Baht	Others	Total
Cash, and balances and placements with central banks and banks	11,014	23,725	1,697	174	8,104	44,714
Securities ⁽¹⁾	11,913	5,026	5,843	401	1,181	24,364
Loans to, and bills receivable from, non-bank customers	33,234	8,187	22,976	2,482	1,329	68,208
Other assets ⁽²⁾	2,996	2,293	7,160	562	997	14,008
Total assets	59,157	39,231	37,676	3,619	11,611	151,294
Subordinated term debts	100	5,709	–	338	–	6,147
Deposits and balances of banks	959	4,597	878	99	1,913	8,446
Deposits and other accounts of non-bank customers	55,137	21,811	20,976	3,242	5,605	106,771
Other liabilities ⁽³⁾	2,764	3,998	6,220	130	1,211	14,323
Total liabilities	58,960	36,115	28,074	3,809	8,729	135,687
Minority interests	2,078	–	–	–	–	2,078
Equity	13,529	–	–	–	–	13,529
Total liabilities and equity	74,567	36,115	28,074	3,809	8,729	151,294
Net on-balance sheet position	(15,410)	3,116	9,602	(190)	2,882	–
Net off-balance sheet position	91,337	136,891	186,415	6,377	50,792	471,812

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

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

(3) 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, 2001:

In S\$'million	Net investments in overseas operations	Borrowings which hedge the net investments	Remaining structural currency exposures
Functional currency of the operation involved			
US Dollar	130	131	(1)
Hong Kong Dollar	3,518	3,323	195
Thai Baht	(666)	(659)	(7)
Others	821	614	207
Total	3,803	3,409	394

(1) Refer to net tangible asset of subsidiaries/associate companies and capital funds/retained earnings of branches operations.

40.2.3 Market Risk

Financial instruments are also used to assist customers to manage risk. Market risk arises from changes in market rates such as interest rates, foreign exchange rates and equity prices, as well as in their correlation and volatility levels. The Group's trading activities use financial instruments to provide our customers the ability to manage their market risk exposures. The most commonly used financial instruments in the trading activities are foreign exchange forward contracts, foreign currency and interest rate futures, interest rate and currency swaps, forward rate agreements, and foreign currency and interest rate options. The market value of instruments used are based on current market and contracted prices of the underlying instruments, yield curves, time value of money, and volatility measures.

40.2.4 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Senior management manages credit risk at the enterprise level by setting the overall direction and policy. In so doing, it directs the lending policies and risk appetite 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, which all extensions of credit must adhere to. These principles include thorough knowledge of the borrower, purposes of credit, identification and assessment of repayment sources, and appropriate credit structuring.

40.2.5 Concentration Risk

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

40.2.6 Liquidity Risk

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

The table below analyses assets and liabilities of DBSH Group into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

In S\$'million	Repayable on demand	Less than 7 days	1 week to 1 month	1-3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	No specific maturity	Total
December 31, 2001										
Cash, and balances and placements with central banks and banks	4,151	7,786	10,805	9,665	11,726	543	27	11	-	44,714
Securities ⁽¹⁾	10,778	83	429	1,489	3,714	3,268	3,347	187	1,069	24,364
Loans to, and bills receivable from, non-bank customers	5,192	1,054	8,377	3,817	6,253	10,233	8,646	24,636	-	68,208
Other assets ⁽²⁾	2,117	-	-	-	-	-	-	-	11,891	14,008
Total assets	22,238	8,923	19,611	14,971	21,693	14,044	12,020	24,834	12,960	151,294
Subordinated term debts	-	-	-	7	17	49	209	5,865	-	6,147
Deposits and balances of banks	318	2,246	2,459	2,098	1,325	-	-	-	-	8,446
Deposits and other accounts of non-bank customers	53,682	9,064	25,276	10,951	6,951	645	202	-	-	106,771
Other liabilities ⁽³⁾	6,798	224	456	902	845	706	573	907	2,912	14,323
Total liabilities	60,798	11,534	28,191	13,958	9,138	1,400	984	6,772	2,912	135,687
Minority interests	-	-	-	-	-	-	-	-	2,078	2,078
Equity	-	-	-	-	-	-	-	-	13,529	13,529
Total liabilities and equity	60,798	11,534	28,191	13,958	9,138	1,400	984	6,772	18,519	151,294
Net liquidity gap	(38,560)	(2,611)	(8,580)	1,013	12,555	12,644	11,036	18,062	(5,559)	-
December 31, 2000										
Cash, and balances and placements with central banks and banks	2,746	2,815	19,098	3,690	10,869	351	114	31	-	39,714
Securities ⁽¹⁾	4,849	15	193	1,163	2,796	1,981	1,715	792	341	13,845
Loans to, and bills receivable from, non-bank customers	4,483	506	5,220	3,528	6,214	9,429	5,570	17,074	-	52,024
Other assets ⁽²⁾	1,743	-	-	-	-	-	-	-	3,882	5,625
Total assets	13,821	3,336	24,511	8,381	19,879	11,761	7,399	17,897	4,223	111,208
Subordinated term debts	-	-	20	-	23	26	11	2,428	-	2,508
Deposits and balances of banks	353	2,217	6,570	2,146	768	-	-	-	-	12,054
Deposits and other accounts of non-bank customers	46,178	5,191	16,997	6,910	4,940	500	4	-	-	80,720
Other liabilities ⁽³⁾	2,572	22	27	126	1,108	365	126	234	977	5,557
Total liabilities	49,103	7,430	23,614	9,182	6,839	891	141	2,662	977	100,839
Minority interests	-	-	-	-	-	-	-	-	(126)	(126)
Equity	-	-	-	-	-	-	-	-	10,495	10,495
Total liabilities and equity	49,103	7,430	23,614	9,182	6,839	891	141	2,662	11,346	111,208
Net liquidity gap	(35,282)	(4,094)	897	(801)	13,040	10,870	7,258	15,235	(7,123)	-

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

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

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

41. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

In S\$ million	Carrying value 2001	Fair value 2001
Financial assets		
Cash, and balances and placements with central banks and banks	44,714	44,758
Securities	24,364	24,381
Financial liabilities		
Subordinated term debts	6,147	6,159
Deposits and balances of banks	8,446	8,448
Deposits and other accounts of non-bank customers	106,771	106,762
Other borrowings, debt securities issued and bills payable	4,738	4,738

Cash, and balances and placements with central banks and banks

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

Securities

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

Subordinated term debts

The estimated fair value of subordinated term debts is based on a discounted cash flow model using a current yield curve appropriate for the remaining term to maturity.

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 interest rates of new debts with similar remaining maturity.

Other borrowings, debt securities and bills payable

The fair value approximates their carrying amounts.

42. 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 at December 31 are as follows:

In S\$'000	DBSH Group	
	2001	2000
Securities sold under repurchase agreements	4,278,565	618,060
Other assets pledged	378,202	429,404
Total	4,656,767	1,047,464

43. EXPOSURES TO MALAYSIA, INDONESIA, THAILAND, KOREA AND THE PHILIPPINES (REGIONAL COUNTRIES), HONG KONG AND CHINA

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.

At December 31, 2001, DBSH Group had assets in the Regional Countries, amounting to S\$7,790 million (2000: S\$7,126 million) and in Hong Kong and China amounting to S\$32,721 million (2000: S\$8,003 million).

In S\$'million	DBSH Group			
	2001		2000	
	Assets	NPLs ^(a)	Assets	NPLs ^(a)
Malaysia	854	409	815	304
Indonesia	445	105	487	176
Thailand (excluding DTDB)	302	59	356	49
Korea	1,551	28	1,044	51
The Philippines	1,011	30	1,354	87
	4,163	631	4,056	667
DTDB	3,627	1,004	3,070	1,238
Total Regional Countries	7,790	1,635	7,126	1,905
Hong Kong	31,602	1,085	6,906	541
China	1,119	118	1,097	153
Total	40,511	2,838	15,129	2,599

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

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

In S\$ million Assets in	Loans and debt securities			Investments	Total	Less: Loans to/ Investments in Financial Subsidiaries/ Overseas Branches	Net Exposure	
	Central Banks Bank	& Govt. Securities	Non- Bank ^(a)				Amount	As a % of Total Assets
	(a)	(b)	(c)	(d)	(e)= (a+b+c+d)	(f)	(g)=(e-f)	(h)
Malaysia	730	-	727	95	1,552	698	854	0.6%
Indonesia	161	31	291	38	521	76	445	0.3%
Thailand (excluding DTDB)	64	9	271	78	422	120	302	0.2%
Korea	1,002	194	464	7	1,667	116	1,551	1.1%
The Philippines	74	99	124	720	1,017	6	1,011	0.7%
SUB-TOTAL	2,031	333	1,877	938	5,179	1,016	4,163	2.8%
DTDB	61	286	3,186	95	3,628	1	3,627	2.4%
TOTAL REGIONAL COUNTRIES	2,092	619	5,063	1,033	8,807	1,017	7,790	5.1%
Hong Kong ^(b)	1,737	4,374	25,491	10,808	42,410	10,808	31,602	20.9%
China	746	28	930	2	1,706	587	1,119	0.7%
TOTAL	4,575	5,021	31,484	11,843	52,923	12,412	40,511	26.8%

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

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

The DBSH Group's exposures to these countries at December 31, 2000 are as follows:

In S\$ million Assets in	Loans and debt securities			Investments	Total	Less: Loans to/ Investments in Financial Subsidiaries/ Overseas Branches	Net Exposure	
	Central Banks Bank	& Govt. Securities	Non- Bank ^(a)				Amount	As a % of Total Assets
	(a)	(b)	(c)	(d)	(e)= (a+b+c+d)	(f)	(g)=(e-f)	(h)
Malaysia	664	34	645	48	1,391	576	815	0.8
Indonesia	205	47	301	37	590	103	487	0.5
Thailand (excluding DTDB)	53	9	302	17	381	25	356	0.3
Korea	609	224	385	13	1,231	187	1,044	1.0
The Philippines	271	137	511	694	1,613	258	1,354	1.3
SUB-TOTAL	1,802	451	2,144	809	5,206	1,149	4,056	3.8
DTDB	58	231	2,748	42	3,079	9	3,070	2.8
TOTAL REGIONAL COUNTRIES	1,860	682	4,892	851	8,284	1,158	7,126	6.4
Hong Kong ^(b)	783	202	6,226	1,015	8,226	1,320	6,906	6.2
China	743	27	960	9	1,738	641	1,097	1.0
TOTAL	3,386	911	12,078	1,874	18,249	3,120	15,129	13.6

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

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

44. NON-PERFORMING LOANS AND PROVISIONS

44.1 At December 31, 2001, DBSH Group's total non-performing loans amounted to S\$4,512.2 million (2000: S\$4,410.5 million). Non-performing loans ("NPLs") are loans, contingent facilities and debt instruments classified as Substandard, Doubtful or Loss in accordance with MAS Notice 612.

Out of the total NPLs of S\$4,512.2 million:

- S\$3,085.5 million (68%) [2000: S\$3,507.5 million (80%)] were in the substandard category; and
- S\$2,604.0 million (58%) [2000: S\$2,651.1 million (60%)] were secured by collateral.

Total cumulative specific and general provisions at December 31, 2001 amounted to 143% (2000: 130%) of unsecured NPLs.

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

In S\$'million	Regional Countries					Total
	Singapore	Hong Kong ^(b)	DTDB ^(a)	Others	Other Countries	
December 31, 2001						
Non- Performing Loans (NPLs)						
	1,528	1,085	1,004	631	264	4,512
- Substandard	1,175	530	810	379	191	3,085
- Doubtful	27	344	17	112	21	521
- Loss	326	211	177	140	52	906
NPLs as a % of:						
- Total loans in the respective countries	3.7%	4.1%	27.7%	12.2%	0.8%	4.0%
- Group total assets	1.0%	0.7%	0.7%	0.4%	0.2%	3.0%
Non-bank NPLs as a % of non-bank loans in the respective countries						
	3.6%	4.3%	29.8%	26.1%	6.8%	5.7%
Total Cumulative Provisions						
	838	553	727 ^(c)	460	141	2,719
- Specific provisions	465	304	545	244	101	1,659
- General provisions	373	249	182	216	40	1,060
Total Cumulative Provisions as a % of:						
- Total loans in the respective countries	2.0%	2.1%	20.0%	8.9%	0.4%	2.4%
- Group total assets	0.6%	0.4%	0.5%	0.3%	0.1%	1.8%
- NPLs in the respective countries	55%	51%	72%	73%	53%	60%
- Unsecured NPLs in the respective countries	151%	150%	162%	124%	86%	143%

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

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

(c) Includes provision of S\$145 million (2000: S\$136 million) in respect of foreclosed properties in DTDB.

Details of DBSH Group's NPLs and provisions at December 31, 2000 were as follows:

In S\$'million	Regional Countries					Total
	Singapore	Hong Kong ^(b)	DTDB ^(a)	Others	Other Countries	
December 31, 2000						
Non-Performing Loans (NPLs)	1,735	542	1,238	667	229	4,411
– Substandard	1,544	358	956	501	149	3,508
– Doubtful	28	174	32	98	25	357
– Loss	163	10	250	68	55	546
NPLs as a % of:						
– Total loans in the respective countries	3.5%	8.3%	40.2%	12.8%	0.8%	4.8%
– Group total assets	1.6%	0.5%	1.1%	0.6%	0.2%	4.0%
Non-bank NPLs as a % of non-bank loans in the respective countries	4.2%	8.3%	42.7%	28.2%	6.1%	7.6%
Total Cumulative Provisions	787	181	719 ^(c)	478	121	2,286
– Specific provisions	307	110	545	191	84	1,237
– General provisions	480	71	174	287	37	1,049
Total Cumulative Provisions as a % of:						
– Total loans in the respective countries	1.6%	2.8%	23.4%	9.2%	0.4%	2.5%
– Group total assets	0.7%	0.2%	0.6%	0.4%	0.1%	2.1%
– NPLs in the respective countries	45%	33%	58%	72%	53%	52%
– Unsecured NPLs in the respective countries	155%	113%	119%	132%	97%	130%

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

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

(c) Includes provision of S\$136 million in respect of foreclosed properties in DTDB.

44.2 INDUSTRY ANALYSIS OF NON-PERFORMING LOANS

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

In S\$'million	DBSH Group			
	2001		2000	
	Outstanding	Specific Provisions	Outstanding	Specific Provisions
Manufacturing	891.3	437.7	917.0	318.1
Building and Construction	772.3	246.4	877.5	184.0
Housing Loans	310.6	63.0	254.4	37.1
General Commerce	754.7	335.3	847.4	282.8
Transportation, Storage and Communications	237.2	60.3	233.6	35.1
Financial Institutions, Investment and Holding Companies	497.2	156.5	433.0	117.7
Professionals and Private Individuals (except Housing Loans)	416.7	167.8	284.9	74.5
Others	632.2	191.5	562.7	187.7
Total	4,512.2	1,658.5	4,410.5	1,237.0

44.3 AGEING OF NON-PERFORMING LOANS

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

In S\$'million	DBSH Group	
	2001	2000
Non-default	1,406.2	1,925.8
Default loans	3,106.0	2,484.7
Less than 3 months	699.7	612.6
Over 3 months and less than 6 months	546.8	333.2
Over 6 months	1,859.5	1,538.9
Total	4,512.2	4,410.5

45. SEGMENTAL ANALYSIS

45.1 BUSINESS SEGMENT ANALYSIS

The financial statement presents an analysis of the results by classes of business based on the following business groupings:

- **Consumer Banking**
Consumer Banking focuses on providing products and services to individual customers and small and medium enterprises. The products and services offered to customers include credit facilities (mortgage, trade, personal loans and hire purchase financing, etc), credit cards, remittance services, deposit collection, stock brokerage services and asset management 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, structured financing, advisory bankers services, merger and acquisition and debt restructuring advisory services, nominee and trustee services and cash management services.
- **Treasury and Markets**
Treasury and Markets is involved in proprietary trading in treasury related products and services such as foreign exchange and derivatives, money market operations and securities trading. Income from customer trading is reflected in Consumer Banking and Investment Banking.
- **Central Operations**
Central Operations are a variety of activities, which support the operating business. It includes corporate income and expense items that are not allocated to individual business segments. In addition, the funding cost of DBSH Group's associated and subsidiary companies are included in this category. Goodwill is presently not allocated to business segments.

The following tables analyse the net profit before taxation, total assets and total liabilities by business segments:

In S\$'million	DBSH Group				Total
	Consumer Banking	Investment Banking	Treasury and Markets	Central Operations	
2001					
Income before operating expenses	1,983	852	561	149	3,545
Net profit before taxation and goodwill amortisation	710	396	410	(21)	1,495
Taxation	(167)	(99)	(73)	66	(273)
Net profit before goodwill amortisation	511	295	318	6	1,130
Goodwill amortisation					(131)
Net profit attributable to members					999
Other Information					
Segment assets	44,018	28,344	45,940	471	118,773
Unallocated corporate assets	-	-	-	27,397	27,397
Total assets before goodwill and intangible assets	44,018	28,344	45,940	27,868	146,170
Goodwill and intangible assets					5,124
Total assets					151,294
Segment liabilities	95,830	14,751	10,964	1,614	123,159
Unallocated corporate liabilities	-	-	-	12,528	12,528
Total liabilities	95,830	14,751	10,964	14,142	135,687
Capital expenditure	112	6	14	52	184
Depreciation	61	3	8	97	169
2000					
Income before operating expenses	1,528	883	372	148	2,931
Net profit before taxation	679	710	281	5	1,675
Taxation	(156)	(169)	(59)	69	(315)
Net profit attributable to members	518	549	211	111	1,389
Other Information					
Segment assets	27,579	33,114	31,236	2,163	94,092
Unallocated corporate assets	-	-	-	17,116	17,116
Total assets	27,579	33,114	31,236	19,279	111,208
Segment liabilities	70,979	15,994	6,158	1,803	94,934
Unallocated corporate liabilities	-	-	-	5,905	5,905
Total liabilities	70,979	15,994	6,158	7,708	100,839
Capital expenditure	94	10	14	129	247
Depreciation	39	10	5	82	136

The 2000 segment numbers as disclosed in the Table 45.1 above have been re-presented to reflect a change in the revenue and cost allocation methodologies introduced in Year 2001 and to allocate DTDB's results into the appropriate business segments.

The 2000 segment numbers as disclosed in the 2000 financial statements are as follows:

- Income before operating expenses for Consumer Banking and Central Operations were S\$1,623 million and S\$4 million, respectively; and
- Net profit attributable to members for Consumer Banking and Central Operations were S\$620 million and S\$19 million, respectively.

45.2 GEOGRAPHICAL SEGMENT ANALYSIS

DBSH Group operates in four main geographical areas:

- **Singapore**, the home country of DBSH, which includes all the areas of operations in the primary business segments.
- **"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** - the main activities are branch operations.

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

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

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

In S\$'million	Total assets ^(a)	DBSH Group Income before operating expenses	Net profit attributable to members
2001			
Singapore ^(b)	90,109	2,468	802
Hong Kong	49,223	813	195
Regional Countries ^(b)	5,152	174	(25)
Rest of the World	6,810	90	27
Total	151,294	3,545	999
2000			
Singapore ^(b)	89,868	2,406	1,207
Hong Kong	10,193	290	122
Regional Countries ^(b)	4,861	134	12
Rest of the World	6,286	101	48
Total	111,208	2,931	1,389

(a) Total assets exclude "Life-fund assets attributable to policyholders".

(b) Singapore includes the operations of Asian Currency Unit. Special general provisions for regional exposures and additional specific provisions for DTDB's loans and amortisation of goodwill on acquisition of DHG are booked in Singapore.

46. NET CURRENT ASSETS AND LIABILITIES

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

In S\$'000	DBSH Group	
	2001	2000
Current Assets		
Cash, and balances and placements with central banks	3,545,648	5,110,372
Singapore Government securities and treasury bills	4,683,424	4,166,442
Trading securities	10,777,888	4,849,421
Balances, placements with, and loans and advances to banks	40,587,838	34,107,024
Bills receivable from non-bank customers	1,529,740	992,391
Loans and advances to non-bank customers	23,163,413	18,958,428
Investment securities	1,031,378	–
Other assets	2,116,587	1,743,258
Total current assets	87,435,916	69,927,336
Current Liabilities		
Deposits and balances of banks	8,445,671	12,053,626
Deposits and other accounts of non-bank customers	105,923,336	80,216,208
Other debt securities in issue	2,038,015	376,066
Other borrowings	118,124	201,019
Subordinated term debts	24,754	43,635
Bills payable	394,827	407,394
Other liabilities	6,402,934	2,164,522
Current taxation	270,852	407,675
Proposed dividends	–	296,200
Total current liabilities	123,618,513	96,166,345
Net current liabilities	(36,182,597)	(26,239,009)

47. RELATED PARTY TRANSACTIONS**47.1 TRANSACTIONS WITH DBS BANK, A WHOLLY-OWNED SUBSIDIARY COMPANY**

In its ordinary course of business, DBSH has fixed deposit balances with DBS Bank at normal commercial terms. DBSH received interest income from DBS Bank during the financial year amounting to S\$18,752,555 (2000: S\$19,169,000).

47.2 TRANSACTIONS WITH OTHER RELATED PARTIES OF DBSH GROUP

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

47.3 SHARE OPTIONS GRANTED TO DIRECTORS

The aggregate number of share options granted to directors of DBSH during the year was 175,000 (2000: 648,000). The share options were granted on the same terms and conditions as those offered to other employees of DBSH Group (Note 14). The outstanding number of share options granted to the directors of DBSH at the end of the year was 387,375 (2000: 1,196,244).

48. SUBSEQUENT EVENTS

48.1 SALE OF INVESTMENTS

On December 31, 2001, DBS Computer Services Pte Ltd, a subsidiary company of DBS Bank, entered into a Sale and Purchase Agreement to dispose the whole of its investment of 1,250,000 ordinary shares of S\$1.00 each in the joint venture, The Payment Solutions Company Pte Ltd, for a cash consideration of S\$5,400,000. The effective date of disposal was January 11, 2002.

On January 3, 2002, DBS Bank sold its entire 14.99% equity interest in CWT Distribution Limited to PSA Logistics Pte Ltd, a wholly-owned subsidiary of PSA Corporation Limited (PSA). The sale is consistent with the Bank's ongoing efforts to divest non-core assets. As a result of this transaction, DBS Bank would realise gross cash proceeds of approximately S\$13,500,000 (excluding brokerage and other transaction costs), which will be deployed for working capital purposes. The gain from the sale was about S\$12,550,000.

49. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on February 18, 2002.