

OFFER DOCUMENT DATED JULY 20, 2001

THIS OFFER DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt about this Offer, you should consult your stockbroker, bank manager, solicitor or other professional adviser immediately.

Goldman Sachs (Singapore) Pte. is acting for and on behalf of DBS Group Holdings Ltd and does not purport to advise the shareholders of Overseas Union Bank Limited ("OUB").

If you have sold or transferred all your OUB shares, you should at once hand this Offer Document and the accompanying Form of Acceptance and Transfer to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale for onward transmission to the purchaser or transferee. If you have sold or transferred all your OUB shares held through The Central Depository (Pte) Limited ("CDP"), you need not forward this Offer Document and the accompanying Form of Acceptance and Authorisation ("FAA") as arrangements will be made by CDP for a separate Offer Document and FAA to be delivered to the purchaser or transferee.

The views of the independent directors of OUB and the independent financial adviser of OUB on the Offer will be made available to you in due course. You may wish to consider their views before taking any decision on the Offer.

VOLUNTARY CONDITIONAL OFFER

by

**GOLDMAN SACHS (SINGAPORE) PTE.**

(Incorporated in the Republic of Singapore)

for and on behalf of

DBS**DBS GROUP HOLDINGS LTD**

(Incorporated in the Republic of Singapore)

to acquire all the issued ordinary shares of S\$1 each in the share capital of

OVERSEAS UNION BANK LIMITED

(Incorporated in the Republic of Singapore)

ACCEPTANCES SHOULD BE RECEIVED BY THE CLOSE OF THE OFFER AT 3.30 P.M. ON AUGUST 10, 2001 OR SUCH LATER DATE(S) AS MAY BE ANNOUNCED FROM TIME TO TIME BY OR ON BEHALF OF DBSH.

The procedures for acceptance are set out on pages C-1 to C-4 of this Offer Document.

DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this Offer Document, the FAAs and the FATs: —

“Announcement Date”	June 22, 2001, the date of the announcement of the Offer
“CAR”	Capital adequacy ratio, as determined in accordance with Bank for International Settlements guidelines
“CDP”	The Central Depository (Pte) Limited
“Closing Date”	3.30 p.m. on August 10, 2001 (or such later date(s) as may be announced from time to time by or on behalf of DBSH), the last day for the lodgement of acceptances for the Offer
“Code”	Singapore Code on Take-overs and Mergers
“Companies Act”	Companies Act, Chapter 50 of Singapore
“Conditions”	Conditions of the Offer as set out in Appendix B of this Offer Document
“CPF”	Central Provident Fund
“DBS Bank”	The Development Bank of Singapore Ltd
“DBSH”	DBS Group Holdings Ltd
“DBSH Group”	DBSH and its subsidiaries and associated companies
“DBSH Preference Shares”	(1) Non-voting non-redeemable convertible preference shares of par value S\$1 each in the capital of DBSH and (2) non-voting redeemable convertible preference shares of par value S\$1 each in the capital of DBSH
“DBSH Shares”	Ordinary shares of par value S\$1 each in the capital of DBSH
“Directors”	Directors of DBSH as of the Latest Practicable Date
“EGM”	Extraordinary general meeting of DBSH shareholders to be held on August 6, 2001 and any adjournment thereof
“Encumbrances”	Liens, equities, charges, encumbrances, rights of pre-emption and any other third party rights or interests of any nature whatsoever
“EPS”	Earnings per share, as determined in accordance with Singapore GAAP
“FAA”	Form of Acceptance and Authorisation
“FAT”	Form of Acceptance and Transfer
“Goldman Sachs”	Goldman Sachs (Singapore) Pte.
“Latest Practicable Date”	July 13, 2001, the latest practicable date prior to the printing of this Offer Document
“Market Day” or “Dealing Day”	A day on which the SGX-ST is open for trading of securities
“MAS”	Monetary Authority of Singapore
“New DBSH Shares”	New DBSH Shares to be issued pursuant to the Offer
“Notice of Offer”	Notice of take-over offer delivered by Goldman Sachs, for and on behalf of DBSH, to the board of directors of OUB on June 23, 2001

“NTA”	Net tangible asset value, as determined in accordance with Singapore GAAP
“Offer”	Voluntary conditional offer made by DBSH for OUB on the terms and conditions set out in this Offer Document, the FAAs and the FATs or on such other terms and conditions as the Directors may deem to be in the interests of DBSH and its shareholders
“Offer Announcement”	Announcement of the Offer released by Goldman Sachs for and on behalf of DBSH on June 22, 2001
“Offer Document”	This document
“Offer Shares”	Issued OUB Shares to which the Offer relates, as more particularly defined in paragraphs 1.4 and 2.3
“OUB”	Overseas Union Bank Limited
“OUB Group”	OUB and its subsidiaries and associated companies
“OUB Options”	Options to subscribe for new OUB Shares granted under the OUB Share Option Scheme 1995 and the OUB Share Option Scheme 2001
“OUB Shares”	Ordinary shares of par value S\$1 each in the capital of OUB
“Part B Statement”	Statement in compliance with Part B of the Tenth Schedule to the Companies Act delivered by Goldman Sachs, for and on behalf of DBSH, to the board of directors of OUB on June 23, 2001
“PER”	Price earnings ratio, as determined in accordance with Singapore GAAP
“ROC”	Registrar of Companies and Businesses of Singapore
“ROE”	Return on equity, as determined in accordance with Singapore GAAP
“ROTE”	Return on tangible equity, as determined in accordance with Singapore GAAP
“Securities Account”	Securities account maintained by a Depositor with CDP
“SGX-ST”	Singapore Exchange Securities Trading Limited
“SIC”	Securities Industry Council of Singapore
“Singapore GAAP”	Generally accepted accounting principles and standards in Singapore, as published by the Institute of Certified Public Accountants of Singapore
“%” or “per cent.”	Percentage or per centum
“S\$” and “cents”	Singapore dollars and cents, respectively, the lawful currency of Singapore

OUB Shareholders. References to “you”, “your” and “yours” in this Offer Document are to OUB shareholders (including persons whose Offer Shares are deposited with CDP or who have purchased Offer Shares on the SGX-ST).

Depositors, etc. The expressions “Depositor”, “Depository Agent” and “Depository Register” shall have the meanings ascribed to them, respectively, in the Companies Act.

Acting in Concert; Associates. The expressions “acting in concert” and “associates” shall have the meaning ascribed to them, respectively, in the Code.

Genders, etc. Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the other genders. References to persons shall include corporations.

Headings. The headings in this Offer Document are inserted for convenience only and shall be ignored in construing this Offer Document.

Time. Any reference to a time of day and date in this Offer Document shall be a reference to Singapore time and date, unless otherwise specified.

Rounding. Any discrepancies in the tables in this Offer Document between the listed amounts and the totals thereof are due to rounding.

Statutes. Any reference in this Offer Document to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the Code or any modification thereof and used in this Offer Document shall, where applicable, have the meaning assigned to that word under the Companies Act, the Code or that modification, as the case may be.



GOLDMAN SACHS (SINGAPORE) PTE.

1, Raffles Link, #07-01,
Singapore 039393.

To: Shareholders of
Overseas Union Bank Limited

July 20, 2001

Dear Sir / Madam,

VOLUNTARY CONDITIONAL OFFER FOR OVERSEAS UNION BANK LIMITED

1. INTRODUCTION

1.1 Offer. On June 22, 2001, Goldman Sachs (Singapore) Pte. ("**Goldman Sachs**") announced, for and on behalf of DBS Group Holdings Ltd ("**DBSH**"), that DBSH intended to make a voluntary conditional take-over offer (the "**Offer**") for Overseas Union Bank Limited ("**OUB**"). A copy of the announcement of the Offer (the "**Offer Announcement**") is available on the website of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") at www.sgx.com. See "Offer" below.

1.2 Notice of Offer; Part B Statement. On June 23, 2001, Goldman Sachs delivered for and on behalf of DBSH: —

- (1) a notice of take-over offer (the "**Notice of Offer**"); and
- (2) a statement (the "**Part B Statement**") in compliance with Part B of the Tenth Schedule to the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"),

in connection with the Offer to the board of directors of OUB. The texts of the Notice of Offer and the Part B Statement are set out in Appendix A of this Offer Document.

1.3 EGM. On July 20, 2001, DBSH despatched a Circular to its shareholders to convene an extraordinary general meeting ("**EGM**") on August 6, 2001 and to seek their approval at the EGM for the Offer, the increase in the authorised ordinary share capital of DBSH and the issue of new ordinary shares of par value S\$1 each in the capital of DBSH (each, a "**New DBSH Share**") pursuant to the Offer. A copy of the Circular is available for inspection at the office of DBSH (see Appendix H of this Offer Document).

1.4 Offer Document. This Offer Document contains the formal offer by Goldman Sachs, for and on behalf of DBSH, for all the ordinary shares of par value S\$1 each in the capital of OUB (each, an "**OUB Share**") in issue not owned by DBSH or its subsidiaries as of the date hereof (the "**Offer Shares**") in accordance with the Companies Act and the Singapore Code on Take-overs and Mergers (the "**Code**").

1.5 UOB Offer. On June 29, 2001, Merrill Lynch (Singapore) Pte Ltd announced, for and on behalf of United Overseas Bank Limited ("**UOB**"), that UOB intended to make a voluntary conditional take-over offer for OUB on the terms and conditions set out in the UOB announcement. A copy of the UOB announcement is available on the website of the SGX-ST at www.sgx.com.

2. OFFER

2.1 Offer Terms. For and on behalf of DBSH, Goldman Sachs hereby makes the Offer on the following basis: —

- | | | |
|-----------------------------|----------|---|
| For each Offer Share | : | <ul style="list-style-type: none"> • 0.61 New DBSH Shares and • S\$1.14 in cash |
|-----------------------------|----------|---|

and so on in proportion of any other number of Offer Shares. **DBSH expressly reserves its right to revise the terms of the Offer if and when the Directors consider it to be in the interests of DBSH and its shareholders to do so or to revise the Offer in any manner the Directors so deem fit.**

2.2 Illustrative Example. An OUB shareholder who accepts the Offer will receive, for every 1,000 Offer Shares tendered in acceptance of the Offer, (1) 610 New DBSH Shares and (2) S\$1,140 in cash.

2.3 Offer Shares. The Offer is extended to: —

- (1) all the issued OUB Shares owned, controlled or agreed to be acquired by parties acting or deemed to be acting in concert with DBSH in connection with the Offer (other than subsidiaries of DBSH); and
- (2) all new OUB Shares unconditionally issued or to be issued pursuant to the valid exercise prior to the close of the Offer of any options (each, an “**OUB Option**”) to subscribe for new OUB Shares granted under the OUB Share Option Scheme 1995 and the OUB Share Option Scheme 2001.

For the purposes of the Offer, the expression “**Offer Shares**” shall include all such OUB Shares.

2.4 No Encumbrances. The Offer Shares will be acquired (1) fully paid, (2) free from all liens, equities, charges, encumbrances, rights of pre-emption and any other third party rights or interests of any nature whatsoever (each, an “**Encumbrance**”) and (3) together with all rights attached thereto as of June 22, 2001 (being the date of the announcement of the Offer (the “**Announcement Date**”)) and thereafter attaching thereto (but excluding only the right to any dividends or other distributions (including, without limitation, interim dividends) declared, made or paid by OUB prior to the close of the Offer).

2.5 New DBSH Shares. Pursuant to the Offer and based on the terms of the Offer as of the date hereof, DBSH will issue between: —

- (1) approximately 606 million New DBSH Shares, representing (a) approximately 49.8 per cent. of the issued share capital of DBSH as of July 13, 2001 (being the latest practicable date prior to the printing of this Offer Document, the “**Latest Practicable Date**”) and (b) approximately 33.3 per cent. of the enlarged issued share capital of DBSH after the close of the Offer (in each case, assuming (i) full acceptance of the Offer, (ii) no outstanding OUB Options or options or awards to subscribe for any new DBSH Shares are exercised and (iii) no outstanding DBSH Preference Shares are converted into new DBSH Shares); and
- (2) approximately 622 million New DBSH Shares, representing (a) approximately 51.1 per cent. of the issued share capital of DBSH as of the Latest Practicable Date and (b) approximately 33.8 per cent. of the enlarged issued share capital of DBSH after the close of the Offer (in each case, assuming (i) full acceptance of the Offer, (ii) all outstanding OUB Options are exercised, (iii) no outstanding options or awards to subscribe for any new DBSH Shares are exercised and (iv) no outstanding DBSH Preference Shares are converted into new DBSH Shares).

The New DBSH Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the existing ordinary shares of par value S\$1 each in the capital of DBSH (each, a “**DBSH Share**”) as of the date of their issue, except only that the New DBSH Shares will not carry the right to any dividends or other distributions (including, without limitation, interim dividends) declared, made or paid by DBSH prior to the date of their issue.

On July 6, 2001, the SGX-ST granted its in-principle approval for the listing and quotation of the New DBSH Shares to be issued pursuant to the Offer on the SGX-ST. Such approval and the admission of the New DBSH Shares to the Official List of the

SGX-ST is not to be taken as an indication of the merits of the Offer or the issue of the New DBSH Shares.

- 2.6 Fractional Entitlements.** Fractions of a New DBSH Share will not be issued to any holder of Offer Shares who accepts the Offer (each, an **“accepting OUB shareholder”**). Fractional entitlements to a cent will be disregarded and will not be paid to accepting OUB shareholders.

3. CONDITIONS OF OFFER

The Offer is subject to the conditions set out in Appendix B of this Offer Document (each, a **“Condition”**). DBSH reserves the right to waive, in whole or in part, all or any of the Conditions other than Conditions (1), (2), (3) and (4) set out in Appendix B.

4. WARRANTY

Acceptance of the Offer will be deemed to constitute a warranty by the accepting OUB shareholder(s) that the Offer Shares tendered in acceptance of the Offer are sold by that accepting OUB shareholder(s), as or on behalf of the beneficial owner(s) thereof, (1) fully paid, (2) free from all Encumbrances and (3) together with all rights attached thereto as of the Announcement Date and thereafter attaching thereto (but excluding only the right to any dividends or other distributions (including, without limitation, interim dividends) declared, made or paid by OUB prior to the close of the Offer).

5. DURATION OF OFFER

- 5.1 Minimum Period for Acceptance.** Except insofar as the Offer may be withdrawn with the consent of the Securities Industry Council (**“SIC”**) and every person released from any obligation incurred thereunder, the Offer is open for acceptance by OUB shareholders for at least 21 days from the date hereof or such later date(s) as may be announced by or on behalf of DBSH from time to time.

Accordingly, the Offer will close at 3.30 p.m. on August 10, 2001 (or such later date as may be announced from time to time by or on behalf of DBSH) (the “Closing Date”).

- 5.2 Further Period for Acceptance.** If the Offer becomes or is declared unconditional in all respects, in order to give those OUB shareholders who have not accepted the Offer the opportunity to do so, the Offer will remain open for acceptance for a period of not less than 14 days after the date on which it would otherwise have expired, unless it becomes or is declared unconditional in all respects on or by an expiry date and DBSH has given not less than 14 days' notice in writing to the OUB shareholders that the Offer will not be open for acceptance beyond that date, provided that: —

- (1) such notice shall not be capable of being enforced in a situation which the SIC may deem to be competitive; and
- (2) no such notice shall be given during the period commencing from the announcement of a competing offer and ending at the time when the resultant competitive situation has ceased.

If a declaration that the Offer is unconditional in all respects is confirmed in accordance with paragraph 9.2 below, such period of 14 days during which the Offer will remain open for acceptance will run from the date of such confirmation or the date on which the Offer would otherwise have expired, if later.

- 5.3 Long-Stop Date.** Except with the prior approval of the SIC and the Registrar of Companies and Businesses (**“ROC”**), the Offer (whether revised or not) shall not be capable of becoming or being declared to be unconditional in all respects after 3.30 p.m. on the 60th day after the date hereof or of being kept open after that time unless it has previously so become or been declared to be unconditional in all respects.

- 5.4 Revision.** If the Offer is revised, the Offer will remain open for acceptance for a period of at least 14 days from the date of the despatch of written notification of the revision to the OUB shareholders. In any case, where the terms are revised, the benefit of the Offer

(as so revised) will be made available to each OUB shareholder who has previously accepted the Offer.

5.5 Expiry Date. In any announcement of an extension of the Offer, the next expiry date will be stated.

5.6 Close of Offer. If once the Offer becomes or is declared to be unconditional in all respects and it is stated that the Offer will remain open until further notice, not less than 14 days' notice must be given before the Offer may be closed.

6. PROCEDURES FOR ACCEPTANCE

The procedures for acceptance of the Offer are set out in Appendix C of this Offer Document.

7. SETTLEMENT

7.1 Accepting OUB Shareholders whose Offer Shares are deposited with CDP. Subject to (1) the Offer becoming or being declared unconditional in all respects and (2) the receipt by DBSH from the accepting OUB shareholders of all relevant documents required by it which are complete in all respects and are in accordance with the instructions set out in this Offer Document and the Forms of Acceptance and Authorisation ("**FAAs**") (including, without limitation, confirmation satisfactory to DBSH that the number of Offer Shares tendered by the accepting OUB shareholders in acceptance of the Offer stands to the credit of the "Free Balance" of their respective Securities Accounts with The Central Depository (Pte) Limited ("**CDP**") at the relevant time): —

- (a) remittances for the appropriate amounts will be sent only to CDP or its nominee; and
- (b) one or more share certificates in respect of the New DBSH Shares for the appropriate number of New DBSH Shares will be registered in the name of CDP or its nominee and will be sent only to CDP or its nominee.

CDP will despatch such remittances by ordinary post to the accepting OUB shareholders at their own risk. In addition, CDP will debit the respective Securities Accounts of the accepting OUB shareholders with the number of Offer Shares tendered by them in acceptance of the Offer and will credit those Securities Accounts with the appropriate number of the New DBSH Shares as soon as practicable and in any event: —

- (i) in respect of acceptances which are complete in all respects and are received on or before the date on which the Offer becomes or is declared unconditional in all respects, within 21 days of such date; or
- (ii) in respect of acceptances which are complete in all respects and are received after the date on which the Offer becomes or is declared unconditional in all respects, but before the Offer closes, within 21 days of the date of such receipt.

CDP will send by ordinary post to the accepting OUB shareholders at their respective addresses as they appear in the records of CDP, and at their own risk, statements showing the number of Offer Shares which have been debited against their respective Securities Accounts and the number of New DBSH Shares which have been credited to those Securities Accounts.

7.2 Accepting OUB Shareholders whose Offer Shares are represented by Share Certificates. Subject to (1) the Offer becoming or being declared unconditional in all respects and (2) the receipt by DBSH from the accepting OUB shareholders of all relevant documents required by it which are complete in all respects and are in accordance with the instructions set out in this Offer Document and the Forms Acceptance and Transfer ("**FATs**") (including, without limitation, the share certificates relating to the Offer Shares tendered by the accepting OUB shareholders in acceptance of the Offer): —

- (a) remittances in the form of cheques for the appropriate amounts; and
- (b) share certificates in respect of the New DBSH Shares for the appropriate number of New DBSH Shares registered in the name of the accepting OUB shareholders,

will be despatched by ordinary post to the accepting OUB shareholders (or their designated agents, as they may direct), and at their own risk, at their respective addresses as they appear in the Register of Members of OUB (or to such different names and addresses as may be specified by the accepting OUB shareholders in the relevant FATs) as soon as practicable and in any event: —

- (i) in respect of acceptances which are complete in all respects and are received on or before the date on which the Offer becomes or is declared unconditional in all respects, within 21 days of such date; or
- (ii) in respect of acceptances which are complete in all respects and are received after the date on which the Offer becomes or is declared unconditional in all respects, but before the Offer closes, within 21 days of the date of such receipt.

Share certificates in respect of the New DBSH Shares will not be valid for delivery pursuant to trades done on the SGX-ST although they will constitute good evidence of legal title.

8. ANNOUNCEMENTS

8.1 *Announcement.* By 9.30 a.m. on the Dealing Day (the “**Relevant Day**”) next following the day on which the Offer is due to expire, or becomes or is declared to be unconditional in all respects, or is revised or extended (where applicable), DBSH will announce and simultaneously inform the SGX-ST of the position. Such announcement will also state (as nearly as practicable): —

- (1) the total number of Offer Shares for which valid acceptances of the Offer have been received;
- (2) the total number of Offer Shares held by DBSH and any party acting in concert with it in connection with the Offer prior to the commencement of the offer period (as defined in the Code); and
- (3) the total number of Offer Shares acquired or agreed to be acquired by DBSH and any party acting in concert with it in connection with the Offer during the offer period (as so defined),

and will specify the percentages of the issued share capital of OUB (including the OUB Shares issued or to be issued pursuant to the valid exercise of the OUB Options prior to the close of the Offer) represented by such numbers.

If DBSH is unable, within the time limit, to comply with this paragraph 8.1, the SGX-ST will consider suspension of trading in OUB Shares until the relevant information is given.

8.2 *Certain Definitions.* In this Offer Document, references to the making of an announcement or the giving of notice by DBSH shall include the release of an announcement by Goldman Sachs or by advertising agents, for and on behalf of DBSH, to the press or the delivery of or transmission by telephone, telex, facsimile, MASNET or otherwise of an announcement to the SGX-ST. An announcement made otherwise than to the SGX-ST shall be notified simultaneously to the SGX-ST.

In computing the number of Offer Shares represented by acceptances, DBSH will at the time of making an announcement take into account (1) acceptances which are valid in all respects and (2) acceptances which are duly completed and accompanied by contract statements, validly issued by a member company of the SGX-ST in the name of the accepting OUB shareholder, in respect of the purchase by the accepting OUB shareholder of Offer Shares which are deposited with CDP (subject to the “Free Balance” of the Securities Account of the accepting OUB shareholder being credited

with the relevant number of such Offer Shares within ten Market Days of the date of the relevant original contract statement(s)).

9. RIGHT OF WITHDRAWAL

9.1 *Acceptances Irrevocable.* Subject to paragraph 5 of this Offer Document, this paragraph 9, Appendix C of this Offer Document and Section 213(10) of the Companies Act, acceptances of the Offer shall be irrevocable.

9.2 *Right of Withdrawal.* If, having announced the Offer to be unconditional in all respects, DBSH fails to comply with any of the other requirements set out in paragraph 8.1 above by 3.30 p.m. on the Relevant Day, any accepting OUB shareholder shall be entitled to withdraw his acceptance by written notice to DBSH at its registered office. Subject to paragraph 5.3 above, this right of withdrawal may be terminated not less than eight days after the Relevant Day by DBSH confirming (if that be the case) that the Offer is still unconditional in all respects and complying with paragraph 8.1 above. For the purposes of paragraph 5.2 above, the period of 14 days first referred to therein will run from the date of such confirmation.

9.3 *Further Right of Withdrawal.* An accepting OUB shareholder shall be entitled to withdraw his acceptance by written notice to DBSH at its registered office in any case after the expiry of 21 days from the first closing date of the Offer, if the Offer has not by such expiry date become or been declared to be unconditional in all respects; such entitlement to withdraw shall be exercisable until such time as the Offer becomes or is declared to be unconditional in all respects.

10. FURTHER TERMS

Further terms of the Offer are contained in the Notice of Offer, the text of which is set out in Appendix A of this Offer Document and which forms, to the extent not inconsistent with the terms and conditions of this Offer Document, part of the Offer. In the event of any inconsistency before this Offer Document and Appendix A, the terms and conditions of this Offer Document will prevail.

11. OUB OPTIONS PROPOSAL

11.1 *OUB Options Not Transferable.* Under the rules of the OUB Share Option Scheme 1995 and the OUB Share Option Scheme 2001, OUB Options are not transferable by the holders thereof. In view of this restriction, DBSH will not make an offer to acquire the OUB Options (although, for the avoidance of doubt, the Offer extends to all new OUB Shares issued or to be issued pursuant to the valid exercise of the OUB Options prior to the close of the Offer).

11.2 *OUB Options Proposal.* DBSH will instead propose, subject to: —

(1) the Offer becoming or being declared unconditional in all respects; and

(2) the relevant OUB Options continuing to be exercisable into new OUB Shares,

to pay holders of the OUB Options a cash amount (determined as provided below) (the “**OUB Options Price**”) in consideration of such holders agreeing:-

(a) not to exercise all or any of their OUB Options into new OUB Shares; and

(b) not to exercise all or any of their other rights as holders of OUB Options,

in each case from the date of their acceptance of the OUB Options Proposal to the respective dates of expiry of such OUB Options. Further, if the Offer becomes or is declared to be unconditional in all respects, holders of the OUB Options who have accepted the OUB Options Proposal will also be required to surrender all of their OUB Options for cancellation. If the Offer lapses or is withdrawn or if the relevant OUB Options cease to be exercisable into new OUB Shares, the OUB Options Proposal will lapse accordingly.

11.3 *Offer and OUB Options Proposal Mutually Exclusive.* The Offer and the OUB Options Proposal are mutually exclusive. If a holder of OUB Options exercises those options in order to accept the Offer in respect of the new OUB Shares to be issued pursuant to

such exercise, he may not accept the OUB Options Proposal in respect of such options. Conversely, if a holder of OUB Options wishes to accept the OUB Options Proposal in respect of such options, he may not exercise those options in order to accept the Offer in respect of the new OUB Shares to be issued pursuant to such exercise.

11.4 OUB Options Price. The OUB Options Price is computed on a “see-through basis”. In other words, the OUB Options Price in relation to any OUB Option is the difference between: —

- (1) the implied offer price for each Offer Share under the Offer as of the Announcement Date; and
- (2) the exercise price of that OUB Option.

The implied offer price for each Offer Share under the Offer as of the Announcement Date is equal to: —

$$S\$(A \times 0.61) + S\$1.14 = S\$9.5275$$

where “A” is S\$13.75, being the simple average of the prices at which DBSH Shares were traded on the SGX-ST on the Announcement Date.

11.5 Cash Consideration. Based on the OUB 2000 Annual Report, there were 26,175,010 outstanding OUB Options to subscribe for 26,175,010 new OUB Shares at exercise prices ranging from S\$1.89 to S\$8.68 and a weighted average exercise price of S\$7.01 as of December 31, 2000. If holders of all the outstanding OUB Options accept the OUB Options Proposal, the aggregate cash consideration payable under the OUB Options Proposal is approximately S\$65.8 million.

11.6 Letter to Holders of OUB Options. A separate letter setting out more fully the OUB Options Proposal by Goldman Sachs, for and on behalf of DBSH, to holders of the OUB Options has been sent to them on the same day as the despatch of this Offer Document.

12. INFORMATION ON DBSH GROUP

DBSH was incorporated in the Republic of Singapore on March 9, 1999 and is listed on the SGX-ST. DBSH is principally an investment holding company. DBSH owns all the issued ordinary share capital of The Development Bank of Singapore Ltd (“**DBS Bank**”), a company incorporated in the Republic of Singapore and licensed to carry on banking business in Singapore. The principal activities of DBSH and its subsidiaries and associated companies (the “**DBSH Group**”) consist of the business of investment holding, banking and financing, the provision of mortgage financing, lease and hire purchase financing, corporate advisory services, nominee and trustee services, funds management services, stockbroking, primary dealership in Singapore government securities, merchant banking, factoring, credit card and venture capital operations and other financial services.

Additional information on the DBSH Group is set out in Appendix D of this Offer Document.

13. INFORMATION ON OUB GROUP

OUB was incorporated in the Republic of Singapore on October 22, 1947 and is listed on the SGX-ST. OUB is licensed to carry on banking business in Singapore. OUB carries on all the normal activities of a commercial bank while the principal activities of its subsidiaries consist of commercial banking, merchant banking, factoring, finance company, leasing, bullion and futures dealing, stockbroking, asset management, trustee services, research services, investment holding, investment dealing, investment advisory, property investment, property management and nominee services.

Additional information on OUB and its subsidiaries and associated companies (the “**OUB Group**”) is set out in Appendix E of this Offer Document.

14. RATIONALE FOR OFFER AND DBSH’S INTENTION FOR OUB

14.1 Current Position. The DBSH Group is currently the largest commercial banking group in Singapore and Southeast Asia. The DBSH Group is engaged in a wide range of commercial banking and financial services, both domestically and regionally. As of December 31, 2000, based on industry statistics, DBS Bank had substantial domestic

market shares for Singapore dollar-denominated customer loans and advances and customer deposits, at approximately 21 per cent. and 32 per cent., respectively, as well as the most extensive domestic branch and ATM network.

- 14.2 Domestic Challenges.** However, despite the DBSH Group's market leadership, the Singapore banking market is highly competitive and concentrated, with three other principal competitors comprising a substantial proportion of the remaining market. The DBSH Group believes that enhancing further its dominant position in the local banking market will create an even stronger platform from which it will expand into the region, with the overall goal of becoming the leading Asia-based banking and financial services group in non-Japan Asia. In addition, the Singapore banking market is expected to face significant consolidation in the near future. The DBSH Group believes that OUB's business and franchise, such as its traditional corporate and consumer banking operations, as well as its strength in credit cards and consumer finance, corporate finance and advisory, Internet and wireless banking services, would strongly complement the DBSH Group's own capabilities and help it enhance its leading position. The combination of the franchises and capabilities would also permit the DBSH Group to further expand its product and service offerings and enhance the quality and efficiency of its customer service.
- 14.3 Global Challenges.** Furthermore, in recent years, global banking and financial services markets have consolidated and become increasingly competitive and have been characterised by the emergence of large, integrated financial services companies which have developed leading domestic positions as well as significant regional and international positions. The DBSH Group believes that its ability to remain competitive as the global market continues to consolidate will depend in part on its ability to grow its business, consolidate its dominant position in Singapore and realise its goal of becoming the leading Asia-based banking and financial services group, outside of Japan. The DBSH Group believes that the acquisition of OUB will further enhance its ability to provide competitive and efficient services to its increasingly diverse customer base, both in traditional banking as well as in non-banking financial services, such as stock-brokerage and wealth management. This competitive position has been further enhanced with the DBSH Group's recent acquisition of Dao Heng Bank Group Ltd ("**Dao Heng**"), which makes the DBSH Group the fourth largest bank in Hong Kong, the third largest credit card issuer and one of the leading consumer banks in Hong Kong.
- 14.4 Regional Expansion.** Finally, the acquisition of OUB will help the DBSH Group further expand its regional operations as a result of OUB's existing Malaysian and other regional operations.
- 14.5 DBSH's Intentions regarding OUB.** DBSH intends to manage the combined DBSH and OUB operations with a view towards providing the highest quality products and services to a wide customer base, while maximising shareholder value. Following the close of the Offer, DBSH will undertake a comprehensive review of the fixed assets, businesses, operations and human resource requirements of the OUB Group. This review will enable DBSH to determine the optimal business configuration for the combined DBSH and OUB, with a view to maximising the revenue and cost synergies which will result from such combination, as well as to identifying opportunities to divest non-core assets.
- 15. EVALUATION OF OFFER**
- 15.1 Offer.** The Offer presents an attractive and transparent general offer that allows all OUB shareholders the opportunity to assess the Offer on its merits. DBSH expects substantial opportunities for revenue enhancement and cost savings which may be realised by merging the operations of DBS Bank and OUB. Synergies are expected to be realised from elimination of duplicative expenses, reconfiguration of branch network, rationalisation of information technology systems, consolidation of back office operations and improvement in productivity. It is expected that the full level of synergies will be achieved within two years from the completion of the Offer. By making the Offer at a substantial premium to recent market prices before the Announcement Date, DBSH

is in effect offering existing OUB shareholders the opportunity to share immediately in the value that DBSH expects to achieve from synergies in the future.

15.2 Market Quotations. Based on: —

- (1) the last transacted price per DBSH Share of S\$13.70 on the SGX-ST as of June 22, 2001 (the Announcement Date); and
- (2) the last transacted price per DBSH Share of S\$13.10 on the SGX-ST as of July 13, 2001 (the Latest Practicable Date),

the Offer: —

- (a) values each issued OUB Share at (i) S\$9.50 and (ii) S\$9.13, respectively;
- (b) values all the issued OUB Shares at approximately (i) S\$9.4 billion¹ and (ii) S\$9.1 billion², respectively;
- (c) represents a premium of approximately (i) 11.1 per cent. and (ii) 6.8 per cent., respectively, to the last transacted price per OUB Share on the SGX-ST of S\$8.55 as of June 21, 2001 (the last trading day of OUB Shares on the SGX-ST prior to the date of the Offer Announcement);
- (d) represents a premium of approximately (i) 4.9 per cent. and (ii) 0.9 per cent., respectively, to the last transacted price per OUB Share on the SGX-ST of S\$9.05 as of June 22, 2001 (the Announcement Date);
- (e) represents (i) a premium of approximately 1.6 per cent. and (ii) a discount of approximately 2.3 per cent., respectively, to the last transacted price per OUB Share on the SGX-ST of S\$9.35 as of July 13, 2001 (the Latest Practicable Date);
- (f) represents a premium of approximately (i) 29.5 per cent. and (ii) 24.5 per cent., respectively, to the average of the last transacted prices per OUB Share on the SGX-ST of S\$7.33 over the 30 market day period from May 11, 2001 to June 21, 2001 (the last trading day of OUB Shares on the SGX-ST prior to the Announcement Date);
- (g) represents a premium of approximately (i) 36.6 per cent. and (ii) 31.3 per cent., respectively, to the average of the last transacted prices per OUB Share on the SGX-ST of S\$6.95 over the 60 market day period from March 27, 2001 to June 21, 2001 (the last trading day of OUB Shares on the SGX-ST prior to the Announcement Date); and
- (h) represents a premium of approximately (i) 32.6 per cent. and (ii) 27.4 per cent., respectively, to the average of the last transacted prices per OUB Share on the SGX-ST of S\$7.16 over the 90 market day period from February 12, 2001 to June 21, 2001 (the last trading day of OUB Shares on the SGX-ST prior to the Announcement Date).

15.3 PER. As shown in the OUB 2000 Annual Report, the basic and fully diluted earnings per OUB Share was S\$0.5490 and S\$0.5465, respectively, for the year ended December 31, 2000. Based on: —

- (1) the last transacted price per DBSH Share of S\$13.70 on the SGX-ST as of June 22, 2001 (the Announcement Date) — resulting in an implied offer price of S\$9.50 for each Offer Share; and
- (2) the last transacted price per DBSH Share of S\$13.10 on the SGX-ST as of July 13, 2001 (the Latest Practicable Date) — resulting in an implied offer price of S\$9.13 for each Offer Share,

¹ Based on a search against the records of OUB maintained with the ROC made on June 22, 2001 (the Announcement Date), there were 993,648,380 issued OUB Shares.

² Based on a search against the records of OUB maintained with the ROC made on July 13, 2001 (the Latest Practicable Date), there were 993,729,851 issued OUB Shares.

the price earnings ratio (“PER”) for each OUB Share is as follows: —

<u>PER (times)</u>	<u>Basic EPS</u>	<u>Fully Diluted EPS</u>
At S\$13.70 per DBSH Share	17.30	17.38
At S\$13.10 per DBSH Share	16.63	16.71

15.4 Premium to NTA. As shown in the OUB 2000 Annual Report, the net tangible asset value per OUB Share was S\$5.19 as of December 31, 2000. Based on: —

- (1) the last transacted price per DBSH Share of S\$13.70 on the SGX-ST as of June 22, 2001 (the Announcement Date) — resulting in an implied offer price of S\$9.50 for each Offer Share; and
- (2) the last transacted price per DBSH Share of S\$13.10 on the SGX-ST as of July 13, 2001 (the Latest Practicable Date) — resulting in an implied offer price of S\$9.13 for each Offer Share,

the Offer represents a premium of approximately (a) 82.8 per cent. and (b) 75.8 per cent., respectively, to the audited net tangible asset value per OUB Share of S\$5.19 as of December 31, 2000.

15.5 OUB Share Price. During the 90-day period from February 12, 2001 to June 21, 2001: —

- (1) the highest price per OUB Share was S\$8.55 on June 21, 2001; and
- (2) the lowest price per OUB Share was S\$6.00 on March 29, 2001.

15.6 Financial Effects of Offer. An analysis of the financial effects of the Offer on the DBSH Group is set out in Appendix F of this Offer Document.

16. LISTING AND COMPULSORY ACQUISITION

16.1 Trading Suspension. Under Clause 1101(6) of the SGX-ST Listing Manual, in the event that DBSH and any party acting in concert with it should, as a result of the Offer or otherwise, own or control more than 90 per cent. of the issued share capital of OUB, the SGX-ST will suspend the trading of OUB Shares on the Main Board of the SGX-ST until such time when the SGX-ST is satisfied that at least ten per cent. of OUB Shares are held by at least 1,000 OUB shareholders who are members of the public.

16.2 Compulsory Acquisition; Delisting. Pursuant to Section 215(1) of the Companies Act, in the event DBSH receives acceptances pursuant to the Offer in respect of not less than 90 per cent. of the Offer Shares, DBSH would have the right to compulsorily acquire all OUB Shares of the OUB shareholders who have not accepted the Offer. In addition, such OUB shareholders have the right, under and subject to Section 215(3) of the Companies Act, to require DBSH to acquire their OUB Shares in the event that DBSH, its subsidiaries or nominees of it or its subsidiaries acquire 90 per cent. or more of issued share capital of OUB. OUB shareholders who wish to exercise such a right are advised to seek their own independent legal advice.

If DBSH receives acceptances pursuant to the Offer in respect of not less than 90 per cent. of the Offer Shares, it is the intention of DBSH to exercise its rights under Section 215(1) of the Companies Act to acquire compulsorily those Offer Shares not acquired by DBSH pursuant to the Offer. DBSH will then proceed to delist OUB from the SGX-ST.

16.3 DBS Bank. It is the current intention of DBSH to direct that all Offer Shares tendered in acceptance of the Offer be held by DBS Bank so that, subject to the Offer becoming or being declared unconditional in all respects, OUB would become a subsidiary of DBS Bank.

17. CONFIRMATION OF FINANCIAL RESOURCES

17.1 Cash Consideration for Offer. Based on the terms of the Offer as of the date hereof, the aggregate cash consideration payable under the Offer is between approximately: —

- (1) S\$1.13 billion (assuming (a) full acceptance of the Offer and (b) no outstanding OUB Options are exercised); and
- (2) S\$1.16 billion (assuming (a) full acceptance of the Offer and (b) all the outstanding OUB Options are exercised).

17.2 Cash Consideration for OUB Options Proposal. The aggregate cash consideration payable under the OUB Options Proposal is approximately S\$65.8 million (assuming that holders of all the outstanding OUB Options accept the OUB Options Proposal).

17.3 Confirmation of Financial Resources. The cash element of the consideration for the Offer and the OUB Options Proposal will be satisfied from the internal resources of the DBSH Group. Goldman Sachs, financial adviser to DBSH in connection with the Offer, has confirmed that sufficient resources are available to DBSH to satisfy full acceptance of the Offer and the OUB Options Proposal.

18. DISCLOSURES

18.1 Appendix G. Appendix G of this Offer Document sets out (based on information received by DBSH up to the Latest Practicable Date): —

- (1) the number of OUB Shares and DBSH Shares owned, controlled or agreed to be acquired by DBSH and parties acting or deemed to be acting in concert with DBSH in connection with the Offer (each, a “**Relevant Person**”) as of the Latest Practicable Date; and
- (2) the dealings in OUB Shares and DBSH Shares by such persons during the period (the “**Relevant Period**”) commencing on March 22, 2001 (being the date falling three months prior to the Announcement Date) and ending on the Latest Practicable Date.

18.2 Aggregate Holdings. As of the Latest Practicable Date (based on information received by DBSH up to the Latest Practicable Date): —

- (1) DBSH does not own or control, nor has it agreed to acquire, any OUB Shares; and
- (2) parties acting or deemed to be acting in concert with DBSH in connection with the Offer own, control or have agreed to acquire an aggregate of (a) 23,007,508 OUB Shares, representing approximately 2.3 per cent. of the total issued OUB Shares, and (b) 389,970,290 DBSH Shares, representing approximately 32.0 per cent. of the total issued DBSH Shares.

18.3 No Other Holdings or Dealings. Save as disclosed in this Offer Document, no Relevant Person (to the knowledge of DBSH): —

- (1) owns, controls or has agreed to acquire any OUB Shares or DBSH Shares as of the Latest Practicable Date;
- (2) has dealt for value in any OUB Shares or DBSH Shares during the Relevant Period;
- (3) has received any irrevocable undertaking from any other person to accept or reject the Offer as of the Latest Practicable Date; or
- (4) has entered into any arrangement or understanding with any other person relating to any OUB Shares or DBSH Shares which may be an inducement to deal or refrain from dealing in such securities.

19. OVERSEAS SHAREHOLDERS

- 19.1 Overseas Shareholders.** The making of the Offer to OUB shareholders whose addresses are outside Singapore, as shown on the Register of Members of OUB, (each, an “**Overseas Shareholder**”) may be affected by the laws of the relevant overseas jurisdictions. Accordingly, any OUB shareholder not resident in Singapore should inform themselves about and observe any applicable legal requirements. This Offer Document, the FAAs and the FATs have not been and will not be sent to any Overseas Shareholder due to the potential restrictions on sending such documents into the relevant overseas jurisdictions.
- 19.2 Copies of Offer Document.** Overseas Shareholders may obtain copies of this Offer Document, the FAAs, the FATs and any related documents, during normal business hours and up to the Closing Date, from the office of DBSH at **6, Shenton Way, DBS Building Tower 1, 15th Floor, Corporate Affairs Department, Singapore 068809**. Alternatively, an Overseas Shareholder may write in to DBSH at the above address to request for this Offer Document, the FAAs, the FATs and any related documents to be sent to an address in Singapore by ordinary post at his own risk, up to three Market Days prior to the Closing Date.¹
- 19.3 Notice.** DBSH and Goldman Sachs each reserves the right to notify any matter, including the fact that the Offer has been made, to any or all OUB shareholders with a registered address outside Singapore by announcement or paid advertisement in a daily newspaper published and circulated in Singapore, in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any OUB shareholders to receive or see such announcement or advertisement.
- 19.4 Foreign Jurisdiction.** It is the responsibility of any OUB shareholder outside Singapore who wishes to accept the Offer to satisfy himself as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, or compliance with other necessary formalities or legal requirements. If you are in any doubt about your position, you should consult your professional adviser in the relevant jurisdiction.

20. GENERAL INFORMATION

- 20.1 Governing Law and Jurisdiction.** The Offer, this Offer Document, the FAAs and the FATs and all acceptances of the Offer and all contracts made pursuant thereto and action taken or made or deemed to be taken or made under any of the foregoing shall be governed by, and construed in accordance with, the laws of Singapore. DBSH and the accepting OUB shareholders submit to the non-exclusive jurisdiction of the Singapore courts.
- 20.2 Valid Acceptances.** DBSH and Goldman Sachs reserve the right to treat acceptances of the Offer as valid if received by or on behalf of either of them at any place or places determined by them otherwise than as stated herein or in the FAAs or the FATs, or if made otherwise than in accordance with the provisions herein and instructions printed on the FAAs and the FATs.
- 20.3 Accidental Omission.** Accidental omission to despatch this Offer Document, the FAAs and the FATs or any notice or announcement required to be given under the terms of the Offer to, or any failure to receive the same by, any person to whom the Offer is made or should be made shall not invalidate the Offer in any way.
- 20.4 Odd Lot Trading.** DBSH has made arrangements with J.M. Sassoon & Co (Pte) Ltd and Kim Eng Securities Pte Ltd whereby they will, on a best efforts basis, facilitate trading in odd lots of DBSH Shares by OUB shareholders who have accepted the Offer on the SGX-ST for a limited period after the close of the Offer and at the usual commissions applicable to odd lots trading on the SGX-ST. Further details of the arrangements will be announced in due course after the Offer becomes or is declared to be unconditional in all respects.
- 20.5 General Information.** Additional general information is provided in Appendix H of this Offer Document.

21. RESPONSIBILITY STATEMENT

21.1 *DBSH Group; Offer.* The Directors of DBSH (including any who may have delegated detailed supervision of this Offer Document) have taken all reasonable care to ensure that the facts stated and opinions expressed in relation to the DBSH Group, the Offer and the OUB Options Proposal in this Offer Document are fair and accurate and that no material facts have been omitted from this Offer Document, and they jointly and severally accept responsibility accordingly.

21.2 *Other.* Where any information has been extracted from published or publicly available sources (including, without limitation, information in relation to the OUB Group), the sole responsibility of the Directors of DBSH has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, accurately reflected or reproduced in this Offer Document.

22. OUB CIRCULAR

The views of the independent directors of OUB and the independent financial adviser of OUB on the Offer will be made available to you in due course and in any event within 14 days of the date hereof. You may wish to consider their views before taking any decision on the Offer.

Yours faithfully,
for and on behalf of
GOLDMAN SACHS (SINGAPORE) PTE.

John D. Anderson
Executive Director

APPENDIX A

NOTICE OF OFFER
PART B STATEMENT

GOLDMAN SACHS (SINGAPORE) PTE.
1, Raffles Link, #07-01,
Singapore 039393.

The Board of Directors,
Overseas Union Bank Limited,
1, Raffles Place,
OUB Centre,
Singapore 048616.

June 23, 2001

Dear Sirs,

**Notice of Take-Over Offer
Part B Statement**

1. Introduction

On June 22, 2001, Goldman Sachs (Singapore) Pte. ("*Goldman Sachs*") announced, for and on behalf of DBS Group Holdings Ltd ("*DBSH*"), that DBSH intended to make a voluntary conditional takeover offer (the "*Offer*") for Overseas Union Bank Limited ("*OUB*").

2. Notice of Offer

In accordance with Section 213(4) of the Companies Act, Chapter 50 of Singapore (the "*Companies Act*"), notice is hereby given of the Offer (the "*Notice of Offer*"). The Offer will be made on the principal terms and conditions set out in Appendices 1 and 2.

3. Part B Statement

A statement (the "*Part B Statement*") in compliance with Part B of the Tenth Schedule to the Companies Act is attached in Appendix 3. Terms and expressions defined and construed in the Notice of Offer shall have the same meaning and construction in the Part B Statement.

4. Disclosures

4.1 Relevant Persons. Appendix 4 sets out:-

- (1) the number of shares of par value S\$1 each in the capital of OUB (each, an "*OUB Share*") owned, controlled or agreed to be acquired by DBSH, its wholly-owned subsidiaries and its Directors (each, a "*Relevant Person*") as of June 21, 2001 (the date immediately preceding the announcement of the Offer); and
- (2) the dealings in OUB Shares by the Relevant Persons during the three-month period from April 22, 2001 to June 21, 2001 (the "*Reference Period*").

4.2 Goldman Sachs. The Corporate Finance Divisions of Goldman Sachs and Goldman Sachs (Asia) L.L.C. (1) do not own or control nor have they agreed to acquire any OUB

Shares as of June 22, 2001 (the date of the announcement of the Offer) and (2) have not dealt for value in any OUB Shares during the Reference Period.

- 4.3** *No Other Holdings and Dealings.* Save as disclosed in this Announcement, none of the Relevant Persons and the Corporate Finance Divisions of Goldman Sachs and Goldman Sachs (Asia) L.L.C. (1) owns, controls or has agreed to acquire any OUB Shares as of June 22, 2001, (2) has dealt for value in any OUB Shares during the Reference Period or (3) has received any irrevocable undertaking from any party to accept or reject the Offer as of as of June 22, 2001.
- 4.4** *Further Disclosures.* In the interests of confidentiality, DBSH has not made enquiries in respect of those of its subsidiaries which are not wholly-owned or of certain other parties who are or may be deemed to be acting in concert with DBSH in connection with the Offer. Further enquiries will be made of such persons and the relevant disclosures will be made in due course subsequently and in the formal document containing the Offer (the "Offer Document").
- 4.5** *Interest of Directors and Substantial Shareholders.* No Director or substantial shareholder of DBSH has any interest, direct or indirect, in the Offer (other than by reason only of being a Director or shareholder of DBSH).

5. Acknowledgement

Please acknowledge receipt of this Notice of Offer and the Part B Statement.

GOLDMAN SACHS (SINGAPORE) PTE.

APPENDIX 1

Terms of Offer

1. Offer Terms

- 1.1 Offer.** In accordance with Section 213 of the Companies Act and the Singapore Code on Takeover and Mergers, 1985 (the "Code"), DBSH will make the Offer for all the OUB Shares in issue not owned by DBSH or its subsidiaries as of the date of the Offer (the "Offer Shares") on the following basis:-

- For each Offer Share**
- **0.61 New DBSH Shares; and**
 - **S\$1.14 in cash**

and so on in proportion for any other number of Offer Shares.

- 1.2 Illustrative Example.** An OUB shareholder who accepts the Offer will receive, for every 1,000 Offer Shares tendered in acceptance of the Offer, (1) 610 new ordinary shares of S\$1 each in the capital of DBSH (each, a "New DBSH Share"), fractions of a New DBSH Share to be disregarded, and (2) S\$1,140 in cash, fractions of a cent. to be disregarded.

- 1.3 Offer Shares.** The Offer will be extended to:-

- (1) all the issued OUB Shares owned, controlled or agreed to be acquired by parties acting or deemed to be acting in concert with DBSH in connection with the Offer (other than subsidiaries of DBSH); and
- (2) all new OUB Shares unconditionally issued or to be issued pursuant to the valid exercise prior to the close of the Offer of any options to subscribe for new OUB Shares granted under the OUB Share Option Scheme 1995 and the OUB Share Option Scheme 2001 (each, an "OUB Option").

For the purposes of the Offer, the expression "Offer Shares" shall include all such OUB Shares.

- 1.4 No Encumbrances.** The Offer Shares will be acquired (1) fully paid, (2) free from all liens, equities, charges, encumbrances, rights of pre-emption and any other third party rights or interests of any nature whatsoever (each, an "Encumbrance") and (3) together with all rights attached thereto as of the date of the announcement of the Offer and thereafter attaching thereto (but excluding only the right to any dividends or other distributions (including, without limitation, interim dividends) declared, made or paid by OUB prior to the close of the Offer).

- 1.5 DBSH Shares.** Pursuant to the Offer, DBSH will issue approximately 606 million New DBSH Shares, representing approximately 32 per cent. of the enlarged issued share capital of DBSH (assuming (1) full acceptances of the Offer and (2) no OUB Options or options or awards to subscribe for any new ordinary shares of par value S\$1 each in the capital of DBSH (each, a "DBSH Share") are exercised). Application will be made to the Singapore Exchange Securities Trading Limited ("SGX-ST") for the New DBSH Shares to be admitted to the Official List of the SGX-ST. The New DBSH Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the existing DBSH Shares as of the date of their issue, except only that the New DBSH Shares will not carry the right to any dividends or other distributions (including, without limitation, interim dividends) declared, made or paid by DBSH prior to the date of their issue.

- 1.6 Fractional Entitlements.** Fractions of a New DBSH Share will not be issued to any holder of Offer Shares who accepts the Offer (each, an "accepting OUB shareholder"). Fractional entitlements to a cent. will be disregarded and will not be paid to accepting OUB shareholders.

2. Conditions

The Offer will be subject to the conditions set out in Appendix 2 (each, a "Condition"). DBSH reserves the right to waive, in whole or in part, all or any of the Conditions other than Conditions (1), (2), (3) and (4) set out in Appendix 2.

3. Date of Offer

The Offer will be made not earlier than 14 days and not later than 28 days from the date hereof.

4. Warranty

Acceptance of the Offer will be deemed to constitute a warranty by the accepting OUB shareholder(s) that the Offer Shares tendered in acceptance of the Offer are sold by that accepting OUB shareholder(s), as or on behalf of the beneficial owner(s) thereof, (1) fully paid, (2) free from all Encumbrances and (3) together with all rights attached thereto as of the date of the announcement of the Offer and thereafter attaching thereto (but excluding only the right to any dividends or other distributions (including, without limitation, interim dividends) declared, made or paid by OUB prior to the close of the Offer).

5. Duration of Offer

5.1 *Minimum Period for Acceptance.* Except insofar as the Offer may be withdrawn with the consent of the Securities Industry Council ("SIC") and every person released from any obligation incurred thereunder, the Offer will be open for acceptance by OUB shareholders for at least 21 days from the date of the despatch of the Offer or such later date(s) as DBSH may announce from time to time.

5.2 *Further Period for Acceptance.* If the Offer becomes or is declared unconditional in all respects, in order to give those OUB shareholders who have not accepted the Offer the opportunity to do so, the Offer will remain open for acceptance for a period of not less than 14 days after the date on which it would otherwise have expired, unless it becomes or is declared unconditional in all respects on or by an expiry date and DBSH has given not less than 14 days' notice in writing to the OUB shareholders that the Offer will not be open for acceptance beyond that date, provided that:-

- (1) such notice shall not be capable of being enforced in a situation which the SIC may deem to be competitive; and
- (2) no such notice shall be given during the period commencing from the announcement of a competing offer and ending at the time when the resultant competitive situation has ceased.

If a declaration that the Offer is unconditional in all respects is confirmed in accordance with paragraph 8.2 below, such period of 14 days during which the Offer will remain open for acceptance will run from the date of such confirmation or the date on which the Offer would otherwise have expired, if later.

5.3 *Long-Stop Date.* Except with the prior approval of the SIC and the Registrar of Companies and Business of Singapore, the Offer (whether revised or not) shall not be capable of becoming or being declared to be unconditional in all respects after 3.30 p.m. on the 60th day after the date of the despatch of the Offer or of being kept open after that time unless it has previously so become or been declared to be unconditional in all respects.

5.4 *Revision.* If the Offer is revised, the Offer will remain open for acceptance for a period of at least 14 days from the date of the despatch of written notification of the revision to the OUB shareholders. In any case, where the terms are revised, the benefit of the Offer (as so revised) will be made available to each OUB shareholder who has previously accepted the Offer.

5.5 *Expiry Date.* In any announcement of an extension of the Offer, the next expiry date will be stated.

5.6 *Close of Offer.* If once the Offer becomes or is declared to be unconditional in all respects and it is stated that the Offer will remain open until further notice, not less than 14 days' notice must be given before the Offer may be closed.

6. Settlement

6.1 *Accepting OUB Shareholders whose Offer Shares are deposited with CDP.* Subject to (1) the Offer becoming or being declared unconditional in all respects and (2) the receipt by DBSH from the accepting OUB shareholders of all documents required by it which are complete in all respects and are in accordance with the requirements set out in the Offer Document and the relevant form(s) of acceptance of the Offer (the "Forms of Acceptance") (including, without limitation, confirmation satisfactory to DBSH that the number of Offer Shares tendered by the accepting OUB shareholders in acceptance of the Offer stands to the credit of the "Free Balance" of their respective securities accounts with The Central Depository (Pte) Limited ("CDP") at the relevant time):-

- (a) remittances in the form of cheques for the appropriate amounts; and
- (b) share certificates in respect of the New DBSH Shares for the appropriate number of New DBSH Shares,

will be sent to CDP. CDP will despatch such remittances by ordinary post to the accepting OUB shareholders at their own risk. In addition, CDP will debit the respective securities accounts of the accepting OUB shareholders with the number of Offer Shares tendered by them in acceptance of the Offer and will credit those securities accounts with the appropriate number of the New DBSH Shares as soon as practicable and in any event:-

- (i) in respect of acceptances of the Offer which are complete in all respects and are received on or before the date on which the Offer becomes or is declared unconditional in all respects, within 21 days of such date; or
- (ii) in respect of acceptances of the Offer which are complete in all respects and are received after the date on which the Offer becomes or is declared unconditional in all respects, but before the Offer closes, within 21 days of the date of such receipt.

CDP will send by ordinary post to the accepting OUB shareholders at their respective addresses as they appear in the records of CDP, and at their own risk, statements showing the number of Offer Shares which have been debited against their respective securities accounts and the number of New DBSH Shares which have been credited to those securities accounts.

6.2 *Accepting OUB Shareholders whose Offer Shares are represented by Share Certificates.* Subject to (1) the Offer becoming or being declared unconditional in all respects and (2) the receipt by DBSH from the accepting OUB shareholders of all relevant documents required by it which are complete in all respects and are in accordance with the requirements set out in the Offer Document and the relevant Forms of Acceptance (including, without limitation, the share certificates relating to the Offer Shares tendered by the accepting OUB shareholders in acceptance of the Offer):-

- (a) remittances in the form of cheques for the appropriate amounts; and
- (b) share certificates in respect of the New DBSH Shares for the appropriate number of New DBSH Shares,

will be despatched by ordinary post to the accepting OUB shareholders (or their designated agents, as they may direct), and at their own risk, at their respective addresses as they appear in the Register of Members of OUB (or to such different names and addresses as may be specified by the accepting OUB shareholders in the relevant Forms of Acceptance), as soon as practicable and in any event:-

- (i) in respect of acceptances of the Offer which are complete in all respects and are received on or before the date on which the Offer becomes or is declared unconditional in all respects, within 21 days of such date; or
- (ii) in respect of acceptances of the Offer which are complete in all respects and are received after the date on which the Offer becomes or is declared unconditional in all respects, but before the Offer closes, within 21 days of the date of such receipt.

Share certificates in respect of the New DBSH Shares will not be valid for delivery pursuant to trades done on the SGX-ST although they will constitute good evidence of legal title.

7. Announcements

7.1 *Announcement.* By 9.30 a.m. on the dealing day (the “*Relevant Day*”) next following the day on which the Offer is due to expire, or becomes or is declared to be unconditional in all respects, or is revised or extended (where applicable), DBSH will announce and simultaneously inform the SGX-ST of the position. Such announcement will also state (as nearly as practicable):-

- (1) the total number of Offer Shares for which valid acceptances of the Offer have been received;
- (2) the total number of Offer Shares held by DBSH and any party acting in concert with it prior to the commencement of the offer period (as defined in the Code); and
- (3) the total number of Offer Shares acquired or agreed to be acquired by DBSH and any party acting in concert with it during the offer period (as so defined),

and will specify the percentages of the issued share capital of OUB (including the OUB Shares issued or to be issued pursuant to the valid exercise of the OUB Options prior to the close of the Offer) represented by such numbers.

If DBSH is unable, within the time limit, to comply with this paragraph 7.1, the SGX-ST will consider suspension of trading in OUB Shares until the relevant information is given.

7.2 *Certain Definitions.* In this Notice, references to the making of an announcement or the giving of notice by DBSH shall include the release of an announcement by Goldman Sachs or by advertising agents, for and on behalf of DBSH, to the press or the delivery of or transmission by telephone, telex, facsimile, MASNET or otherwise of an announcement to the SGX-ST. An announcement made otherwise than to the SGX-ST shall be notified simultaneously to the SGX-ST.

In computing the number of Offer Shares represented by acceptances, DBSH will at the time of making an announcement take into account (1) acceptances which are valid in all respects or (2) acceptances which are duly completed and accompanied by contract statements, validly issued by a member company of the SGX-ST in the name of the accepting OUB shareholder in respect of the purchase by the accepting OUB shareholder of Offer Shares which are deposited with CDP (subject to the “*Free Balance*” of the securities account with CDP of the accepting OUB shareholder being credited with the relevant number of such Offer Shares within ten market days of the date of the relevant original contract statement(s)). In this paragraph 7.2, “*market day*” means a day on which the SGX-ST is open for trading of securities.

8. Right of Withdrawal

8.1 *Acceptances Irrevocable.* Subject to paragraph 5, this paragraph 8 and Section 213(10) of the Companies Act, acceptances of the Offer shall be irrevocable.

8.2 *Right of Withdrawal.* If, having announced the Offer to be unconditional in all respects, DBSH fails to comply with any of the other requirements set out in paragraph 7.1 above by 3.30 p.m. on the Relevant Day, any accepting OUB shareholder shall be entitled to withdraw his acceptance by written notice to DBSH at its registered office. Subject to paragraph 5.3 above, this right of withdrawal may be terminated not less than eight days after the Relevant Day by DBSH confirming (if that be the case) that the Offer is still unconditional in all respects and complying with paragraph 7.1 above. For the purposes of paragraph 5.2 above, the period of 14 days first referred to therein will run from the date of such confirmation.

8.3 *Further Right of Withdrawal.* An accepting OUB shareholder shall be entitled to withdraw his acceptance by written notice to DBSH at its registered office in any case after the expiry of 21 days from the first closing date of the Offer, if the Offer has not by such

expiry date become or been declared to be unconditional in all respects; such entitlement to withdraw shall be exercisable until such time as the Offer becomes or is declared to be unconditional in all respects.

9. Compulsory Acquisition; Delisting; DBS Bank

9.1 *Compulsory Acquisition; Delisting.* If DBSH receives acceptances pursuant to the Offer in respect of not less than 90 per cent. of the Offer Shares, it is the intention of DBSH to exercise its rights under Section 215(1) of the Companies Act to acquire compulsorily those Offer Shares not acquired by DBSH pursuant to the Offer. DBSH will then proceed to delist OUB from the SGX-ST

9.2 *DBS Bank.* It is the intention of DBSH to direct that all Offer Shares tendered in acceptance of the Offer be held by The Development Bank of Singapore Ltd ("*DBS Bank*"), a wholly-owned subsidiary of DBSH, so that, subject to the Offer becoming or being declared unconditional in all respects, OUB would become a subsidiary of DBS Bank.

10. OUB Options

The Offer will be extended to all new OUB Shares unconditionally issued or to be issued pursuant to the valid exercise prior to the close of the Offer of any OUB Options. In addition, DBSH will make an appropriate arrangement with respect to the outstanding OUB Options. Details of the arrangement will be despatched to the holders of the outstanding OUB Options not later than the date of despatch of the Offer Document to OUB shareholders.

11. Overseas Shareholders

The availability of the Offer to persons not resident in Singapore may be affected by the laws of the relevant jurisdiction. OUB shareholders who are not resident in Singapore should inform themselves about, and observe, any applicable requirements. Further details in relation to overseas shareholders will be contained in the Offer Document.

12. General

12.1 *Withdrawal of Offer.* The Offer may not be withdrawn without the consent of the SIC.

12.2 *Notices.* All communications, notices, certificates, documents and remittances to be delivered or sent to the OUB shareholders will be sent to them (or their designated agents) at the risk of the persons entitled thereto by ordinary post to their respective addresses as they appear in the Register of Members of the OUB or, in the case of OUB shareholders whose Offer Shares are deposited with CDP, in the records of CDP (or, for the purpose of settlement only, such different name(s) and address(es) as may appear in the relevant Forms of Acceptance).

12.3 *Accidental Omission.* Accidental omission to despatch the Offer Document, the Forms of Acceptance or any notice or announcement required to be given under the terms of the Offer to, or any failure to receive the same by, any person to whom the Offer is or should have been made shall not invalidate the Offer or any acceptance thereof in any way.

12.4 *Forms of Acceptance.* The Forms of Acceptance will contain provisions as to the transfer of the Offer Shares tendered in acceptance of the Offer to DBSH or its appointed nominee(s), instructions as to the completion of the Forms of Acceptance and other matters incidental to the acceptance of the Offer and the transfer of the Offer Shares.

12.5 *Costs and Expenses.* All costs and expenses of or incidental to the preparation and circulation of the Offer Document, the Forms of Acceptance (other than professional fees and other costs incurred or to be incurred by OUB relating to the Offer or any revision thereof) and stamp duty and transfer fees resulting from acceptances of the Offer will be paid by DBSH.

- 12.6** *Survival.* The terms and conditions referred to in this Notice on the part of accepting OUB shareholders, so far as they have not been observed and performed, shall continue to apply and remain in full force and effect notwithstanding completion of the Offer following acceptances thereof.

APPENDIX 2
Conditions of Offer

The Offer will be subject to the following Conditions:-

- (1) *Minimum Acceptance Condition:* valid acceptances having been received (and not, where permitted, withdrawn) by the close of the Offer in respect of such number of Offer Shares which, when taken together with the number of OUB Shares owned, controlled or agreed to be acquired by DBSH or any of its concert parties (either before or during the Offer and pursuant to the Offer or otherwise), will result in DBSH and its concert parties holding such number of OUB Shares carrying more than 50 per cent. of the voting rights attributable to the issued share capital of OUB as of the close of the Offer (including any voting rights attributable to OUB Shares unconditionally issued or to be issued pursuant to the valid exercise of the OUB Options prior to the close of the Offer).

Accordingly, the Offer will not become or be capable of being declared unconditional as to acceptances until the close of the Offer, unless at any time prior to the close of the Offer the aggregate number of OUB Shares owned, controlled or agreed to be acquired by DBSH or any of its concert parties (either before or during the Offer and pursuant to the Offer or otherwise), when taken together with the number of OUB Shares represented by valid acceptances received pursuant to the Offer, exceeds 50 per cent. of the maximum potential issued share capital of OUB. For these purposes, the "maximum potential issued share capital of OUB" means the total number of OUB Shares which would be in issue had all the OUB Options been validly exercised as of the date of such declaration;

- (2) *Listing Approval:* the SGX-ST (a) having granted its in-principle approval for the listing and quotation of the New DBSH Shares on the Official List of the SGX-ST, (b) such approval remaining in full force and effect, there being no notice of any intention to revoke or not to renew such approval, and (c) all actions or obligations required under such approval to be taken or complied with prior to the close of the Offer having been taken and complied with;
- (3) *Shareholders Approval:* all resolutions as may be necessary or incidental to approve the Offer, the increase in the authorised share capital of DBSH and the issue of the New DBSH Shares pursuant to the Offer having been passed at a general meeting of DBSH shareholders (or any adjournment thereof);
- (4) *MAS Approval:* such approvals as may be required or appropriate from the Monetary Authority of Singapore for or in connection with the Offer and/or the acquisition of control of OUB or any member of the OUB Group (as defined below) by DBSH (a) having been obtained, (b) remaining in full force and effect, there being no notice of any intention to revoke or not to renew such approval, and (c) all actions or obligations required under such approval to be taken or complied with prior to the close of the Offer having been taken and complied with. For these purposes, "OUB Group" means OUB and its subsidiaries and associated companies;
- (5) *Regulatory Approvals:*
- (a) all approvals, authorisations, clearances, confirmations, consents, exemptions, grants, licences, orders, permissions, recognitions and waivers (each, an "Authorisation") as may be required or appropriate for or in connection with the Offer and/or the acquisition of control of OUB or any member of the OUB Group by DBSH and to carry on the business of OUB or of any member of the OUB Group from all relevant government, governmental, quasi-governmental, supranational, statutory, regulatory, administrative, fiscal or judicial agency, authority, body, court, commission, department, exchange, tribunal or entity in any jurisdiction (each, a "Relevant Authority") (i) having been obtained, (ii) remaining in full force and effect, there being no notice of any intention to revoke or not to renew any such Authorisations, and (iii) all actions or obligations required under any such Authorisations to be taken or complied with prior to the close of the Offer having been taken and complied with; and
- (b) all necessary or appropriate filings having been made and all appropriate waiting periods (including any extensions thereof) under any applicable legislation or regulation of any jurisdiction having expired, lapsed or been terminated, in each case for or in connection with the Offer and/or the acquisition of control of OUB or

any member of the OUB Group by DBSH and to carry on the business of OUB or of any member of the OUB Group;

- (6) No Injunctions:** no Relevant Authority having taken, instituted, implemented or threatened any action, proceeding, suit, investigation or inquiry, or made, proposed or enacted any statute, regulation or order or taken any other steps, and there not continuing to be in effect any statute, regulation or order, which would or might:-
- (a) make the Offer and/or the acquisition of control of OUB or any member of the OUB Group by DBSH void, illegal or unenforceable or otherwise restrict, restrain, prohibit or otherwise interfere with the implementation thereof, or impose additional conditions or obligations with respect thereto;
 - (b) result in a delay in the ability of DBSH, or render DBSH unable, to acquire all or any OUB Shares or control of OUB or any member of the OUB Group;
 - (c) require, prevent or delay the divestiture by any member of the OUB Group or by DBSH or any member of the DBSH Group of all or any part of their respective assets, businesses, property and undertakings, or impose any limitation on the ability of any of them to conduct their own businesses or own their assets or property;
 - (d) impose any limitation on the ability of any member of the OUB Group or any member of the DBSH Group to acquire, hold or exercise effectively any rights of ownership of shares or securities convertible into shares in any member of the OUB Group or any member of the DBSH Group (as defined below) held or owned by it or on its behalf or to exercise management control over any member of the OUB Group or any member of the DBSH Group. For these purposes, "DBSH Group" means DBSH and its subsidiaries and associated companies;
 - (e) save pursuant to the Offer, require any member of the OUB Group or any member of the DBSH Group to offer to acquire any shares or other securities in any member of the OUB Group or any member of the DBSH Group owned by any third party; and/or
 - (f) otherwise materially and adversely affect the business, assets, liabilities, profits or prospects of any member of the OUB Group, which may cause either the net assets or the operating profits of OUB or the OUB Group to be decreased by more than five per cent.

Each of Conditions 6(a), (b), (c), (d) and (e) may only be invoked by DBSH when the circumstances which give rise to the right to invoke the relevant Condition are of material significance to DBSH in the context of the Offer. Further, each of Conditions 6(a), (b), (c), (d), (e) and (f) may only be invoked by DBSH after prior consultation with the SIC;

- (7) No Material Adverse Change:** since December 31, 2000:-
- (a) there having been no material adverse change in the assets, business, financial condition, profits, liabilities, prospects or results of operations of any member of the OUB Group; and/or
 - (b) no litigation, arbitration, prosecution or other legal proceedings having been instituted, announced or threatened by or against or remaining outstanding against any member of the OUB Group which could have a material effect on that member of the OUB Group,

in each case so as to cause either the net assets or the operating profit of OUB or the OUB Group to be decreased by more than five per cent. Each of Conditions 7(a) and (b) may only be invoked by DBSH when the circumstances which give rise to the right to invoke the relevant Condition are of material significance to DBSH in the context of the Offer. Further, each of Conditions 7(a) and (b) may only be invoked by DBSH after prior consultation with the SIC; and

- (8) No Material Transaction:** no announcement, agreement, arrangement, memorandum of understanding and/or statement of intention (whether or not legally binding) relating to

any Material Transaction (as defined below) having been released, entered into and/or completed or consummated prior to the close of the Offer.

For these purposes, a "*Material Transaction*" means a transaction involving any member of the OUB Group or to which any member of the OUB Group is a party (a) with a consideration or value (whether in cash or otherwise) equal to or greater than five per cent of the audited net tangible asset value of the OUB Group as of December 31, 2000 and (b) which is outside the ordinary course of business of the OUB Group (whether such transaction (i) involves an acquisition, disposal, takeover offer, scheme of arrangement or reconstruction, merger, consolidation or other combination, dual-listed companies structure, joint venture, strategic alliance or otherwise or (ii) involves a single transaction or a number of related transactions and whether at one time or over a period of time).

This Condition (8) may only be invoked by DBSH when the circumstances which give rise to the right to invoke this Condition (8) are of material significance to DBSH in the context of the Offer. Further, this Condition (8) may only be invoked by DBSH after prior consultation with the SIC.

APPENDIX 3

Part B Statement

DBS GROUP HOLDINGS LTD
(Incorporated in the Republic of Singapore)

Statement in compliance with Part B of the Tenth Schedule to the Companies Act, Chapter 50

1(a) Directors. The names, descriptions and addresses of all the Directors of DBSH, the offeror corporation, are as follows:

<u>Name</u>	<u>Description</u>	<u>Address</u>
S. Dhanabalan	Chairman	1E, Chatsworth Avenue, Singapore 249842
Philippe Paillart	Vice Chairman and Chief Executive Officer	11, Mount Pleasant Drive, Singapore 298382
Jackson Tai	Director	8, Cuscaden Walk, #27-01, Four Seasons Park, Singapore 249692
Bernard Chen Tien Lap	Director	22, Mayflower Place, Singapore 568703
Fock Siew Wah	Director	335, Bukit Timah Road, #18-02, Wing On Life Garden, Singapore 259718
Gail D. Fosler	Director	4104, Woodbine Street, Chevy Chase, MD 20815, United States of America
Robert Montgomery Howe	Director	2858, Steiner, San Francisco, CA 94123, United States of America
Tommy Koh Thong-Bee	Director	18, Anderson Road, #12-02, Singapore 259977
Moses Lee Kim Poo	Director	88, Wilkinson Road, Singapore 436738
Yeo Ning Hong	Director	2A, Cluny Hill, Singapore 259651

1(b) Principal Activity. DBSH was incorporated on March 9, 1999 in the Republic of Singapore. The principal activity of DBSH is that of investment holding. DBSH is listed on the SGX-ST.

1(c) OUB Shares. As of the date hereof, DBSH does not own, control nor has agreed to acquire any OUB Shares and there are no OUB Shares held by or on behalf of DBSH.

- 1(d)**
- (i) *Accountants' Report.* A report by PricewaterhouseCoopers on the financial statements of the DBSH Group, prepared in accordance with paragraph 20 of the Fifth Schedule to the Companies Act, is set out in Appendix 5.
 - (ii) *Directors' Report.* A report by the Directors of DBSH on the matters required under paragraph 23 of the Fifth Schedule to the Companies Act is set out in Appendix 6.
 - (iii) *Changes in Share Capital.* Details of the alterations in the capital structure of DBSH and its subsidiary corporations during the period of five years immediately preceding the date hereof, and particulars of the source of any increase in capital, are set out in Appendix 7.

2. Transfer Restrictions. There are no restrictions in the Memorandum and Articles of Association of OUB on the right to transfer any Offer Shares (including the OUB Shares unconditionally issued or to be issued pursuant to the valid exercise of the OUB Options on or prior to the close of the Offer) which have the effect of requiring the holders of the Offer Shares, before transferring them pursuant to the Offer, to offer them for purchase to members of OUB or to any other person.

- 3. Consideration.** The consideration payable to holders of Offer Shares who accept the Offer will be satisfied (1) by the issue of the New DBSH Shares and (2) in cash. The cash element of the consideration will be satisfied from the internal resources of DBSH and its subsidiaries.

Goldman Sachs, financial adviser to DBSH in connection with the Offer, confirms that sufficient resources are available to DBSH to satisfy full acceptance of the Offer.

- 4(a) Payment to OUB Directors.** It is not proposed in connection with the Offer that any payment or other benefit shall be made or given by DBSH to any director of OUB or of any of its related corporations as compensation for loss of office or as consideration for, or in connection with, his retirement from office.
- 4(b) Agreement Conditional on Offer.** There is no agreement or arrangement made between DBSH and any of the directors of OUB in connection with or conditional upon the outcome of the Offer.
- 4(c) Material Change.** There has not been, within the knowledge of DBSH (such knowledge being derived solely from information on OUB which is publicly available including, without limitation, the annual report and accounts of the OUB Group and its subsidiaries for the financial year ended December 31, 2000), any material change in the financial position or prospects of OUB since December 31, 2000, the date of the last balance-sheet laid before the members of OUB in general meeting.
- 4(d) Transfer of OUB Shares.** There is no agreement or arrangement whereby any of the Offer Shares acquired by DBSH pursuant to the Offer will or may be transferred to any other person. However, DBSH reserves the right to transfer any of such Offer Shares to any of its related corporations.

It is the intention of DBSH to direct that all Offer Shares tendered in acceptance of the Offer be held by DBS Bank so that, subject to the Offer becoming or being declared unconditional in all respects, OUB would become a subsidiary of DBS Bank.

- 5. DBSH Shares.** Application has been made to the SGX-ST to admit the New DBSH Shares to the Official List of the SGX-ST.
- (a) The latest available market sale price of DBSH Shares on the SGX-ST on June 22, 2001, being the last trading day prior to the date hereof, is S\$13.70 per DBSH Share;
- (b) the highest and lowest market sale price of DBSH Shares on the SGX-ST during the three months immediately preceding that date and the respective dates of the relevant sales are as follows:-
- (i) highest market sale price: S\$16.60 per DBSH Share on April 6, 2001; and
- (ii) lowest market sale price: S\$13.50 per DBSH Share on June 20, 2001; and
- (c) the latest market sale price of DBSH Shares on the SGX-ST immediately prior to the public announcement of the Offer on June 22, 2001 was S\$13.70 per DBSH Share.

Dated June 23, 2001

By Order of the Board of Directors of
DBS Group Holdings Ltd

Jackson Tai
Director

APPENDIX 4

Holdings and Dealings in OUB Shares

DETAILS OF HOLDINGS IN OUB SHARES

<u>Name</u>	<u>Number of OUB Shares Held (as of June 21, 2001)</u>
DBS Bank	112,000
Insurance Corporation of Singapore Ltd ("ICS")	2,449,776
S. Dhanabalan	2,887

DETAILS OF DEALINGS IN OUB SHARES

Details of the dealings in OUB Shares by the Relevant Persons during the Reference Period are set out below:-

<u>Name</u>	<u>Date</u>	<u>Number of OUB Shares Bought/ (Sold)</u>	<u>Price per OUB Share (S\$)</u>
DBS Bank	March 22, 2001	(91,000)	6.4409
DBS Bank	April 17, 2001	33,000	6.2333
DBS Bank	April 18, 2001	24,000	6.2361
DBS Bank	April 19, 2001	39,000	6.5967
DBS Bank	May 2, 2001	16,000	7.2000
ICS	April 19, 2001	7,000	6.6238
ICS	June 13, 2001	(100,000)	7.5500
ICS	June 13, 2001	(100,000)	7.5000
ICS	June 13, 2001	(129,700)	7.6106

APPENDIX 5
Accountants' Report

**COMPILATION REPORT ON THE FINANCIAL EFFECTS OF THE VOLUNTARY CONDITIONAL
TAKEOVER OFFER FOR OVERSEAS UNION BANK LIMITED BY
DBS GROUP HOLDINGS LTD**

The Board of Directors
DBS Group Holdings Ltd
6 Shenton Way #45-00
DBS Building, Tower One
Singapore 068809

June 23, 2001

Our ref — ABAS1A/02509510/A931

Dear Sirs

**A. PROFORMA FINANCIAL EFFECTS OF THE VOLUNTARY CONDITIONAL TAKE-OVER
OFFER FOR OVERSEAS UNION BANK LIMITED BY DBS GROUP HOLDINGS LTD**

1. The directors of DBS Group Holdings Ltd ("DBSH") have appointed PricewaterhouseCoopers as Reporting Accountant for this purpose.
2. This report has been prepared for inclusion in the Notice of Take-Over Offer — Part B Statement, to be dated June 23, 2001 in connection with the voluntary conditional take-over offer (the "Offer") for Overseas Union Bank Limited ("OUB") by DBSH.
3. On the basis of information provided by the directors and management of DBSH, we have compiled in accordance with Singapore Standard of Auditing 930 — "Engagements to Compile Financial Information" applicable to compilation engagements, the following financial information as set out on pages A5-2 to A5-31 (the "unaudited Proforma Consolidated Financial Information").
 - (a) Unaudited proforma consolidated profit and loss statement for the financial year ended December 31, 2000 showing the effect of the Offer had the acquisition been completed on January 1, 2000 ("unaudited Proforma Consolidated Profit and Loss Account").
 - (b) Unaudited proforma consolidated balance sheet as at December 31, 2000 showing the effects of the Offer had the acquisition been completed on January 1, 2000 ("unaudited Proforma Consolidated Balance Sheet").
4. The directors of DBSH are responsible for the unaudited Proforma Consolidated Financial Information. We have not audited or reviewed the unaudited Proforma Consolidated Financial Information and accordingly, we express no assurance on the unaudited Proforma Consolidated Financial Information.
5. In addition, we have compiled the following information as set out in pages A5-32 to A5-102 pertaining to DBSH and its subsidiaries ("DBSH Group") based on the Annual Reports of DBSH Group:
 - (a) A summary of the consolidated profit and loss statements, balance sheets, statements of changes in equity and the consolidated cash flow statements and the related notes for each of the financial years ended December 31, 1998 to 2000 of DBSH Group.
 - (b) The balance sheet and related notes for the financial year ended December 31, 2000 of DBSH.

The directors of DBSH have elected to exclude certain notes to the financial statements and the disclosures set forth in the Singapore Statements of Accounting Standard for the financial year ended December 31, 1998 on the basis that the cost of preparing such information outweighs the benefit that could be derived from presenting such financial information.

6. Other than noted above, our procedures included reading the compiled information and considering whether it appears to be appropriate in form and free from obvious and material misstatements.
7. All information extracted in this report for OUB and its subsidiaries ("OUB Group") has been extracted from the Annual Reports and other publicly available information. As Reporting Accountant, we have had no access to management or access to the books and records of OUB Group. As such, our work has been limited to solely relying on the information that has been extracted from the Annual Reports of OUB Group for the years ended December 31, 1998 to 2000 and included in this report. No additional work has been undertaken.

Information in this report on OUB Group is included in the unaudited Proforma Consolidated Financial Information referred to in 3 above and Section K which sets out a summary of the consolidated profit and loss statements, balance sheets, statements of changes in equity and the consolidated cash flow statements and the related notes for each of the financial years ended December 31, 1998 to 2000 of OUB Group.

B. BACKGROUND INFORMATION

1. A public limited liability company, DBSH was incorporated in Singapore on March 9, 1999. The Development Bank of Singapore Ltd ("DBS Bank"), its wholly-owned subsidiary, was incorporated in Singapore on July 16, 1968.
2. The Offer will be to acquire all the issued shares of par value S\$1.00 each in the capital of OUB.
3. If the Offer becomes or is declared to be unconditional in all respects, OUB will become a subsidiary of DBSH. It has been assumed that, after the Offer, the existing group structure of OUB Group and the existing group structure of DBSH Group, apart from the acquisition of OUB Group will remain unchanged.
4. The completion of the offer by DBSH is subject to the conditions as set out in the Notice of Take-Over Offer referred to above.

C. DBSH AND ITS SUBSIDIARY COMPANIES

1. The principal activity of DBSH is principally that of an investment holding company.
2. We have acted as auditors of DBSH and its subsidiary companies incorporated in Singapore throughout the period covered by this report. Associated firms of PricewaterhouseCoopers have acted as auditors of the overseas subsidiaries of DBSH Group throughout the period covered by this report, except for DBS Thai Danu Bank PCL ("DTDB"), for the financial year ended December 31, 1998, and Inter-Roof Manufacturing Public Co. Ltd, for the financial years ended December 31, 1998 to 2000, which were audited by other public accounting firms throughout the period covered by this report. The financial statements of DBSH during the period covered by this report were not subject to any qualifications.
3. The auditors' reports on the financial statements of each of the subsidiaries of DBSH and OUB for the period covered by this report, where they were audited, were not subject to any material qualifications in relation to the DBSH Group or OUB Group financial statements.

D. UNAUDITED PROFORMA CONSOLIDATED FINANCIAL INFORMATION

1. Overview

Set out in Sections E to H is the unaudited Proforma Consolidated Financial Information for the DBSH Group and OUB Group, together, known as the "Combined Group". The unaudited Proforma Consolidated Financial Information has been prepared on the basis of the assumptions and qualifications set out below.

2. Basis of preparation

The unaudited Proforma Consolidated Financial Information set out in this report has been prepared based on the separate audited consolidated financial statements of

DBSH Group and OUB Group for the financial year ended December 31, 2000, after making such reclassifications as we considered necessary to achieve consistency of presentation.

The unaudited Proforma Consolidated Financial Information is prepared in accordance with the historical cost convention, modified by the revaluation of certain treasury instruments, and in accordance with the provisions of Singapore Statements of Accounting Standard. The unaudited Proforma Consolidated Financial Information has been prepared in accordance with the significant accounting policies set out in Section H, Note 2 to this report and the assumptions set out below.

These accounting policies are substantially consistent with the accounting policies used by DBSH Group and OUB Group. It has been assumed that there are no material differences between the accounting policies used by DBSH Group and OUB Group companies. Any changes to the accounting policies are dealt within the summary financial information of each Group.

The objective of the unaudited Proforma Consolidated Financial Information is to present what the historical consolidated financial position of DBSH Group might have been had the acquisition for OUB Group been completed on January 1, 2000. The unaudited Proforma Consolidated Financial Information has been prepared for illustrative purposes only and does not purport to be indicative of the results and financial position that would have been attained had the acquisition actually been completed on January 1, 2000.

3. Consolidation

The unaudited Proforma Consolidated Financial Information has been presented on the basis that that the business combination of OUB Group with DBSH will be accounted for as an acquisition in accordance with Singapore Statement of Accounting Standard ("SAS") 22, Business Combinations (2000).

For the sole purpose of showing what the effect of the annual goodwill amortisation charge arising from the acquisition of OUB Group might have been on the profit and loss account, we have included a full year amortisation charge in the unaudited Proforma Consolidated Profit and Loss Account of the Combined Group as if the acquisition had been completed on January 1, 2000.

4. Key assumptions

The following assumptions have been used to compile the unaudited Proforma Consolidated Financial Information:

- (a) *Preparation of the unaudited Proforma Consolidated Financial Information* — The unaudited Proforma Consolidated Financial Information is an aggregation of the financial information of DBSH Group and OUB Group, notwithstanding that they were not under common control as of January 1, 2000.

All information extracted in this report for OUB and its subsidiaries ("OUB Group") has been extracted from the Annual Reports and other publicly available information. As Reporting Accountant, we have had no access to management or access to the books and records of OUB Group. As such, our work has been limited to solely relying on the information that has been extracted from the Annual Reports of OUB Group for the years ended December 31, 1998 to 2000 and included in this report. No additional work has been undertaken.

- (b) *Pricing of the transaction* — For each OUB ordinary share held, OUB shareholders will receive 0.61 DBSH share and S\$1.14 in cash. The unaudited Proforma Consolidated Financial Information has been prepared on the assumption that none of the outstanding options to subscribe for new OUB shares were exercised and without taking into account the impact of the arrangement referred to below. DBSH will make an appropriate arrangement with respect to the outstanding OUB Options, details of which will be

despatched to the holders of such options not later than the date of despatch of the formal offer document.

- (c) *The Offer* — It is assumed that the Offer is successful and DBSH will acquire 100% of OUB.
- (d) *Acquisition cost and financing the purchase* — The purchase of OUB shares will be financed by the issue of new DBSH shares as well as cash. No adjustment has been made for transaction costs in relation to the acquisition.
- (e) *Goodwill on acquisition* — The fair value of the Identifiable Assets and Liabilities of OUB Group is assumed to be the audited net asset value as at December 31, 2000 as reported in the OUB 2000 Annual Report. No adjustments have been made for fair value purposes.
- (f) *Elimination entries* — It has been assumed that transactions between DBSH Group and OUB Group are not material to the unaudited Proforma Consolidated Financial Information and therefore inter-entity balances have not been eliminated in preparing the unaudited Proforma Consolidated Financial Information.
- (g) *Group restructuring costs and fair value adjustments* — No adjustments for restructuring costs or fair value adjustments which would arise on first consolidation of OUB by DBSH have been made in the unaudited Proforma Consolidated Financial Information.
- (h) *Transaction funding costs* — No provisions have been made in the unaudited Proforma Consolidated Profit and Loss Account for funding costs.
- (i) **Synergies** — **No synergistic benefits have been factored into the unaudited Proforma Consolidated Financial Information.**
- (j) *Events subsequent to December 31, 2000* — As disclosed in Section H, Notes 28 and 29 to this report, certain subsequent events have taken place since December 31, 2000. These transactions have not been reflected in the unaudited Proforma Consolidated Financial Information.

Specifically, DBS Diamond Holdings Ltd, a wholly-owned subsidiary of DBS Bank has announced its intention to make a voluntary conditional offer to acquire the entire issued ordinary share capital of Dao Heng Bank Group Limited. This transaction has not yet been completed. Certain information on Dao Heng Bank Group Limited has been disclosed in Section I.

E. UNAUDITED PROFORMA CONSOLIDATED PROFIT AND LOSS ACCOUNT OF DBSH GROUP AND OUB GROUP (“THE COMBINED GROUP”)

The following unaudited Proforma Consolidated Profit and Loss Account combines the historical consolidated profit and loss accounts of DBSH Group and OUB Group to give the business combination which will be accounted for as an acquisition, in line with the accounting policies included in Section H, Note 2 to this report, after making such reclassifications as we considered necessary to achieve consistency of presentation. For the purpose of this proforma, it has been assumed that the acquisition was completed on January 1, 2000. The unaudited Proforma Consolidated Financial Information is not necessarily indicative of the results that actually would have occurred had the business combination been completed on the dates indicated or that may be obtained in the future. Reference should be made to the assumptions in Section D to this report.

E1. SUMMARY UNAUDITED PROFORMA CONSOLIDATED PROFIT AND LOSS ACCOUNT OF DBSH GROUP AND OUB GROUP ("THE COMBINED GROUP") FOR THE YEAR ENDED DECEMBER 31, 2000, AND AUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNTS OF DBSH GROUP FOR EACH OF THE 3 YEARS ENDED DECEMBER 31

S\$'000	Note	Proforma After Acquisition of OUB 2000	DBSH Group Audited 2000	DBSH Group Audited 1999	DBSH Group Audited 1998
Interest income		7,236,033	4,896,910	4,607,872	4,931,259
Less: Interest expense		<u>4,197,750</u>	<u>2,857,539</u>	<u>2,573,197</u>	<u>3,501,256</u>
Net interest income	5	<u>3,038,283</u>	<u>2,039,371</u>	<u>2,034,675</u>	<u>1,430,003</u>
Fee and commission income ..	6	691,188	508,474	423,053	274,130
Dividends	7	88,898	82,866	31,297	37,032
Rental income	8	37,011	32,106	30,747	37,660
Other income	9	<u>351,989</u>	<u>268,188</u>	<u>509,152</u>	<u>97,012</u>
Income before operating expenses		<u>4,207,369</u>	<u>2,931,005</u>	<u>3,028,924</u>	<u>1,875,837</u>
Less: Staff costs	10	877,072	613,221	529,258	333,588
Other operating expenses		<u>854,979</u>	<u>632,445</u>	<u>535,423</u>	<u>420,779</u>
Total operating expenses		<u>1,732,051</u>	<u>1,245,666</u>	<u>1,064,681</u>	<u>754,367</u>
Operating profit		2,475,318	1,685,339	1,964,243	1,121,470
Less: Provision for possible loan losses and diminution in value of other assets	11	176,968	53,644	1,063,224	996,428
Amortisation of goodwill ^a		<u>213,754</u>	<u>—</u>	<u>—</u>	<u>—</u>
		2,084,596	1,631,695	901,019	125,042
Add: Share of profits less losses of associated companies		<u>96,507</u>	<u>43,132</u>	<u>140,372</u>	<u>(80,931)</u>
Net profit before taxation		2,181,103	1,674,827	1,041,391	44,111
Less: Taxation		453,041	308,746	345,150	64,390
Share of taxation of associated companies ..		<u>21,027</u>	<u>6,396</u>	<u>34,313</u>	<u>7,314</u>
Net profit/ (loss) after taxation		1,707,035	1,359,685	661,928	(27,593)
Less: Minority interests		<u>(13,097)</u>	<u>(29,161)</u>	<u>(409,855)</u>	<u>(139,557)</u>
Net profit attributable to members		<u>1,720,132</u>	<u>1,388,846</u>	<u>1,071,783</u>	<u>111,964</u>

^a Assumes that goodwill will be amortised on a straight-line basis over a 20-year period, which is a rebuttable presumption under SAS 22. The goodwill charge of S\$213,754,000 has been adjusted in accordance with the assumption that the acquisition had been completed on January 1, 2000. Refer to Section D, 3.

E2. SUMMARY UNAUDITED PROFORMA CONSOLIDATED PROFIT AND LOSS ACCOUNT OF DBSH GROUP AND OUB GROUP ("THE COMBINED GROUP") FOR THE YEAR ENDED DECEMBER 31, 2000

S\$'000	DBSH Group	OUB Group	Proforma Adjustments	Proforma After Acquisition of OUB
Interest income	4,896,910	2,339,123	—	7,236,033
Less: Interest expense	2,857,539	1,340,211	—	4,197,750
Net interest income	<u>2,039,371</u>	<u>998,912</u>	—	<u>3,038,283</u>
Fee and commission income	508,474	182,714	—	691,188
Dividends	82,866	6,032	—	88,898
Rental income	32,106	4,905	—	37,011
Other income	268,188	83,801	—	351,989
Income before operating expenses	<u>2,931,005</u>	<u>1,276,364</u>	—	<u>4,207,369</u>
Less: Staff costs	613,221	263,851	—	877,072
Other operating expenses	632,445	222,534	—	854,979
Total operating expenses	<u>1,245,666</u>	<u>486,385</u>	—	<u>1,732,051</u>
Operating profit	1,685,339	789,979	—	2,475,318
Less: Provision for possible loan losses and diminution in value of other assets	53,644	123,324	—	176,968
Amortisation of goodwill ^a	—	—	213,754	213,754
	<u>1,631,695</u>	<u>666,655</u>	213,754	2,084,596
Add: Share of profits less losses of associated companies	43,132	53,375	—	96,507
Net profit before taxation	<u>1,674,827</u>	<u>720,030</u>	213,754	2,181,103
Less: Taxation	308,746	144,295	—	453,041
Share of taxation of associated companies	6,396	14,631	—	21,027
Net profit after taxation	<u>1,359,685</u>	<u>561,104</u>	213,754	1,707,035
Less: Minority interests	(29,161)	16,064	—	(13,097)
Net profit attributable to members ..	<u><u>1,388,846</u></u>	<u><u>545,040</u></u>	<u><u>213,754</u></u>	<u><u>1,720,132</u></u>

^a Assumes that goodwill will be amortised on a straight-line basis over a 20-year period, which is a rebuttable presumption under SAS 22. The goodwill charge of S\$213,754,000 has been adjusted in accordance with the assumption that the acquisition had been completed on January 1, 2000. Refer to Section D, 3.

F. UNAUDITED PROFORMA CONSOLIDATED BALANCE SHEET OF DBSH GROUP AND OUB GROUP ("THE COMBINED GROUP")

The following unaudited Proforma Consolidated Balance Sheet combines the historical consolidated balance sheets of DBSH Group and OUB Group to give the business combination which will be accounted for as an acquisition, in line with the accounting policies included in Section H, Note 2 to this report, after making such reclassifications as we considered necessary to achieve consistency of presentation. For the purpose of the proforma, it has been assumed that the acquisition was completed on January 1, 2000. The unaudited Proforma Consolidated Financial Information is not necessarily indicative of the financial position that actually would have occurred had the business combination been completed on the dates indicated or that may be obtained in the future. Reference should be made to the assumptions in Section D to this report.

F1. SUMMARY UNAUDITED PROFORMA CONSOLIDATED BALANCE SHEET OF DBSH GROUP AND OUB GROUP ("THE COMBINED GROUP") AS AT DECEMBER 31, 2000 AND AUDITED CONSOLIDATED BALANCE SHEETS FOR EACH OF THE 3 YEARS ENDED DECEMBER 31

S\$'000	Note	Proforma After Acquisition of OUB 2000	DBSH Group Audited 2000	DBSH Group Audited 1999	DBSH Group Audited 1998
SHARE CAPITAL AND RESERVES					
Share capital	12, ^a	1,913,305	1,307,249	1,324,828	1,564,977
RESERVES					
Share premium					
account		7,703,725	6,809	4,967	—
Other reserve		4,273,129	4,273,129	4,273,129	3,914,158
Capital redemption					
reserve	13.1	28,410	28,410	—	—
Capital reserve	13.2	—	—	170,984	125,841
General reserve	13.3	1,755,105	1,755,105	1,634,921	1,377,290
Revenue reserve		<u>2,910,294</u>	<u>3,124,048</u>	<u>3,466,969</u>	<u>2,829,256</u>
		16,670,663	9,187,501	9,550,970	8,246,545
SHAREHOLDERS' FUNDS					
		18,583,968	10,494,750	10,875,798	9,811,522
MINORITY INTEREST SUBORDINATED					
TERM DEBTS	14	2,508,460	2,508,460	1,648,620	126,100
LIABILITIES					
Deposits and balances with bankers		24,571,627	12,053,626	7,490,609	12,618,271
Deposits and other accounts with non-bank customers		107,619,941	80,720,470	82,268,309	73,858,292
Other debt securities in issue		1,086,354	654,757	536,329	349,028
Other borrowings		648,652	648,652	632,916	648,100
Bills payable		459,675	407,394	571,734	366,010
Other liabilities	15	4,287,736	3,143,704	2,008,721	2,130,113
Current taxation		566,431	407,675	509,879	108,144
Deferred taxation		34,774	18,420	14,763	11,666
Proposed dividends		<u>378,713</u>	<u>296,200</u>	<u>157,919</u>	<u>81,358</u>
		160,760,198	111,228,077	106,464,945	100,037,392
Life fund liabilities to policyholders		<u>1,288,855</u>	<u>1,288,855</u>	—	—
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS					
		<u>162,049,053</u>	<u>112,516,932</u>	<u>106,464,945</u>	<u>100,037,392</u>

^a Assumes that the investment in OUB is via a combination of share swap and cash settlement whereby OUB ordinary shareholders will receive 0.61 DBSH share and S\$1.14 in cash in exchange for each OUB ordinary share held. It is assumed that the Offer is successful and DBSH will acquire 100% of OUB.

F1. SUMMARY UNAUDITED PROFORMA CONSOLIDATED BALANCE SHEET OF DBSH GROUP AND OUB GROUP ("THE COMBINED GROUP") AS AT DECEMBER 31, 2000 AND AUDITED CONSOLIDATED BALANCE SHEETS FOR EACH OF THE 3 YEARS ENDED DECEMBER 31

S\$'000	Note	Proforma After Acquisition of OUB 2000	DBSH Group Audited 2000	DBSH Group Audited 1999	DBSH Group Audited 1998
ASSETS					
Cash and balances and placements with central banks		5,061,626	5,145,019	6,943,841	8,720,463
Singapore Government securities and treasury bills		12,157,038	8,654,584	8,813,799	6,949,915
Trading securities	16	6,264,040	4,849,421	3,334,545	2,733,092
Balances, placements with, and loans and advances to banks		43,962,582	34,568,689	26,493,664	20,751,947
Bills receivable from non-bank customers	17	1,466,481	992,391	1,201,881	2,056,912
Loans and advances to non-bank customers	17	79,132,313	51,031,379	53,167,650	54,158,482
Investment securities	19	1,210,319	341,291	964,640	315,559
Other assets	20	4,074,281	3,297,847	2,244,914	1,644,613
Associated companies and joint ventures	21	1,170,536	557,688	1,479,546	1,087,531
Goodwill	^a	4,061,330	—	—	—
Fixed assets		<u>2,199,652</u>	<u>1,789,768</u>	<u>1,820,465</u>	<u>1,618,878</u>
		160,760,198	111,228,077	106,464,945	100,037,392
Life fund net assets attributable to policyholders		<u>1,288,855</u>	<u>1,288,855</u>	—	—
TOTAL ASSETS		<u><u>162,049,053</u></u>	<u><u>112,516,932</u></u>	<u><u>106,464,945</u></u>	<u><u>100,037,392</u></u>
MEMORANDUM ITEMS					
Contingent liabilities	22	11,175,717	8,674,419	8,553,957	8,684,790
Commitments	23	<u>49,589,929</u>	<u>33,065,044</u>	<u>35,303,754</u>	<u>35,600,398</u>
		<u>60,765,646</u>	<u>41,739,463</u>	<u>43,857,711</u>	<u>44,285,188</u>
Financial derivatives	24	<u>191,617,813</u>	<u>176,193,717</u>	<u>43,527,328</u>	<u>36,056,167</u>

^a For the purpose of this proforma, the fair value of the Identifiable Assets and Liabilities of OUB Group is the audited net asset value as at December 31, 2000 as reported in the OUB 2000 Annual Report. No adjustments have been made for fair value purposes. The amount of goodwill is derived based on the difference between the purchase consideration of S\$9,435,602,000 and the fair value of the Identifiable Assets and Liabilities of OUB Group as at December 31, 2000 of S\$5,160,518,000. The goodwill will be recorded and amortised to the profit and loss statement in accordance with SAS 22 over its useful life with the rebuttable presumption that the useful life of goodwill will not exceed 20 years. A one-year goodwill amortisation charge of S\$213,754,000 has been taken to the unaudited proforma profit and loss account for the year ended December 31, 2000 in accordance with the assumption that the acquisition had taken place on January 1, 2000.

F2. UNAUDITED PROFORMA CONSOLIDATED BALANCE SHEETS OF DBSH GROUP AND OUB GROUP ("THE COMBINED GROUP") AS AT DECEMBER 31, 2000

<u>S\$'000</u>	<u>DBSH Group</u>	<u>OUB Group</u>	<u>Acquisition Cost</u>	<u>Eliminations</u>	<u>Proforma After Acquisition of OUB</u>
SHARE CAPITAL AND RESERVES					
Share capital	1,307,249	993,535	606,056 ^a	(993,535) ^b	1,913,305
RESERVES					
Share premium account ..	6,809	1,764,435	7,696,916	(1,764,435) ^b	7,703,725
Other reserve	4,273,129	—	—	—	4,273,129
Capital redemption reserve	28,410	—	—	—	28,410
Capital reserve	—	133,285	—	(133,285) ^b	—
General reserve	1,755,105	1,233,855	—	(1,233,855) ^b	1,755,105
Revenue reserve	3,124,048	1,035,408	—	(1,249,162) ^c	2,910,294
	9,187,501	4,166,983	7,696,916	(4,380,737)	16,670,663
SHAREHOLDERS' FUNDS ..	10,494,750	5,160,518	8,302,972	(5,374,272)	18,583,968
MINORITY INTEREST	(126,031)	139,898	—	—	13,867
SUBORDINATED TERM DEBTS					
	2,508,460	—	—	—	2,508,460
LIABILITIES					
Deposits and balances with bankers	12,053,626	12,518,001	—	—	24,571,627
Deposits and other accounts with non-bank customers	80,720,470	26,899,471	—	—	107,619,941
Other debt securities in issue	654,757	431,597	—	—	1,086,354
Other borrowings	648,652	—	—	—	648,652
Bills payable	407,394	52,281	—	—	459,675
Other liabilities	3,143,704	1,144,032	—	—	4,287,736
Current taxation	407,675	158,756	—	—	566,431
Deferred taxation	18,420	16,354	—	—	34,774
Proposed dividends	296,200	82,513	—	—	378,713
	111,228,077	46,603,421	8,302,972	(5,374,272)	160,760,198
Life fund liabilities to policyholders	1,288,855	—	—	—	1,288,855
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS					
	<u>112,516,932</u>	<u>46,603,421</u>	<u>8,302,972</u>	<u>(5,374,272)</u>	<u>162,049,053</u>

^a Assumes that the investment in OUB is via a combination of share swap and cash settlement whereby OUB ordinary shareholders will receive 0.61 DBSH share and S\$1.14 in cash in exchange for each OUB ordinary share held. It is assumed that the Offer is successful and DBSH will acquire 100% of OUB.

^b Elimination of preacquisition share capital and reserves of OUB Group.

^c Elimination of preacquisition revenue reserves of OUB Group, adjusted for a one-year goodwill amortisation charge of S\$213,754,000 in accordance with the assumption that the acquisition had taken place on January 1, 2000.

F2. UNAUDITED PROFORMA CONSOLIDATED BALANCE SHEETS OF DBSH GROUP AND OUB GROUP ("THE COMBINED GROUP") AS AT DECEMBER 31, 2000

<u>S\$'000</u>	<u>DBSH Group</u>	<u>OUB Group</u>	<u>Acquisition Cost</u>	<u>Eliminations</u>	<u>Proforma After Acquisition of OUB</u>
ASSETS					
Cash and balances and placements with central banks	5,145,019	1,049,237	(1,132,630)	—	5,061,626
Singapore Government securities and treasury bills	8,654,584	3,502,454	—	—	12,157,038
Trading securities	4,849,421	1,414,619	—	—	6,264,040
Balances, placements with, and loans and advances to banks	34,568,689	9,393,893	—	—	43,962,582
Bills receivable from non-bank customers	992,391	474,090	—	—	1,466,481
Loans and advances from non-bank customers	51,031,379	28,100,934	—	—	79,132,313
Investment securities	341,291	869,028	—	—	1,210,319
Other assets	3,297,847	776,434	—	—	4,074,281
Subsidiary companies	—	—	9,435,602	(9,435,602)	—
Associated companies and joint ventures	557,688	612,848	—	—	1,170,536
Goodwill	—	—	—	4,061,330 ^b	4,061,330
Fixed assets	1,789,768	409,884	—	—	2,199,652
	<u>111,228,077</u>	<u>46,603,421</u>	<u>8,302,972</u>	<u>(5,374,272)</u>	<u>160,760,198</u>
Life fund net assets attributable to policyholders	1,288,855	—	—	—	1,288,855
TOTAL ASSETS ...	<u>112,516,932</u>	<u>46,603,421</u>	<u>8,302,972</u>	<u>(5,374,272)</u>	<u>162,049,053</u>
MEMORANDUM ITEMS					
Contingent liabilities	8,674,419	2,501,298	—	—	11,175,717
Commitments	33,065,044	16,524,885	—	—	49,589,929
	<u>41,739,463</u>	<u>19,026,183</u>	—	—	<u>60,765,646</u>
Financial derivatives	176,193,717	15,424,096	—	—	191,617,813

^a Assumes that the investment in OUB is via a combination of share swap and cash settlement whereby OUB ordinary shareholders will receive 0.61 DBSH share and S\$1.14 in cash in exchange for each OUB ordinary share held. It is assumed that the Offer is successful and DBSH will acquire 100% of OUB.

^b For the purpose of this proforma, the fair value of the Identifiable Assets and Liabilities of OUB Group is the audited net asset value as at December 31, 2000 as reported in the OUB 2000 Annual Report. No adjustments have been made for fair value purposes. The amount of goodwill is derived based on the difference between the purchase consideration of S\$9,435,602,000 and the fair value of the Identifiable Assets and Liabilities of OUB Group as at December 31, 2000 of S\$5,160,518,000. The goodwill will be recorded and amortised to the profit and loss statement in accordance with SAS 22 over its useful life with the rebuttable presumption that the useful life of goodwill will not exceed 20 years. A one-year goodwill amortisation charge of S\$213,754,000 has been taken to the unaudited proforma profit and loss account for the year ended December 31, 2000 in accordance with the assumption that the acquisition had taken place on January 1, 2000.

G. UNAUDITED PROFORMA CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF DBSH GROUP

The following unaudited Proforma Consolidated Statement of Changes in Equity shows the movement in the shareholders' equity and reserves for the year ended December 31, 2000. The unaudited Proforma Consolidated Statement of Changes in Equity is not necessarily indicative of the movement in the shareholders' equity that actually would have occurred had the acquisition been completed on January 1, 2000. Reference should be made to the assumptions in Section D to this report.

G. UNAUDITED PROFORMA CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2000

	Total Share Capital	Share Premium	Other Reserve	Capital		General Reserve	Revenue Reserve	Total Shareholders' Funds
				Redemption Reserve	Capital Reserve			
Balance at January 1, 2000	1,324,828	4,967	4,273,129	—	170,984	1,634,921	3,466,969	10,875,798
Issue of ordinary shares as consideration for the restructuring of The Insurance Corporation of Singapore Ltd as a subsidiary of DBSH	8,439	169,627	—	—	—	—	—	178,066
Exercise of share options pursuant to the DBSH Share Option Scheme / DBSH Share Option Plan	2,392 (28,410)	17,970 (185,755)	—	28,410	—	—	(414,265)	20,362 (600,020)
Redemption of DBSH Non-voting Redeemable CPS	—	—	—	—	—	—	—	—
Issue of ordinary shares in connection with the acquisition of OUB Group	606,056	7,696,916	—	—	—	—	—	8,302,972
Adjustment for pre-acquisition reserves of OUB Group	—	—	—	—	—	—	(545,040)	(545,040)
Goodwill arising from acquisitions of subsidiary and associated companies	—	—	—	—	(150,669)	—	(761,504)	(912,173)
Net exchange translation adjustment during the year	—	—	—	—	(4,581)	—	—	(4,581)
Capital reserve arising from equity accounting	—	—	—	—	(15,734)	—	—	(15,734)
Appropriation from profit and loss account	—	—	—	—	—	120,184	(120,184)	—
Net profit attributable to members	—	—	—	—	—	—	1,720,132	1,720,132
Share of reserves arising from equity accounting	—	—	—	—	—	—	172	172
Additional dividends on proposed ordinary and preference shares made in previous year	—	—	—	—	—	—	(1,162)	(1,162)
Interim dividends on ordinary and preference shares	—	—	—	—	—	—	(139,235)	(139,235)
Proposed dividends on ordinary and preference shares	—	—	—	—	—	—	(295,589)	(295,589)
Balance at December 31, 2000	1,913,305	7,703,725	4,273,129	28,410	—	1,755,105	2,910,294	18,583,968

H. NOTES TO THE UNAUDITED PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF DBSH GROUP AND OUB GROUP ("THE COMBINED GROUP")

These notes form an integral part of, and should be read in conjunction with, the unaudited Proforma Consolidated Financial Information and Sections A-F.

1. GENERAL

The unaudited Proforma Consolidated Financial Information is prepared in Singapore dollars. DBSH was incorporated on March 9, 1999 and is principally an investment holding company.

The registered office of DBSH is located at 6 Shenton Way, DBS Building Tower One, Singapore 068809. As at December 31, 2000, DBSH Group together with OUB Group employed 15,521 staff.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies applied to the unaudited Proforma Consolidated Financial Information. The accounting policies should be read in conjunction with the assumptions set out in Section D.

2.1 BASIS OF ACCOUNTING

The unaudited Proforma Consolidated Financial Information of the Combined Group is prepared in accordance with the historical cost convention, modified by the revaluation of certain treasury instruments to market value, and in accordance with the provisions of Singapore Statements of Accounting Standard.

These accounting policies are substantially consistent with the accounting policies used by DBSH Group and OUB Group. It has been assumed that there are no material differences between the accounting policies used by DBSH Group and OUB Group companies.

2.2 BASIS OF CONSOLIDATION

The unaudited Proforma Consolidated Financial Information incorporates the financial information of DBSH, OUB and their subsidiary companies. These subsidiary companies are companies in which DBSH Group or OUB Group have 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.

2.3 GOODWILL

Goodwill arising on the acquisition of subsidiary companies and business undertakings represents the excess of cost over the fair value of the share of the Identifiable Assets and Liabilities acquired. For all acquisitions prior to December 31, 2000, goodwill was taken directly to reserves in the year of acquisition. For the purpose of the proforma, goodwill arising from the acquisition of OUB Group is capitalised and amortised on a straight-line basis over its expected useful life with a rebuttable presumption that the useful life of goodwill will not exceed 20 years. The fair values used, for the Identifiable Assets and Liabilities acquired of OUB, in this report are the audited net asset value as at December 31, 2000 as reported in the OUB 2000 Annual Report. No adjustments to the fair values of the Identifiable Assets and Liabilities have been made. As such, the actual goodwill arising from the acquisition may be significantly different.

2.4 SUBSIDIARY COMPANIES AND ASSOCIATED COMPANIES

Investments in subsidiary companies and associated companies are stated at cost less provision for diminution in value, except where such diminution is temporary.

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

The results of the associated companies are taken from the latest audited accounts or unaudited management accounts of the associated companies concerned, made up to dates not more than six months prior to the end of the financial years of DBSH Group and OUB Group. Where the accounting policies of the associated companies do not conform to those of DBSH Group and OUB Group, appropriate adjustments have been made in the unaudited Proforma Consolidated Financial Information if the amounts involved are material.

2.5 FOREIGN CURRENCIES

Monetary 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 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 Singapore Statement of Accounting Standard 20), and the related foreign currency borrowings designated as hedges, which are taken directly to reserves.

2.6. 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 of entering into the transactions as elaborated below.

2.6.1 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 the Combined Group.

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

- (i) the transaction 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 accordance with the accounting treatment of the underlying transactions.

Hedging transactions that are superseded, cease to be effective or are terminated prior to the end of the life of the assets, liabilities, other positions or cashflow being hedged, are measured at fair value. Any profit or loss arising is deferred and amortised as interest income or expense 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 not 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 relating to the previously hedged transactions.

2.6.2 TRADING TRANSACTIONS

Derivative transactions, which do not meet the criteria to be designated as a hedge, 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. Unrealised valuation gains or losses are included in "Other assets" or "Other liabilities" respectively.

2.7 BASIS OF VALUATION OF ASSETS

2.7.1 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.

Security 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 security are cash deposits, receivables, inventories, plant and equipment, real estate and investments.

2.7.1.1 NON-PERFORMING LOANS

Loans are classified as non-performing (Substandard, Doubtful or Loss) when:

- (a) debt restructuring or rescheduling takes place; or
- (b) the borrower is in a weak financial position or is in a negative net worth position; or
- (c) payment of the principal and/or interest has been in arrears for three months or more.

In determining if the loan is non-performing, management also considers several factors such as expected future cash flows, the financial ability and willingness of the borrower to meet its obligations, and business and economic conditions.

2.7.1.2 RESTRUCTURED LOANS

Loans are classified as restructured loans when the original contractual terms of the loans are formally modified. The loans will continue to be classified as non-performing loans after the debt restructuring and will be monitored for principal and interest repayments for the next 12 months. If repayments are maintained, the borrowers' debt servicing ability will be reviewed before a decision is made to upgrade the loans to performing loans. If the repayments are not maintained, the loans remain as non-performing loans, with a possibility of downgrading, and further debt restructuring may take place.

2.7.1.3 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.

Specific provision is based on the borrower's debt servicing ability and adequacy of security. Specific provision is made as soon as the debt servicing of the loan has been identified as doubtful and when the estimated repayment realisable from the borrower is likely to fall

short of the amount of principal and interest outstanding. Such loans are treated as non-performing loans and are included in Note 2.7.1.1.

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.

All known bad debts are written off against the provisions in the year in which they are classified as irrecoverable.

2.7.2 DEBT SECURITIES AND EQUITIES

2.7.2.1 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.

2.7.2.2 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. Where the market price may not be achievable as a result of operating in illiquid markets, appropriate adjustments to the market value are made.

2.7.2.3 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.

2.7.3 PROVISION FOR DIMINUTION IN VALUE OF OTHER ASSETS AND BANKING RISKS

Specific provisions are made against other assets and banking risks not covered by Notes 2.7.1 and 2.7.2 above so as to reduce them to their estimated realisable values. In addition, a general provision is made for other assets and banking risks.

2.7.4 FORECLOSED PROPERTIES

Foreclosed properties acquired in full or partial satisfaction of debts, 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 provision for loan losses in the profit and loss account in the year of taking over the foreclosed properties in satisfaction of the debt. Foreclosed properties are marked to market at least once during the financial year. Any shortfall is taken to the profit and loss account.

Subsequent gains or losses on the disposal of the foreclosed assets are treated as provisions written back or additional provisions, respectively. The gains in excess of provisions made previously, if any, are reflected as other income in the profit and loss account.

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

Repos are treated as collateralised borrowing and the amount borrowed is shown as a liability, included in deposits and balances of banks and other financial institutions. 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 Non-Singapore Government treasury bills and securities (Note 16). Reverse repos are treated as collateralised lending and the amount lent is shown as an asset, included in placements with and loans to banks and other financial institutions. The difference between the amount received and the amount paid under repos and reverse repos is amortised as interest expense and interest income respectively.

2.9 RECOGNITION OF INCOME

2.9.1 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.

2.9.2 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.

2.9.3 DIVIDENDS

Dividends from trading equities are recognised when received. Dividends from investment equities are recognised when declared payable.

2.9.4 PREMIUMS AND DISCOUNTS

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

3. FUTURE CHANGE IN ACCOUNTING STANDARDS

The unaudited Proforma Consolidated Financial Information has been based on Singapore Statements of Accounting Standard (“SAS”) in effect for financial periods ending December 31, 2000, except for SAS 22, Business Combinations (2000).

In its effort to align the Singapore Statements of Accounting Standard to International Accounting Standards (“IAS”), The Institute of Certified Public Accountants of Singapore has adopted the following new accounting standards effective for financial years commencing on or after July 1 or October 1, 2000:

- SAS 8 Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies
- SAS 10 Events after the Balance Sheet Date
- SAS 17 Employee Benefits
- SAS 22 Business Combinations
- SAS 31 Provisions, Contingent Liabilities and Contingent Assets

- SAS 32 Financial Instruments: Presentation and Disclosure
- SAS 34 Intangible Assets
- SAS 35 Discontinuing Operations
- SAS 36 Impairment of Assets

In addition, SAS 33, Financial Instruments: Recognition and Measurement will also be adopted for financial years commencing on or after July 1, 2001. SAS 33 requires that financial instruments, other than held-to-maturity investments and loans and receivables originated by the enterprise which are carried at amortised cost, may need to be reflected at their fair values regardless of whether they are held for long or short term unless certain criteria are met. It also requires that all the hedging criteria defined in SAS 33 must be met before hedge accounting can be applied.

Except for SAS 22, no adjustments have been made for the new standards noted above the unaudited Proforma Consolidated Financial Information.

4. SEGMENTAL PRESENTATION

The business segment results are obtained from the Annual Reports of DBSH Group and OUB Group and are based on the internal record system amended to reflect the organisation's management reporting structure. The worldwide activities of DBSH Group and OUB 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 office recording the transaction.

Descriptions of the business and geographical segments are set out in Note 27.

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.

<u>In S\$'million</u>	<u>Proforma After Acquisition of OUB</u>		
	<u>2000 Average Balance</u>	<u>2000 Interest</u>	<u>Average Rate (%)</u>
Interest bearing assets	143,707	7,236	5.04
Interest bearing liabilities	<u>133,172</u>	<u>4,198</u>	3.15
Net interest income		<u>3,038</u>	—
Net interest income as a % of average interest bearing assets			<u>2.11</u>

6. FEE AND COMMISSION INCOME

Fee and commission income comprises mainly securities brokerage, advisory fees, loan fees, commission on trades and other services rendered.

7. DIVIDENDS

Dividend income of the Combined Group represents gross dividend income from quoted and unquoted equity investments, and associated companies.

8. RENTAL INCOME

Rental income represents income on the tenanted areas of the buildings owned directly or indirectly by DBSH Group and OUB Group.

9. OTHER INCOME

Other income comprises the following:

<u>S\$'000</u>	<u>Proforma After Acquisition of OUB 2000</u>
Net gains on trading in foreign exchange	145,257
Net gains on sale of trading securities and derivatives trading	89,254
Net gains on disposal of investment securities	42,048
Net gains on disposal of fixed assets	8,990
Underwriting income from insurance business	23,500
Other income	<u>42,940</u>
Total	<u>351,989</u>

Included in net gains on sale of trading securities and derivatives trading is the accretion of premium relating to call options on covered warrants, calculated on a straight-line basis over the life of the options, as well as premium realised upon the exercise of the covered warrants by the warrant holders amounting to S\$11.4 million.

10. STAFF COSTS

Staff costs include salaries, bonuses, contributions to the Central Provident Fund, and all other staff-related expenses.

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:

<u>S\$'000</u>	<u>Proforma After Acquisition of OUB 2000</u>
Specific provision for loans	107,371
Specific provision for diminution in value of investments and other assets	67,891
Bad debt written off	37,476
Write-back of general provision for loan losses, contingencies and other banking risks	<u>(35,770)</u>
Total	<u>176,968</u>

12. SHARE CAPITAL

The proforma share capital of DBSH at December 31, 2000, is as follows:

	Proforma After Acquisition of OUB 2000
Authorised S\$'000	
2,000,000,000 ordinary shares of S\$1 each	<u>2,000,000</u>
500,000,000 Non-voting convertible preference shares of S\$1 each ..	<u>500,000</u>
500,000,000 Non-voting redeemable convertible preference shares of S\$1 each	<u>500,000</u>
Issued and paid-up S\$'000	
Ordinary shares	1,821,717 ^a
Non-voting convertible preference shares	25,113
Non-voting redeemable convertible preference shares	<u>66,475</u>
Total Issued and Paid-up Share Capital of DBSH	<u>1,913,305</u>
Number of Shares	
Number of ordinary shares of S\$1 each	<u>1,821,717,621</u>
Number of Non-voting convertible preference shares of S\$1 each ...	<u>25,112,719</u>
Number of Non-voting redeemable convertible preference shares of S\$1 each	<u>66,475,374</u>

^a Include new shares issued in connection with the share exchange for the acquisition of OUB Group of S\$606,056,000 and 2 subscriber shares issued upon incorporation of DBSH.

13. RESERVES

13.1 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.

13.2 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 on acquisition of subsidiary companies, associated companies and business undertakings.

13.3 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.

14. SUBORDINATED TERM DEBTS

Subordinated term debts relate to junior or secondary long-term debts that have a lower priority claim on DBS Bank's assets in the case of a default or liquidation. These debts are treated as Tier 2 capital for the purposes of capital adequacy ratio computation in their respective countries. For the calculation of DBSH Group's capital adequacy ratio, only the S\$1,299,563,000 (US\$750 million) 7⁷/₈% subordinated notes and S\$866,375,000 (US\$500 million) 7⁷/₈% subordinated notes qualify as Tier 2 capital.

15. OTHER LIABILITIES

<u>S\$'000</u>	<u>Proforma After Acquisition of OUB 2000</u>
Interest payable	1,089,221
Accrued operating expenses	470,841
Balances arising from revaluation of financial instruments (Note 24)	995,064
Clients' monies payable in respect of securities and factoring businesses	628,390
Other liabilities arising in respect of insurance business	89,808
Payable in respect of short sale of debt securities	101,616
Liabilities arising from collaterals received ^a	59,244
Sundry creditors	<u>853,552</u>
Total	<u><u>4,287,736</u></u>

^a "Liabilities arising from collateral received" represents a liability for 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 under a collateral support agreement.

16. TRADING SECURITIES

Trading securities include cash instruments, such as certificates of deposits, 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, 2000 are as follows:

<u>S\$'000</u>	<u>Proforma After Acquisition of OUB 2000</u>
Quoted	
Non-Singapore government securities and treasury bills	2,030,288
Corporate debt securities	2,479,403
Equity shares	<u>1,219,649</u>
	5,729,340
Less: Provision for diminution in value (Note 18)	<u>105,170</u>
Net book value	<u><u>5,624,170</u></u>
Market value	<u><u>5,778,344</u></u>
Unquoted	
Certificates of deposits	633,370
Debt securities	<u>6,541</u>
	639,911
Less: Provision for diminution in value (Note 18)	<u>41</u>
Net book value	<u><u>639,870</u></u>
Total Quoted and Unquoted	<u><u>6,264,040</u></u>
Included in the above trading securities are as follows:	
Securities sold under repurchase agreements	<u><u>565,837^a</u></u>

^a Includes securities sold under repurchase agreements of DBSH Group only as information on OUB Group's repurchase transactions is not publicly available.

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

<u>S\$'000</u>	Proforma After Acquisition of OUB 2000
Gross	83,907,168
Less:	
Specific provisions (Note 18)	1,637,809
General provisions (Note 18)	<u>1,670,565</u>
Net total	<u>80,598,794</u>
Including:	
Bills receivable	1,466,481
Loans	<u>79,132,313</u>
Net total	<u><u>80,598,794</u></u>
Industry Breakdown	
Manufacturing	8,302,897
Building and Construction	14,475,395
Housing Loans	20,641,530
General Commerce	5,945,335
Transportation, Storage and Communications	4,546,828
Financial Institutions, Investment and Holding Companies	10,148,090
Professionals and Private Individuals (except Housing Loans)	10,595,020
Others	<u>9,252,073</u>
Gross total	<u><u>83,907,168</u></u>

Included in loans and advances is a loan of S\$337.0 million extended to a company which is wholly owned by a substantial shareholder of DBSH.

18. OTHER PROVISIONS FOR LOAN LOSSES, DIMINUTION IN VALUE OF OTHER ASSETS AND BANKING RISKS

Provisions for diminution in value of other assets and banking risks comprise the following at December 31, 2000:

<u>S\$'000</u>	Proforma After Acquisition of OUB			
	<u>Specific 2000</u>	<u>General 2000</u>	<u>Others 2000</u>	<u>Total 2000</u>
Loan losses (Note 17)	1,637,809	1,670,565	—	3,308,374
Singapore Government securities	19	—	—	19
Trading Securities (Note 16)	103,917	1,294	—	105,211
Investment Securities (Note 19)	90,010	—	—	90,010
Fixed Assets	—	—	110,055	110,055
Other assets and banking risks ^a	—	—	110,788	110,788
Balance at December 31	<u>1,831,755</u>	<u>1,671,859</u>	<u>220,843</u>	<u>3,724,457</u>

^a Provision for other banking risks and other assets held at "Other liabilities" in Note 15.

Included in the general provision is an amount of S\$136.0 million set aside for possible valuation losses from foreclosure of properties taken in satisfaction of certain loan arrangements of DBS Thai Danu Bank PCL ("DTDB").

19. INVESTMENT SECURITIES

<u>S\$'000</u>	Proforma After Acquisition of OUB		
	<u>Quoted 2000</u>	<u>Unquoted 2000</u>	<u>Total 2000</u>
Equity shares	64,967	398,650	463,617
Debt securities	590,541	246,171	836,712
	<u>655,508</u>	<u>644,821</u>	1,300,329
Less: Provision for diminution in value (Note 18)			<u>90,010</u>
Net book value			<u>1,210,319</u>
Market value of quoted equity shares and debt securities	<u>699,590</u>		

20. OTHER ASSETS

<u>S\$'000</u>	Proforma After Acquisition of OUB 2000
Accrued interest receivable ^a	1,510,658
Balances arising from revaluation of financial instruments (Note 24) ...	963,042
Other foreign exchange revaluation	100,779
Deposits, prepayments and sundry debtors	718,778
Foreclosed properties	302,209
Clients' monies receivable from securities business	478,815
Total	<u>4,074,281</u>

^a Accrued interest receivable is net of interest-in-suspense.

Included in deposits and prepayments at December 31, 2000, is an amount of 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.

The general provision of S\$136.0 million in respect of foreclosed properties in DTDB is included in Note 18.

21. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

21.1 The investments in associated companies at December 31, 2000 are as follows:

<u>S\$'000</u>	Proforma After Acquisition of OUB 2000
Quoted equity shares at cost	1,327,931
Unquoted equities at cost	<u>115,175</u>
	1,443,106
Less: Goodwill arising from acquisition of an associated company	<u>(836,123)</u>
	606,983
Add: Share of reserves arising from equity accounting	<u>563,553</u>
	<u>1,170,536</u>

21.2 The names and details of the associated companies of DBSH Group and OUB Group are included in Section J, Note 34 and Section K, Note 20.

- 21.3** The joint venture companies indirectly held by DBSH Group at December 31, 2000 are as follows:

<u>Joint Venture Companies</u>	<u>Country of Incorporation / Business</u>	<u>Principal Activities</u>	<u>Proforma After Acquisition of OUB</u> <u>2000</u> <u>%</u>
<i>Held By DBS Bank</i>			
Ayala DBS Holdings Inc.	Philippines	Investment holding	40.00
<i>Held By Other Subsidiary Companies</i>			
IBUYIPAY Pte Ltd	Singapore	To design, develop, implement and maintain internet-based payment gateway	50.00

22. CONTINGENT LIABILITIES

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

The amounts outstanding at December 31, 2000 comprise the following:

<u>S\$'000</u>	<u>Proforma After Acquisition of OUB</u> <u>2000</u>
Acceptances on account of customers	148,922
Guarantees on account of customers	5,611,717
Endorsements and other obligations on account of customers	
Letters of credit	2,797,380
Others	621,371
Spot foreign exchange contracts	1,931,823
Other contingent items	<u>64,504</u>
Total	<u><u>11,175,717</u></u>

Included in "Guarantees on account of customers" as at December 31, 2000, was S\$154.0 million relating to a guarantee which DBS Bank, a wholly-owned subsidiary, granted to holders of "DBS UP Guaranteed Fund 2.5/1, DBS UP Guaranteed Fund 3.5/1, and DBS UP Guaranteed Fund 5.0/1" on the guaranteed value payable on June 25, 2003, June 23, 2004 and December 23, 2005 respectively.

23. 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 unaudited proforma balance sheet at December 31, 2000, comprise the following:

<u>S\$'000</u>	<u>Proforma After Acquisition of OUB 2000</u>
Loans and other facilities	
Undrawn credit facilities	47,608,755
Undrawn note issuance and revolving underwriting facilities	5,595
Undisbursed commitments in debt securities and equities	102,000
Underwriting commitments in debt securities and equities	6,665
Others	<u>1,743,083</u>
Sub-total	49,466,098
Capital Commitments	
Others	<u>123,831</u>
Total	<u><u>49,589,929</u></u>

24. FINANCIAL DERIVATIVES

The table below analyses 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 trading derivative financial instruments by counterparties to reflect the underlying credit risk of these counterparties. In the unaudited Proforma Consolidated Financial Information, derivative financial instruments are revalued on a net position basis and the unrealised gains or losses are reflected in "Other assets" or "Other liabilities".

It has been assumed that transactions between DBSH Group and OUB Group are not material to the unaudited Proforma Consolidated Financial Information and therefore inter-entity balances have not been eliminated in preparing the unaudited Proforma Consolidated Financial Information.

<u>S\$'000</u>	<u>Proforma After Acquisition of OUB</u>		
	<u>Underlying Principal 2000</u>	<u>Year-end Positive Fair Value 2000</u>	<u>Year-end Negative Fair Value 2000</u>
Foreign Exchange (FX) Derivatives			
FX Forwards	9,887,619	119,189	159,059
FX swaps	106,315,992	500,087	561,620
Futures	25,841	11	206
Currency options purchased	3,007,647 (a)	32,512	54
Currency options written	<u>3,378,836 (b)</u>	<u>286</u>	<u>24,901</u>
Sub-total	122,615,935	652,085	745,840

	Proforma After Acquisition of OUB		
	Underlying Principal 2000	Year-end Positive Fair Value 2000	Year-end Negative Fair Value 2000
S\$'000			
Interest Rate Derivatives			
Forward Rate Agreements	1,118,736	343	636
Interest rate swaps	42,285,804	295,732	226,150
Financial futures	12,709,081	1,826	4,286
Swaptions	222,156	2,656	1,729
Interest rate futures options	1,646,113	—	2,230
Caps and floors	<u>2,029,429</u>	<u>5,162</u>	<u>10,658</u>
Sub-total	60,011,319	305,719	245,689

	Proforma After Acquisition of OUB		
	Underlying Principal 2000	Year-end Positive Fair Value 2000	Year-end Negative Fair Value 2000
S\$'000			
Equity Derivatives			
Futures	6,815	18	5
Options purchased	4,435,619	393	2,799
Options sold	<u>4,433,967</u>	<u>2,861</u>	<u>401</u>
Sub-total	<u>8,876,401</u>	<u>3,272</u>	<u>3,205</u>
Others	<u>114,158</u>	1,966	330
Total	<u><u>191,617,813</u></u>		
Balances arising from off-balance sheet financial instruments (see Other liabilities /Other assets Notes 15/20)		<u>963,042</u>	<u>995,064</u>

^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 that require a fixed payment as a result of some future events 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 events that have no notional amount.

25. 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 the Combined Group at December 31, 2000 are as follows:

	Proforma After Acquisition of OUB 2000
S\$'000	
Securities sold under repurchase agreements	648,402
Other assets pledged	<u>486,615</u>
Total	<u><u>1,135,017</u></u>

26. NON-PERFORMING LOANS AND PROVISIONS

The Combined 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.

<u>In S\$'millions</u>	<u>Proforma After Acquisition of OUB</u>	
	<u>NPLs^a 2000</u>	<u>%</u>
Malaysia	776	11
Indonesia	270	4
Thailand	129	2
South Korea	69	1
The Philippines	87	1
5 Regional Countries	1,331	19
DTDB	1,238	17
Total Regional Countries	2,569	36
Singapore	3,628	50
Other countries	1,042	14
Total	7,239	100

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

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

<u>S\$'000</u>	<u>Proforma After Acquisition of OUB</u>			
	<u>DTDB 2000</u>	<u>Other Regional Countries 2000</u>	<u>Singapore and Other Countries 2000</u>	<u>Total 2000</u>
Non-Performing Loans	1,238	1,331	4,670	7,239
— substandard	956	824	3,839	5,619
— doubtful	32	221	361	614
— loss	250	286	470	1,006
NPLs as a % of:				
— Group total assets	0.77%	0.83%	2.90%	4.50%
Total Cumulative Provisions	719	954	1,808	3,481
— specific provisions	545	441	903	1,889
— general provisions	174	513	905	1,592
Total Cumulative Provisions as a % of:				
— group total assets	0.44%	0.59%	1.11%	2.14%

27. SEGMENT ANALYSIS

The information is presented in accordance with the requirements of Singapore Statements of Accounting Standard 23, Segment Reporting and is the aggregate of the information included in the Annual Reports of DBSH and OUB. The information may not necessarily reflect how the business segments may be viewed by DBSH should the acquisition of OUB be successful.

27.1 Business Segment Analysis (Primary Segment information)

The unaudited Proforma Consolidated Financial Information 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 and investment 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 service, and nominee and trustee 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.

- **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.

- **Malaysian Operations**

Malaysian operations cover the operations of OUB's Malaysian subsidiaries, in particular, Overseas Union Bank (Malaysia) Berhad.

- **DBS Thai Danu Bank PCL ("DTDB")**

This covers the activities of DTDB in Thailand, a key company in DBSH Group. These amounts include specific and general provisions booked in Singapore against exposures held in DTDB's balance sheet.

The following table analyses the net profit before taxation, total assets and total liabilities by business segments for the year ended December 31, 2000 is as follows:

In S\$'million	Proforma After Acquisition of OUB						Grand Total
	Consumer Banking	Investment Banking	Treasury and Markets	Central Operations	Malaysian Operations	DBS Thai Danu Bank	
Income before operating expenses	2,123	1,341	469	142	124	77	4,276
Elimination							(69)
							4,207
Net profit before taxation	1,098	1,018	343	36	72	(33)	2,534
Elimination							(353)
							2,181
Other Information							
Segment assets	37,567	48,109	45,257	2,892	2,679	3,988	140,492
Unallocated corporate assets	—	—	—	16,207	—	—	16,207
Total assets	<u>37,567</u>	<u>48,109</u>	<u>45,257</u>	<u>19,099</u>	<u>2,679</u>	<u>3,988</u>	<u>156,699</u>
Segment liabilities	85,191	24,989	18,621	1,853	2,082	3,312	136,048
Unallocated corporate liabilities	—	—	—	6,254	—	—	6,254
Total liabilities	<u>85,191</u>	<u>24,989</u>	<u>18,621</u>	<u>8,107</u>	<u>2,082</u>	<u>3,312</u>	<u>142,302</u>
Capital expenditure	47	15	17	237	12	8	336
Depreciation during the year	47	10	6	101	4	11	179

27.2 Geographical Segment Analysis (Secondary segment information)

The DBSH Group and OUB Group operates in four main geographical areas:

- **Singapore**, the home country of DBSH and OUB, which includes all the areas of operations in the primary business segments.
- **“Other ASEAN countries”**, which includes business activities in Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, The Philippines, Thailand and Vietnam. The main activities for other ASEAN countries comprise mainly branch and subsidiary operations.
- **“Other Asia Pacific countries”**, which includes business activities in Australia, Bangladesh, China, Hong Kong, India, Japan, Korea, New Zealand, Pakistan, Papua New Guinea, Russia, Sri Lanka and Taiwan. The main activities for other Asia Pacific countries comprise mainly branch and subsidiary operations.
- **Rest of the World** — the main activities are branch operations.

With the exception of Singapore, 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 DTDB's loans which are booked in Singapore. Total assets are shown by geographical area in which the assets are booked. The classifications would not be materially different if total assets shown were 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 (before goodwill) by geographical segments.

<u>In S\$'million</u>	<u>Proforma After Acquisition of OUB</u>	
	<u>Income Before Operating Expenses 2000</u>	<u>Total Assets^a 2000</u>
Singapore(b)	3,371	127,318
Other ASEAN(b)	258	7,365
Other Asia Pacific	480	14,893
Rest of the World	98	7,123
Total	<u>4,207</u>	<u>156,699</u>

^a Total assets exclude "Life-fund assets attributable to policyholders" and goodwill.

^b Singapore includes the operations of Asian Currency Unit. Special general provisions for regional exposures and additional specific provisions for DTDB's loans are booked in Singapore.

28. SUBSEQUENT EVENTS IN RELATION TO DBSH GROUP

The following subsequent events have taken place for DBSH Group since December 31, 2000.

28.1 On November 28, 2000, DBS Bank announced the integration of operations with its wholly-owned subsidiary company, DBS Finance Ltd ("DBS Finance"). DBS Finance entered into a Scheme of Arrangement and Amalgamation under Sections 210 and 212 of the Companies Act, Chapter 50 ("Scheme").

Subsequent to the financial year-end, the Scheme was sanctioned by the High Court of Singapore on January 22, 2001 and the Scheme became effective on January 29, 2001. The following events took place on the effective date:

- All 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 on January 29, 2001.
- All DBS Finance's rights and obligations (except for those relating to excluded assets) were transferred to DBS Bank.
- DBS Finance ceased to operate as a finance company with effect from January 29, 2001 and will remain inactive except for the holding of investments in its subsidiaries and certain properties.

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

28.2 On February 13, 2001, DBS Bank entered into a Scheme of Arrangement ("Scheme") to acquire a 59.47% stake in Vickers Ballas Holdings Limited ("Vickers Ballas"). Subject to the approval of the Scheme, Vickers Ballas will be renamed DBS Vickers. Under the Scheme, DBS Bank will pay the minority shareholders S\$443.9 million for the 59.47% stake in Vickers Ballas. This represents 1.19 times Vickers Ballas' adjusted book value as at December 31, 2000.

28.3 On March 25, 2001, DBS Capital Funding Corporation, a wholly-owned subsidiary of DBS Bank completed a two-tranche offering of Tier 1 capital securities in a US dollar US\$725 million tranche with a coupon of 7.657% and a Singapore dollar tranche of S\$100 million with a coupon rate of 5.35%. The proceeds from the issue are to support business expansion and other general corporate purposes, as well as to facilitate capital management initiatives.

- 28.4** On April 11, 2001, DBS Diamond Holdings Ltd, a wholly-owned subsidiary of DBS Bank, itself wholly owned by DBSH Group, announced its intention to make a voluntary conditional offer to acquire the entire issued ordinary share capital of Dao Heng Bank Group Limited (“Dao Heng Group”) and all options over such ordinary share capital. Under the terms of the agreement, the shareholders of Dao Heng Group will be offered consideration of HK\$60.01 in cash, or HK\$43.13 in cash and one share in the capital of DBS Diamond Holdings Ltd for every ordinary share of US\$0.50 each in Dao Heng Group.
- 28.5** On May 10, 2001, DBS Bank completed an issue of US\$850 million of Subordinated Notes with a coupon of 7.125% maturing in 2011. The net proceeds of the sale of these Subordinated Notes will be used primarily for general corporate purposes.
- 28.6** On May 24, 2001, DBS Bank completed an issue of S\$1.1 billion of new 6% non-cumulative preference shares, of par value S\$0.01 each. These preference shares have a liquidation preference of S\$100 each. The net proceeds of the issue of these preference shares will be used primarily for general corporate purposes.
- 28.7** On June 20, 2001, DBSH agreed in principle to enter into a 50-50 joint venture with TD Waterhouse Group to form a regional online financial services company.

29. SUBSEQUENT EVENTS IN RELATION TO OUB GROUP

We have noted the following subsequent events have been publicly announced by OUB Group since December 31, 2000. This report is compiled based on public announcements which have come to our attention. We draw your attention to Section 1, paragraph 7 of our report which sets out the scope of our work on OUB. Other events may have taken place since December 31, 2000 which would have an impact on the financial statements.

- 29.1** On March 8, 2001, OUB announced that it entered into a joint venture agreement (the “Agreement”) with certain other parties. Under the Agreement, OUB acquired 25% of the issued share capital of a Singapore incorporated company, Ace Net Financial Services Pte Ltd (“Ace Net”). Ace Net is intended to be a marketing and management company which will appoint and manage service providers who provide operational and technical services to an automated teller machine network.
- 29.2** On May 11, 2001, OUB Securities Pte Ltd, a wholly-owned subsidiary of OUB agreed to acquire the whole of Grand Orient Securities Pte Ltd (“Grand Orient”).

The acquisition price will be based on the net tangible assets of Grand Orient as of April 30, 2001, plus a premium of S\$5 million.

I. DAO HENG BANK GROUP LIMITED

On April 11, 2001, DBS Bank and DBS Diamond Holdings Ltd, a wholly-owned subsidiary of DBSH announced its intention to make a voluntary conditional offer to acquire the entire issued ordinary share capital of Dao Heng Group and all options over such ordinary share capital. Under the terms of the agreement, the shareholders of Dao Heng Group will be offered consideration in the form of either for every ordinary share of US\$0.50 each in Dao Heng Group, HK\$60.01 in cash, or HK\$43.13 in cash and one share in the capital of DBS Diamond Holdings Ltd.

DBS Bank is also in the process of determining the amount of goodwill that will arise as a result of the Dao Heng Group acquisition. Because the amount of goodwill that will arise as a result of the Dao Heng Group acquisition depends on a number of factors, DBS Bank cannot at this time determine the specific amount of goodwill.

The legal arrangements are currently in the process of being finalised.

J. DBSH GROUP FINANCIAL INFORMATION

The following financial information on DBSH Group have been compiled from the three preceding years' audited financial statements or from public announcements made by DBSH.

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

S\$'000	Note	DBSH Group		
		2000	1999	1998
Interest income		4,896,910	4,607,872	4,931,259
Less: Interest expense		<u>2,857,539</u>	<u>2,573,197</u>	<u>3,501,256</u>
Net interest income	5	<u>2,039,371</u>	<u>2,034,675</u>	<u>1,430,003</u>
Fee and commission income	6	508,474	423,053	274,130
Dividends	7	82,866	31,297	37,032
Rental income	8	32,106	30,747	37,660
Other income	9	<u>268,188</u>	<u>509,152</u>	<u>97,012</u>
Income before operating expenses		<u>2,931,005</u>	<u>3,028,924</u>	<u>1,875,837</u>
Less: Staff costs	10	613,221	529,258	333,588
Other operating expenses	10	<u>632,445</u>	<u>535,423</u>	<u>420,779</u>
Total operating expenses	10	<u>1,245,666</u>	<u>1,064,681</u>	<u>754,367</u>
Operating profit		1,685,339	1,964,243	1,121,470
Less: Provision for possible loan losses and diminution in value of other assets	11	<u>53,644</u>	<u>1,063,224</u>	<u>996,428</u>
		1,631,695	901,019	125,042
Add: Share of profits less losses of associated companies		<u>43,132</u>	<u>140,372</u>	<u>(80,931)</u>
Net profit before taxation		1,674,827	1,041,391	44,111
Less: Taxation	12	308,746	345,150	64,390
Share of taxation of associated companies		<u>6,396</u>	<u>34,313</u>	<u>7,314</u>
Net profit / (loss) after taxation		1,359,685	661,928	(27,593)
Less: Minority interests		<u>(29,161)</u>	<u>(409,855)</u>	<u>(139,557)</u>
Net profit attributable to members ..		<u>1,388,846</u>	<u>1,071,783</u>	<u>111,964</u>

CONSOLIDATED BALANCE SHEETS

SS'000	Note	DBSH Group		
		2000	1999	1998
SHARE CAPITAL AND RESERVES				
Share capital	17	1,307,249	1,324,828	1,564,977
RESERVES				
Share premium account	18.1	6,809	4,967	—
Other reserve	18.2	4,273,129	4,273,129	3,914,158
Capital redemption reserve	18.3	28,410	—	—
Capital reserve	18.4	—	170,984	125,841
General reserve	18.5	1,755,105	1,634,921	1,377,290
Revenue reserve	18.6	3,124,048	3,466,969	2,829,256
		9,187,501	9,550,970	8,246,545
SHAREHOLDERS' FUNDS		10,494,750	10,875,798	9,811,522
MINORITY INTEREST	19	(126,031)	(250,652)	(71,212)
SUBORDINATED TERM DEBTS	20	2,508,460	1,648,620	126,100
LIABILITIES				
Deposits and balances with bankers		12,053,626	7,490,609	12,618,271
Deposits and other accounts with non-bank customers	22	80,720,470	82,268,309	73,858,292
Other debt securities in issue	21	654,757	536,329	349,028
Other borrowings		648,652	632,916	648,100
Bills payable		407,394	571,734	366,010
Other liabilities	23	3,143,704	2,008,721	2,130,113
Current taxation		407,675	509,879	108,144
Deferred taxation	24	18,420	14,763	11,666
Proposed dividends		296,200	157,919	81,358
		111,228,077	106,464,945	100,037,392
Life fund liabilities to policyholders	25	1,288,855	—	—
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		112,516,932	106,464,945	100,037,392
ASSETS				
Cash and balances and placements with central banks		5,145,019	6,943,841	8,720,463
Singapore Government securities and treasury bills	26	8,654,584	8,813,799	6,949,915
Trading securities	27	4,849,421	3,334,545	2,733,092
Balances, placements with, and loans and advances to banks		34,568,689	26,493,664	20,751,947
Bills receivable from non-bank customers	28	992,391	1,201,881	2,056,912
Loans and advances from non-bank customers	28	51,031,379	53,167,650	54,158,482
Investment securities	31	341,291	964,640	315,559
Other assets	32	3,297,847	2,244,914	1,644,613
Associated companies	34	557,688	1,479,546	1,087,531
Fixed assets	35	1,789,768	1,820,465	1,618,878
		111,228,077	106,464,945	100,037,392
Life fund net assets attributable to policyholders	25	1,288,855	—	—
TOTAL ASSETS		112,516,932	106,464,945	100,037,392
MEMORANDUM ITEMS				
Contingent liabilities	36	8,674,419	8,553,957	8,684,790
Commitments	37	33,065,044	35,303,754	35,600,398
		41,739,463	43,857,711	44,285,188
Financial derivatives	38	176,193,717	43,527,328	36,056,167

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2000

S\$'000	Total Share Capital	Share Premium	Other Reserve	Capital Redemption Reserve		Capital Reserve	General Reserve	Revenue Reserve	Total Shareholders' Funds
				—	—				
Balance at January 1, 2000	1,324,828	4,967	4,273,129	—	—	170,984	1,634,921	3,466,969	10,875,798
Issue of ordinary shares as consideration for the restructuring of ICS as a subsidiary of DBSH	8,439	169,627	—	—	—	—	—	—	178,066
Exercise of share options pursuant to the DBSH Share Option Scheme/DBSH Share Option Plan	2,392	17,970	—	—	—	—	—	—	20,362
Redemption of DBSH Non-voting Redeemable CPS	(28,410)	(185,755)	—	28,410	—	—	—	(414,265)	(600,020)
Goodwill arising from acquisitions of subsidiary and associated companies	—	—	—	—	—	(150,669)	—	(761,504)	(912,173)
Net exchange translation adjustment during the year	—	—	—	—	—	(4,581)	—	—	(4,581)
Capital reserve arising from equity accounting	—	—	—	—	—	(15,734)	—	—	(15,734)
Appropriation from profit and loss account	—	—	—	—	—	—	120,184	(120,184)	—
Net profit attributable to members	—	—	—	—	—	—	—	1,388,846	1,388,846
Share of reserves arising from equity accounting	—	—	—	—	—	—	—	172	172
Additional dividends on proposed ordinary and preference shares made in previous year	—	—	—	—	—	—	—	(1,162)	(1,162)
Interim dividends on ordinary and preference shares	—	—	—	—	—	—	—	(139,235)	(139,235)
Proposed dividends on ordinary and preference shares	—	—	—	—	—	—	—	(295,589)	(295,589)
Balance at December 31, 2000	<u>1,307,249</u>	<u>6,809</u>	<u>4,273,129</u>	<u>28,410</u>	<u>—</u>	<u>1,755,105</u>	<u>3,124,048</u>	<u>10,494,750</u>	<u>10,494,750</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 1999

<u>S\$'000</u>	<u>Total Share Capital</u>	<u>Share Premium</u>	<u>Other Reserve</u>	<u>Capital Reserve</u>	<u>General Reserve</u>	<u>Revenue Reserve</u>	<u>Total Shareholders' Funds</u>
Balance at January 1, 1999	—	—	—	125,841	1,377,290	2,829,256	4,332,387
Issue pursuant to the restructuring of DBS Bank under DBSH	1,324,133	—	—	—	—	—	1,324,133
Exercise of share options pursuant to the DBSH Share Option Scheme/DBSH Share Option Plan	695	4,967	—	—	—	—	5,662
Share premium of DBS Bank prior to the restructuring of DBS Bank under DBSH	—	—	4,273,129	43,723	—	—	4,273,129
Capital reserves arising from equity accounting	—	—	—	—	—	—	43,723
General reserves arising from equity accounting	—	—	—	—	(844)	—	(844)
Write-back of excess dividends on proposed ordinary and preference shares made in previous year	—	—	—	—	—	580	580
Net exchange translation adjustment during the year	—	—	—	1,420	—	—	1,420
Appropriation from profit and loss account	—	—	—	—	258,475	(258,475)	—
Net profit attributable to members	—	—	—	—	—	1,071,783	1,071,783
Reserve arising from acquisitions of subsidiary and associated companies Interim dividends on ordinary and preference shares	—	—	—	—	—	62,306	62,306
Proposed dividends on ordinary and preference shares	—	—	—	—	—	(80,562)	(80,562)
Balance at December 31, 1999	<u>1,324,828</u>	<u>4,967</u>	<u>4,273,129</u>	<u>170,984</u>	<u>1,634,921</u>	<u>3,466,969</u>	<u>10,875,798</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 1998

	<u>Total Share Capital</u>	<u>Other Reserves/ Share Premium</u>	<u>Capital Reserve</u>	<u>General Reserve</u>	<u>Revenue Reserve</u>	<u>Total Shareholders' Funds</u>
Balance at January 1, 1998	1,238,815	1,646,051	215,204	1,274,750	3,453,379	7,828,199
Rights issue of shares	141,626	857,192	—	—	—	998,818
Bonus issue	70,811	(70,811)	—	—	—	—
Conversion of DBS CPS to ordinary shares and additional ordinary shares subscribed by converting DBS CPS holders	(111,140)	111,677	—	—	—	537
Issued under the DBS Bank share option scheme	100	—	—	—	—	100
Issued as consideration for the purchases of business undertakings of POSBank	224,765	—	—	—	—	224,765
Expenses arising from bonus and rights issue	—	(5,186)	—	—	—	(5,186)
Non-voting convertible preference shares	—	1,375,235	—	—	—	1,375,235
Net exchange translation adjustments during the year	—	—	(12,691)	—	—	(12,691)
Goodwill arising from acquisitions of subsidiary companies and business undertakings	—	—	(202,513)	—	(527,399)	(729,912)
Appropriation from profit and loss account	—	—	—	65,984	(65,984)	—
Net profit attributable to members	—	—	—	—	111,964	111,964
Write-back of excess provision for preference dividend in previous year	—	—	—	—	696	696
Interim dividends on ordinary shares	—	—	—	—	(62,042)	(62,042)
Proposed dividends on ordinary and preference shares	—	—	—	—	(81,358)	(81,358)
Reserves arising from equity accounting	—	—	125,841	36,556	—	162,397
Balance at December 31, 1998	<u>1,564,977</u>	<u>3,914,158</u>	<u>125,841</u>	<u>1,377,290</u>	<u>2,829,256</u>	<u>9,811,522</u>

CONSOLIDATED CASH FLOW STATEMENTS

S\$'000	DBSH Group		
	2000	1999	1998
Cash flows from operating activities			
Profit before taxation and minority interests	1,674,827	1,041,391	44,111
Adjustments for non-cash items:-			
Provision for possible loan losses and diminution in value of assets	53,644	1,063,224	996,428
Depreciation of fixed assets	135,996	116,701	88,018
Share of associated companies' (profits) / losses	(43,132)	(140,372)	80,931
Profit on sale of fixed assets	(9,167)	(58,564)	(200)
Profit on sale of investment securities	(40,823)	(143,468)	(1,118)
Operating profit before changes in operating assets & liabilities	1,771,345	1,878,912	1,208,170
Increase / (Decrease) in:			
Deposits and other accounts of customers	(1,547,839)	3,113,118	9,987,582
Deposits and balances of banks and agents	4,563,017	(5,219,114)	(8,534,105)
Other liabilities including bills payable	886,080	(36,568)	(275,225)
(Increase) / Decrease in:			
Government securities and trading securities	(961,709)	(2,340,028)	(481,461)
Accounts receivable and other assets	(1,304,483)	(610,817)	674,767
Balances, placements with, and loans and advances, to other banks	(7,994,276)	(3,498,088)	3,504,657
Loans and advances to customers including bills receivable	2,398,747	4,707,512	(782,690)
Tax paid	(297,558)	60,830	(76,942)
Net cash (used in) / from operating activities (1)	(2,486,676)	(1,944,243)	5,224,753
Cash flows from investing activities			
Acquisition of new subsidiary companies (Note 33.8)	(365)	(615,145)	(266,469)
Disposal of subsidiary companies (Note 33.9)	2,460	—	1,578,842
Acquisition of additional interest in subsidiary companies ..	(31,927)	—	—
Dividends from associated companies	14,851	12,896	22,515
Purchase of fixed assets	(247,169)	(223,826)	(99,818)
Purchase of investment securities	(451,427)	(872,368)	(80,728)
Proceeds from sale of fixed assets	161,568	151,282	6,747
Proceeds from sale of investment securities	1,011,299	173,492	15,680
Net cash generated from / (used in) investing activities (2)	459,290	(1,373,669)	1,176,769
Cash flows from financing activities			
Increase / (Decrease) in:			
Share capital and share premium	(579,657)	123,789	994,269
Debt securities and borrowings	995,030	1,444,465	(81,584)
Funds from minority interests	116,087	132,956	1,959
Dividends paid by DBSH	(298,315)	(161,340)	(114,093)
Net cash generated from financing activities (3)	233,145	1,539,870	800,551
Exchange translation adjustments (4)	(4,581)	1,420	(14,798)
Net change in cash, and balances and placements with central banks (1) + (2) + (3) + (4)	(1,798,822)	(1,776,622)	7,187,275
Cash, and balances and placements with central banks as at January 1	6,943,841	8,720,463	1,533,188
Cash, and balances and placements with central banks as at December 31	5,145,019	6,943,841	8,720,463

DBS GROUP HOLDINGS LTD — HOLDING COMPANY
BALANCE SHEET AS AT DECEMBER 31, 2000

<u>S\$'000</u>	<u>Note</u>	<u>2000</u>
NON-CURRENT ASSET		
Subsidiary company	33	<u>3,697,153</u>
CURRENT ASSET		
Other assets		<u>—</u>
TOTAL ASSETS		<u>3,697,153</u>
Deferred taxation		19
CURRENT LIABILITIES		
Other liabilities		784
Current taxation		3,964
Proposed dividends		<u>295,589</u>
TOTAL LIABILITIES		<u>300,356</u>
NET ASSETS		<u>3,396,797</u>
SHARE CAPITAL AND RESERVES		
Share capital	17	1,307,249
Share premium account	18.1	6,809
Capital redemption reserve	18.3	28,410
Revenue reserve		<u>2,054,329</u>
TOTAL SHAREHOLDERS' FUNDS		<u>3,396,797</u>

DBSH GROUP**NOTES TO THE FINANCIAL STATEMENTS**

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. DBSH was incorporated on March 9, 1999 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 DBSH is located at 6 Shenton Way, DBS Building Tower One, Singapore 068809. As at December 31, 2000, DBSH Group employed 11,190 (1999: 11,461) staff.

On June 26, 1999, DBS Bank announced its proposal to restructure the Bank under a financial services holding company, DBSH, pursuant to a scheme of arrangement under Section 210 of the Singapore Companies Act (the "Restructuring Scheme"). The restructuring was effected through an exchange of all the issued shares in the capital of DBS Bank in consideration for the issue of new shares in the capital of DBSH. Upon the restructuring, DBSH became a holding company of DBS Bank. The Restructuring Scheme, which took effect on September 18, 1999, was approved by the relevant authorities (including the sanction of the Court) and the shareholders of DBS Bank at an Extraordinary General Meeting on July 28, 1999.

Pursuant to the Restructuring Scheme, DBSH issued 1,077,970,304 ordinary shares of par value S\$1.00 each and 246,162,491 Non-voting convertible preference shares of par value S\$1.00 each, credited as fully paid-up to the then existing shareholders of DBS Bank in exchange for all the ordinary shares and Non-voting convertible preference shares of DBS Bank.

The 1999 consolidated financial statements of DBSH and its subsidiary companies have been prepared using the pooling of interest method of accounting by adopting the merger relief provisions allowed under Sections 69A to 69F of the Singapore Companies Act. Accordingly, the results and balance sheet of DBSH Group for the year ended December 31, 1999 and the comparatives for 1998, have been presented as if the Group has been in existence prior to January 1, 1998 and assets and liabilities are brought into the consolidated financial statements at their existing carrying amounts. Consequently, there was no goodwill or discount arising from the restructuring.

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.

2.1 BASIS OF ACCOUNTING

The consolidated 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, and in accordance with the provisions of the Companies Act and Statements of Accounting Standard.

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 33.3.

2.3 GOODWILL

Goodwill may arise on the acquisition of subsidiary companies and business undertakings. It represents the excess of cost over the fair value of the share of net tangible assets acquired. Goodwill is taken directly to reserves in the year of acquisition. Any excess of the value of net tangible assets acquired over the cost of acquisition is credited to reserves as reserve arising on consolidation.

2.4 SUBSIDIARY COMPANIES AND ASSOCIATED COMPANIES

Investments in subsidiary companies and associated companies are stated in the financial statements of DBSH 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 the 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 33.3.

The results of the associated companies are taken from the latest audited accounts or unaudited management accounts of the associated companies concerned, made 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 the DBSH Group.

2.5 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 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.

2.6 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 of entering into the transactions as elaborated below.

2.6.1 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 transaction 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 accordance with the accounting treatment of the underlying transactions.

Hedging transactions which are superseded, cease to be effective or are terminated prior to the end of the life of the assets, liabilities, other positions or cashflow being hedged, are measured at fair value. Any profit or loss arising is deferred and amortised as interest income or expense 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 relating to the previously hedged transactions.

2.6.2 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. Unrealised valuation gains or losses are included in "Other assets" or "Other liabilities" respectively.

2.6.3 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.

2.7 BASIS OF VALUATION OF ASSETS

2.7.1 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.

Security 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 security are cash deposits, receivables, inventories, plant and equipment, real estate and investments.

2.7.1.1 NON-PERFORMING LOANS

Loans are classified as non-performing (Substandard, Doubtful or Loss) when:

- (a) debt restructuring or rescheduling takes place; or
- (b) the borrower is in a weak financial position or in a negative net worth position; or

- (c) payment of the principal and/or interest has been in arrears for three months or more.

In determining if the loan is non-performing, management also considers several factors such as expected future cash flows, the financial ability and willingness of the borrower to meet its obligations, and business and economic conditions.

2.7.1.2 RESTRUCTURED LOANS

Loans are classified as restructured loans when the original contractual terms of the loans are formally modified. The loans will continue to be classified as non-performing loans after the debt restructuring and will be monitored for principal and interest repayments for the next 12 months. If repayments are maintained, the borrowers' debt servicing ability will be reviewed before a decision is made to upgrade the loans to performing loans. If the repayments are not maintained, the loans remain as non-performing loans, with a possibility of downgrading, and further debt restructuring may take place.

2.7.1.3 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.

Specific provision is based on the borrower's debt servicing ability and adequacy of security. Specific provision is made as soon as the debt servicing of the loan has been identified as doubtful and when the estimated repayment realisable from the borrower is likely to fall short of the amount of principal and interest outstanding. Such loans are treated as non-performing loans and are included in Note 2.7.1.1.

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.

All known bad debts are written off against the provisions in the year in which they are classified as irrecoverable.

2.7.2 DEBT SECURITIES AND EQUITIES

2.7.2.1 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.

2.7.2.2 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. Where the market price may not be achievable as a result of operating in illiquid markets, appropriate adjustments to the market value are made.

Prior to financial year 1998, specific provisions for debt securities and equities covered in this note and Note 2.7.2.1 were made based on the shortfall between cost and market value determined on an

individual investment basis. The impact of the change in method of accounting is disclosed in Notes 11 and 30.

2.7.2.3 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.

2.7.3 PROVISION FOR DIMINUTION IN VALUE OF OTHER ASSETS AND BANKING RISKS

Specific provisions are made against other assets and banking risks not covered by Notes 2.7.1 and 2.7.2 above so as to reduce them to their estimated realisable values. In addition, a general provision is made for other assets and banking risks.

2.7.4 FORECLOSED PROPERTIES

Foreclosed properties acquired in full or partial satisfaction of debts, 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 provision for loan losses in the profit and loss account in the year of taking over the foreclosed properties in satisfaction of the debt. Foreclosed properties are marked to market at least once during the financial year. Any shortfall is taken to the profit and loss account.

Subsequent gains or losses on the disposal of the foreclosed assets are treated as provisions written back or additional provisions, respectively. The gains in excess of provisions made previously, if any, are reflected as other income in the profit and loss account.

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

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

2.9 RECOGNITION OF INCOME

2.9.1 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.

2.9.2 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.

2.9.3 DIVIDENDS

Dividends from trading equities are recognised when received. Dividends from investment equities are recognised when declared payable.

2.9.4 PREMIUMS AND DISCOUNTS

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

2.10 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 Note 16.

Remuneration expenses on base pay, cash bonuses, 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.

2.11 DEPRECIATION

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

2.11.1 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.

2.11.2 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.

2.11.3 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

2.12 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.

2.13 LOAN SECURITISATION

DBSH Group, through its loan securitisation program, packages and sells loans and bonds to a special purpose vehicle ("SPV"). The SPV will in turn issue short-term debt securities to raise funds for the purchase of assets. The assets and liabilities of the SPV are excluded from the consolidated financial information of DBSH Group where it can be demonstrated that the latter has no direct or indirect control over the operations and activities of the SPV.

Following the loan securitisation, DBSH Group receives fee income (including service fees and selling fees) for the various services provided to the SPV. These fees are determined on an arm-length basis and are recognised over the period of the securitisation transaction.

2.14 LIFE INSURANCE BUSINESS

DBSH Group conducts life insurance business through its wholly-owned subsidiary, The Insurance Corporation of Singapore Limited ("ICS"). Premiums are recognised as income by the Life Insurance Fund when due from the policyholders. The corresponding commission payable is accounted for upon premium collection.

Actuarial valuation of the Life Insurance Fund is performed annually by ICS' appointed actuary and any surplus transferred to the Shareholders' Fund are taken up in the consolidated profit and loss account of DBSH Group. The surplus recognised in the financial year will only be withdrawn from the Life Insurance Fund and transferred to the Shareholders' Fund in the following financial year.

The required solvency margin of the Life Insurance Fund is determined in accordance with the Insurance Act and Insurance Regulations of Singapore. Where assets are transferred from the Shareholders' Fund to the Life Insurance Fund to meet any shortfall in the solvency of the Life Insurance Fund, they are dealt with in the income statement. Other transfers to a solvent Life Insurance Fund are taken through revenue reserves and general reserves.

2.15 FUTURE CHANGE IN ACCOUNTING STANDARDS

In its effort to align the Singapore Statement of Accounting Standards ("SAS") to International Accounting Standards ("IAS"), The Institute of Certified Public Accountants of Singapore has adopted the following new accounting standards effective for financial years commencing on or after October 1, 2000:

- SAS 10 Events after the Balance Sheet Date
- SAS 17 Employee Benefits
- SAS 22 Business Combinations
- SAS 31 Provisions, Contingent Liabilities and Contingent Assets
- SAS 32 Financial Instruments: Presentation and Disclosure
- SAS 34 Intangible Assets
- SAS 35 Discontinuing Operations
- SAS 36 Impairment of Assets

SAS 17 requires disclosure of the accounting policy for employee benefits and recognition of equity compensation plans in the financial statements. These have been incorporated in Note 2.10 in these financial statements.

The implementation of SAS 22 will lead to a change in the accounting policy for goodwill. Currently, goodwill arising from consolidation is taken directly to reserves in the year of acquisition. SAS 22 requires goodwill to be recognised as an intangible asset and amortised over a rebuttable period of no more than 20 years.

SAS 32 requires additional disclosures on risk management policies. It also requires that presentation of financial instruments must be in accordance with the substance of the contractual arrangements rather than its legal form.

In addition to the above, SAS 33, Financial Instruments: Recognition and Measurement will also be adopted for financial year commencing on or after July 1, 2001.

SAS 33 requires all financial instruments to be reflected at their fair values regardless of whether they are held for long or short term. It also requires that all the hedging criteria defined in SAS 33 must be met before hedge accounting can be applied.

3. CHANGE IN ACCOUNTING POLICY

The accounting policy in respect of associated companies was changed with effect from January 1, 1999 in accordance with the recommendations by the "Committee on Banking Disclosure". In prior years, DBSH Group's share of the results of associated companies was not included in the consolidated profit and loss account. DBSH Group's share of the post-acquisition reserves of associated companies was also not included in the balance sheet.

The new policy on accounting for investments in associated companies (Note 2.4) complies with the Statement of Accounting Standard 27 — "Accounting for Investments in Associates".

The effect of the change on the 1999 results was an increase of S\$123,109,000 (1998: a decrease of S\$111,164,000) in DBSH Group net profit before tax, and an increase of S\$93,163,000 (1998: a decrease of S\$110,784,000) in DBSH Group's net profit attributable to members.

The comparative figures for 1998 have been restated accordingly to conform with the new accounting policy.

3.1 PRIOR YEAR ADJUSTMENT

The effect of the new policy on accounting for investments in associated companies on prior years' results and reserves is as follows:

<u>S\$'000</u>	<u>DBSH Group</u>
Gross dividends from associated companies	(30,209)
Tax relating to dividends	7,694
Share of 1998's pre-tax net losses of associated companies	(80,955)
Share of 1998's taxation of associated companies	<u>(7,314)</u>
Impact on 1998's profit and loss account	(110,784)
Share of revenue reserves of associated companies as at December 31, 1998 (Note 18.6)	<u>631,084</u>
Prior year adjustment to revenue reserve (Note 18.6)	<u>520,300</u>
Share of capital reserves of associated companies as at December 31, 1998 (Note 18.4)	<u>125,841</u>
Share of general reserves of associated companies as at December 31, 1998 (Note 18.5)	<u><u>36,556</u></u>

4. SEGMENTAL PRESENTATION

The business segment results are prepared based on internal financial reporting system amended 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 segment 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 office recording the transactions. Descriptions of business and geographical segments are set out in Note 43.

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.

S\$' million	DBSH Group								
	2000			1999			1998		
	Average Balance	Average Interest	Average Rate	Average Balance	Average Interest	Average Rate	Average Balance	Average Interest	Average Rate
			(%)			(%)			(%)
Interest bearing assets	101,020	4,897	4.85	100,827	4,608	4.57	80,660	4,931	6.11
Non-interest bearing assets	6,732	—	—	5,792	—	—	4,525	—	—
Total assets	<u>107,752</u>			<u>106,619</u>			<u>85,185</u>		
Interest bearing liabilities	94,038	2,858	3.04	94,203	2,573	2.73	73,985	3,501	4.73
Non-interest bearing liabilities	2,842	—	—	2,315	—	—	2,288	—	—
Total liabilities	<u>96,880</u>			<u>96,518</u>			<u>76,273</u>		
Net interest income		<u>2,039</u>			<u>2,035</u>			<u>1,430</u>	
Net interest income as a % of average interest bearing assets			<u>2.02</u>			<u>2.02</u>			<u>1.77</u>

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; 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 and sundry deposits and prepayments.

Interest bearing liabilities comprise 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:

S\$'000	DBSH Group		
	2000	1999	1998
Investment banking	97,861	84,747	49,145
Stockbroking	77,286	102,453	42,271
Trade-related	75,126	63,044	50,620
Fund management	61,732	19,959	29,477
Deposit-related	60,342	32,494	20,399
Loan-related	50,809	38,223	26,839
Credit cards	33,340	25,043	21,802
Guarantees	25,886	27,907	10,380
Others	26,092	29,183	23,197
Total	<u>508,474</u>	<u>423,053</u>	<u>274,130</u>

7. DIVIDENDS

Dividends in DBSH Group represent gross dividend income from other investments.

Dividends in DBSH relate to dividend income from DBS Bank and ICS.

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:

<u>S\$'000</u>	<u>DBSH Group</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Net gains on trading in foreign exchange	118,994	90,132	93,568
Net gains on sale of trading securities and derivatives trading	55,416	185,534	(5,964)
Net gains on disposal of investment securities			
— Sale of Singapore Petroleum Company shares	—	117,090	—
— Others	40,823	26,378	1,118
Net gains arising from divestment of DBS Tampines Centre	—	57,455	—
Net gains on disposal of fixed assets	9,167	1,109	200
Underwriting income from insurance business	23,500	4,770	8,090
Other income	20,288	26,684	—
Total	<u>268,188</u>	<u>509,152</u>	<u>97,012</u>

Included in net gains on sale of trading securities and derivatives trading is the accretion of premium relating to call options on covered warrants, calculated on a straight-line basis over the life of the options, as well as premium realised upon the exercise of the covered warrants by the warrant holders amounting to S\$11,361,000 (1999: S\$33,219,000; 1998: S\$Nil).

10. OPERATING EXPENSES

<u>S\$'000</u>	<u>DBSH Group</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Staff costs	613,221	529,258	333,588
Occupancy expenses	147,384	138,585	107,195
Technology-related expenses	132,367	108,561	86,325
Professional & consultancy fees	72,514	62,762	9,361
Others	280,180	225,515	217,898
Total Operating expenses	<u>1,245,666</u>	<u>1,064,681</u>	<u>754,367</u>

10.1 Staff costs include salaries, bonuses, contributions to the Central Provident Fund, and all other staff-related expenses (Note 2.10). Contributions to the Central Provident Fund for 2000 amounted to S\$29,725,000 (1999: S\$20,886,000; 1998: S\$33,219,000).

10.2 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.

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

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

10.5 Other expenses include product and corporate image advertising expenses, office administration expenses (e.g. printing and stationary, telecommunications, etc.), restructuring costs and other general expenses.

10.6 Operating expenses include the following:

S\$'000	DBSH Group		
	2000	1999	1998
(1) Directors' fees and remuneration.....	19,745	13,532	11,338
Remuneration of DBSH's/DBS Bank's directors ^a	11,541	8,105	4,808
Remuneration of other directors	7,074	4,206	5,768
Fees of DBSH's/DBS Bank's directors ^a	703	668	211
Fees of other directors	427	553	551
(2) Auditors' remuneration	6,464	4,206	3,022
Audit fees			
— PwC Singapore ^b	2,096	1,268	1,121
— Associated firms of PwC Singapore	1,722	1,406	655
Other auditors for audit work.....	15	123	773
Other Audit-related fees ^c			
— PwC Singapore	2,218	1,120	333
— Associated firms of PwC Singapore	413	289	140
(3) Depreciation of fixed assets (Note 35)	135,996	116,701	88,018
Premises and other properties	51,562	42,612	31,090
Computer and office equipment, furniture and fittings and other fixed assets	84,434	74,089	56,928
(4) Maintenance and hire of fixed assets including buildings	71,315	61,971	36,983
(5) Rental of premises	55,025	53,810	38,470
(6) Restructuring costs ^d	—	26,177	73,925

^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:

	2000*	1999*	1998*
S\$500,000 and above	2	2	3
S\$250,000 to S\$499,999.....	—	—	—
Below S\$250,000	9	9	10
Total	<u>11</u>	<u>11</u>	<u>13</u>

* Includes remuneration paid to DBSH directors in their capacity as DBS directors and/or employees.

^b PricewaterhouseCoopers.

^c Other Audit-related fees are services provided for specific projects closely related to audit activities such as due diligence, agreed upon procedures, securitisation and reconciliation assistance.

^d The restructuring costs of S\$26.2 million in 1999 referred to the restructuring of DTDB (1998: S\$11.3 million). The restructuring costs in 1998 also included those relating to POSBank (S\$60.0 million) and DBS Asset Management Ltd (S\$2.6 million).

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:

<u>S\$'000</u>	<u>DBSH Group</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Specific provision for loans (Note 29)	19,936	1,046,509	897,087
Specific provision for diminution in value of investments and other assets (Note 30)	32,135	4,788	1,164
Release of specific provision for diminution in value of investments during the year arising from change in method of accounting (Note 30)	—	—	(83,884)
Release of general provision for loans (Note 29)	(62,492)	(57,275)	176,148
Provision/ (release) of general provision for diminution in value of investments and other assets (Note 30) ...	702	390	(909)
Provision for contingencies and other banking risks (Note 30)	63,363	68,812	6,822
Total	<u>53,644</u>	<u>1,063,224</u>	<u>996,428</u>

12. TAXATION

<u>S\$'000</u>	<u>DBSH Group</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Taxation charge in respect of profit for the financial year:			
Current taxation	305,089	342,053	73,274
Deferred taxation (Note 24)	3,657	3,097	(24,598)
Contribution to Consolidated Fund	—	—	15,714
Total	<u>308,746</u>	<u>345,150</u>	<u>64,390</u>

The taxation charge on the profit for the year ended December 31, 2000 is lower than that derived by applying the statutory income tax rate of 25.5%. This is contributed by the profit arising from the Asian Currency Unit offshore transactions which is subject to tax at a concessionary rate of 10%.

The taxation charge on the profit for the year ended December 31, 1999 is higher than that derived by applying the statutory income tax rate of 26% to profit before taxation due to certain expenses not being deductible for income tax purposes, including provisions made in respect of DTDB's non-performing loans. This is partially offset by profits arising from the Asian Currency Unit offshore transactions which is subject to tax at a concessionary rate of 10%.

The taxation charge on the profit for the year ended December 31, 1998 is lower than that derived by applying the statutory income tax rate of 26% to the profit before taxation because profit arising from the Asian Currency Unit offshore transactions is subject to tax at the concessionary rate of 10%.

Contribution to Consolidated Fund in 1998 was calculated based on 20% of the net surplus of POSBank for the period from July 1, 1998 to November 15, 1998. This is in accordance with the Statutory Corporation (Contributions to Consolidated Fund) Act (Charter 319A).

13. NON-VOTING CONVERTIBLE AND NON-VOTING REDEEMABLE CONVERTIBLE PREFERENTIAL DIVIDEND

The proposed Non-voting convertible and Non-voting redeemable convertible preferential dividends are based on the paid-up preference share capital in the accounts of DBSH at balance sheet date. Non-voting Convertible Preference Shares ("DBSH Non-voting CPS") and Non-voting Redeemable Convertible Preference Shares ("DBSH Non-voting Redeemable CPS") which are converted to ordinary shares subsequent to the balance sheet date and up to the date of closure of the Share Transfer Books and

Register of Members will not be entitled to the preferential dividend. Any excess provision will be written back in the profit and loss account in the subsequent year.

14. ORDINARY DIVIDEND

The proposed ordinary dividend is based on the issued and paid-up ordinary share capital at balance sheet date. Dividends payable on ordinary shares issued pursuant to the DBSH Share Option Scheme and Plan, and on conversion of the DBSH Non-voting CPS and DBSH Non-voting redeemable CPS subsequent to balance sheet date and up to the date of closure of the Share Transfer Books and Register of Members are included in the profit and loss account when paid.

15. EARNINGS PER ORDINARY SHARE

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.

S\$'000	DBSH Group		
	2000	1999	1998
Net profit attributable to members.....	1,388,846	1,071,783	111,964
Less: Preference dividends	<u>24,438</u>	<u>32,489</u>	<u>19,543</u>
Net profit attributable to members after adjustment of preference dividends	<u>1,364,408</u>	<u>1,039,294</u>	<u>92,421</u>
Weighted average number of ordinary shares in issue (in '000)	<u>1,204,068</u>	<u>1,076,465</u>	<u>970,907</u>
Basic Earnings Per Ordinary Share (Cents)	<u>113</u>	<u>97</u>	<u>10</u>

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 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 '000	DBSH Group		
	2000	1999	1998
Weighted average number of ordinary shares in issue	1,204,068	1,076,465	970,907
Exercise of share options	4,958	5,780	^a
Full conversion of DBSH Non-voting CPS.....	25,113	146,983	^a
Full conversion of DBSH Non-voting redeemable CPS	<u>66,475</u>	<u>—</u>	<u>^a</u>
Weighted average number of ordinary shares in issue assuming dilution	<u>1,300,614</u>	<u>1,229,228</u>	<u>970,907</u>

^a Not included as the effect is anti-dilutive.

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:

S\$'000	DBSH Group		
	2000	1999	1998
Net profit attributable to members.....	1,388,846	1,071,783	111,964
Less: Preference dividends	<u>24,438</u>	<u>32,489</u>	<u>19,543</u>
Net profit attributable to members after adjustment of preference dividends	1,364,408	1,039,294	92,421
Adjustment to net profit arising from:			
(a) Exercise of share options	951	765	—
(b) Full conversion of DBSH Non-voting CPS	6,511	32,489	—
(c) Full conversion of DBSH Non-voting redeemable CPS	<u>17,927</u>	<u>—</u>	<u>—</u>
Adjusted net profit attributable to members	<u>1,389,797</u>	<u>1,072,548</u>	<u>92,421</u>
Diluted Earnings Per Ordinary Share (Cents)	<u>107</u>	<u>87</u>	<u>10</u>

16. SHARE OPTIONS AND SHARE PLANS

16.1 DBSH SHARE OWNERSHIP SCHEME

The DBSH Share Ownership Scheme (the "SOS") is a fund set up to hold units of DBSH ordinary share and is administered by DBS Trustee Ltd, a wholly-owned subsidiary of DBS Bank. All confirmed employees with at least one year of service and who have not opted for the DBSH Share Option Plan/Scheme are eligible to contribute up to 10% of their monthly base pay to buy units of DBSH ordinary share. 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.

16.2 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.

At the end of the financial year ended December 31, 2000 the unissued ordinary shares of DBSH of par value S\$1.00 each comprised in outstanding DBSH Options granted under the Option Scheme were as follows:

	Number of Unissued Ordinary Shares	Subscription Price Per Ordinary Share	Date of Expiration
1996 DBSH Options	709,701	S\$8.02	May 8, 2001
1997 DBSH Options	1,444,207	S\$7.29	May 5, 2002
1998 DBSH Options	<u>1,408,344</u>	S\$7.69	April 7, 2003
	<u>3,562,252</u>		

16.3 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 will be as follows:

<u>Time</u>	<u>Cumulative Proportion of Share Options that is Exercisable</u>
Grant date – 1 year	0%
More than 1 year less than 2 years	30%
More than 2 years less than 3 years	60%
More than 3 years less than 10 years	100%

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

At the end of the financial year ended December 31, 2000 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:

	<u>Number of Unissued Ordinary Shares</u>	<u>Subscription Price per Ordinary Share</u>	<u>Date of Expiration</u>
1999 DBSH Options	4,651,276	S\$15.30	July 27, 2009
March 2000 DBSH Options	1,887,000	S\$20.87	March 5, 2010
July 2000 DBSH Options	1,251,000	S\$22.33	July 26, 2010
	<u>7,789,276</u>		

16.4 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% of the number of performance shares that have been initially awarded to 200%. The minimum payout is subject to the absolute discretion of the Compensation Committee.

During the financial year ended December 31, 2000, 1,197,000 shares were awarded to selected employees pursuant to the DBSH Performance Share Plan.

16.5 DBSH EMPLOYEE SHARE PLAN

The DBSH Employee Share Plan (the "ESP") is a stock-based plan where DBSH ordinary shares are given free to all employees who are not eligible to participate in the DBSH Share Option Scheme/Plan and DBSH Performance Share Plan.

The number of share awarded is based on DBSH Group's performance as well as the performance of the individuals. The award of ESP shares will be made at the absolute discretion of the Compensation Committee. The ESP shares awarded will vest 3 years from the date of grant. Employees must be in service when the ESP shares are vested.

Unvested shares are forfeited once the employee ceases to be employed by DBSH Group. Dividends will not be payable before the shares are vested.

During the financial year ended December 31, 2000, 387,430 shares were awarded to eligible employees pursuant to the DBSH Employee Share Plan.

17. SHARE CAPITAL

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

S\$'000	DBSH	
	2000	1999
Authorised		
2,000,000,000 ordinary shares of S\$1 each.....	<u>2,000,000</u>	<u>2,000,000</u>
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 [(Note 17.2 (1))].....	<u>500,000</u>	<u>—</u>
	<u>1,000,000</u>	<u>500,000</u>
Issued and paid-up		
Ordinary shares.....	1,215,661	1,177,845
Non-voting convertible preference shares.....	25,113	146,983
Non-voting redeemable convertible preference shares...	<u>66,475</u>	<u>—</u>
Total Issued and Paid-up Share Capital of DBSH.....	<u>1,307,249</u>	<u>1,324,828</u>
Number of Shares		
Number of ordinary shares of S\$1 each.....	<u>1,215,661,271</u>	<u>1,177,845,260^a</u>
Number of Non-voting convertible preference shares of S\$1 each.....	<u>25,112,719</u>	<u>146,982,861</u>
Number of Non-voting redeemable convertible preference shares of S\$1 each.....	<u>66,475,374</u>	<u>—</u>

^a Including 2 subscriber shares issued upon incorporation of DBSH.

- 17.2
- (1) On May 13, 2000, DBSH increased its an authorised capital by S\$500,000,000 through the creation of 500,000,000 Non-voting redeemable convertible preference shares of par value S\$1.00 each.
 - (2) On February 8, 2000, pursuant to a restructuring scheme to convert The Insurance Corporation of Singapore Limited ("ICS") to a subsidiary of DBSH, 8,439,171 ordinary shares of par value S\$1.00 each, fully paid in cash were issued as consideration to the shareholders for the acquisition of ICS.
 - (3) Pursuant to a resolution dated May 13, 2000, 94,885,374 Non-voting redeemable convertible preference shares of par value S\$1.00 each, were allotted in consideration for the cancellation of 94,885,374 issued Non-voting convertible preference shares of par value S\$1.00 each by way of capital reduction. The credit of S\$94,885,374 arising from the reduction was applied to pay up in full the allotment of the 94,885,374 redeemable shares.
 - (4) During the financial year ended December 31, 2000, DBSH issued 26,984,768 ordinary shares of par value S\$1.00 each fully paid in cash upon the conversion of the Non-voting convertible preference shares.
 - (5) During the financial year ended December 31, 2000, DBSH issued 2,392,072 ordinary shares of par value S\$1.00 each, fully paid in cash upon the exercise of options by executives of DBSH Group of the rank of Vice-President (or equivalent rank) and above, pursuant to the DBSH Share Option Scheme and DBSH Share Option Plan.

(6) On August 18, 2000, DBSH redeemed 28,410,000 Non-voting redeemable convertible preference shares of par value S\$1.00 each for S\$600,019,200.

17.3 The 1998 comparatives relate to the share capital of DBS Bank prior to the "Restructuring Scheme" (Note 1). The composition of the 1998 share capital is as follows:

<u>S\$'000</u>	<u>1998</u>
Authorised	
2,000,000,000 ordinary shares of S\$1 each (Note 17.3(1))	<u>2,000,000</u>
600,000,000 non-redeemable convertible preference shares of S\$2 each	1,200,000
300,000,000 Non-voting convertible preference shares of S\$1 each (Note 17.3(1))	<u>300,000</u>
	<u>1,500,000</u>
Issued and paid-up	
928,147,152 ordinary shares of S\$1 each ^a	928,147
206,032,421 non-redeemable convertible preference shares of S\$2 each	412,065
224,764,875 Non-voting convertible preference shares of S\$1 each	<u>224,765</u>
Total Share Capital	<u>1,564,977</u>

^a Including 2 subscriber shares issued upon incorporation of DBSH

As explained in Note 1, pursuant to the "Restructuring Scheme", DBSH became the holding company of DBS Bank through a 1-for-1 exchange of DBS Bank shares for DBSH shares.

- (1) At incorporation date, DBSH has an authorised ordinary and preference share capital of 2,000,000,000 ordinary shares of par value S\$1.00 each and 500,000,000 Non-voting convertible preference shares of par value S\$1.00 each.
- (2) On September 18, 1999, 1,077,970,304 ordinary shares of par value S\$1.00 each ("DBSH Ordinary Shares") and 246,162,491 Non-voting convertible preference shares ("DBSH Non-voting CPS") of par value S\$1.00 each in the capital of DBSH were allotted and credited as fully paid, on the basis as set out in the "Restructuring Scheme", to entitled ordinary shareholders and Non-voting preference shareholders respectively.
- (3) Pursuant to the "Restructuring Scheme", holders of the unexercised options granted under the DBS Bank Share Option Scheme (Note 16) have received from DBSH, in exchange and in consideration for the cancellation of unexercised options, comparable options to subscribe for new DBSH ordinary shares under the DBSH Share Option Scheme.
- (4) During the financial year ended December 31, 1999, DBSH issued 99,179,630 ordinary shares of par value S\$1.00 each, fully paid in cash upon the conversion of the DBSH Non-voting CPS.
- (5) During the financial year ended December 31, 1999, DBSH issued 695,324 ordinary shares of par value S\$1.00 each, fully paid in cash upon the exercise of options by full-time executives of DBS Bank of the rank of Vice-President (or equivalent rank) and above, pursuant to the DBSH Share Option Scheme

17.4 Prior to the "Restructuring Scheme", DBS Bank issued the following shares in 1999:

- (1) 29,098,392 ordinary shares of par value S\$1.00 each, fully paid in cash upon the conversion of DBS CPS to ordinary shares.
- (2) 16,505,978 ordinary shares of par value S\$1.00 each, fully paid in cash upon the conversion of all outstanding DBS CPS to ordinary shares pursuant to Article 5A(iii) (c) of the Articles of Association of DBS Bank on June 29, 1999.

- (3) 4,401,149 ordinary shares of par value S\$1.00 each, fully paid in cash upon the subscription for additional ordinary shares by converting DBS CPS holders.
- (4) 6,727,144 ordinary shares of par value S\$1.00 each, fully paid in cash upon the exercise of options by full-time executives of DBS Bank of the rank of Vice-President (or equivalent rank) and above, pursuant to the DBS Share Option Scheme.
- (5) 93,090,489 ordinary shares of par value S\$1.00 each, fully paid in cash by way of a special bonus issue of fifty new ordinary shares for every one thousand existing ordinary shares held by the "local" shareholders of DBS Bank registered on September 2, 1999 and one hundred and sixty three new ordinary shares for every one thousand existing ordinary shares held by persons whose shareholdings fell within the meaning of "foreign shareholdings", as defined in Article 22(c) (iii) of the Articles of Association of DBS Bank registered on September 2, 1999. The purpose of the special bonus issue was for the merger of the local and foreign DBS Bank shares.
- (6) 21,397,616 new DBS Non-voting CPS of par value S\$1.00 each, fully paid in cash by way of a special bonus issue to the Minister for Finance as if the DBS Non-voting CPS had been converted into "local" ordinary shares and "foreign" ordinary shares in the proportion of 60 per cent "local" ordinary shares and 40 per cent "foreign" ordinary shares.

18. RESERVES

18.1 SHARE PREMIUM ACCOUNT

<u>S\$'000</u>	<u>DBSH Group</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Balance at January 1	4,967	—	—
Exercise of share options pursuant to the DBSH Share Option Scheme and DBSH Share Option Plan [Note 17.2(5)]	17,970	4,967	—
Issue of ordinary shares as consideration for the restructuring of ICS as a subsidiary of DBSH [Note 17.2(2)]	169,627	—	—
Redemption of DBSH Non-voting redeemable CPS [Note 17.2(6)]	(185,755)	—	—
Balance at December 31	<u>6,809</u>	<u>4,967</u>	<u>—</u>

18.2 OTHER RESERVE

<u>S\$'000</u>	<u>DBSH Group</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Balance at January 1	4,273,129	3,914,158	1,646,051
Rights issue of shares	—	—	857,192
Bonus issue of shares	—	(114,488)	(70,811)
Expenses arising from bonus and rights issue of shares	—	(141)	(5,186)
Conversion of convertible preference shares ("DBS CPS") to ordinary shares and additional ordinary shares subscribed by converting DBS CPS holders	—	422,326	111,677
Exercise of share options pursuant to the DBS Bank Share Option Scheme	—	51,274	—
Non-voting convertible preference shares	—	—	1,375,235
Balance at December 31	<u>4,273,129</u>	<u>4,273,129</u>	<u>3,914,158</u>

18.3 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.

<u>S\$'000</u>	<u>DBSH Group</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Balance at January 1	—	—	—
Redemption of DBSH Non-voting redeemable convertible preference shares	28,410	—	—
Balance at December 31	<u>28,410</u>	<u>—</u>	<u>—</u>

18.4 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 on acquisition of subsidiary companies, associated companies and business undertakings.

<u>S\$'000</u>	<u>DBSH Group</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Balance at January 1	170,984	125,841	215,204
Net exchange translation adjustments during the year ..	(4,581)	1,420	(12,691)
Capital reserve arising from equity accounting	(15,734)	43,723	(202,513)
Goodwill arising from acquisitions of subsidiary and associated companies	(150,669)	—	125,841
Balance at December 31	<u>—</u>	<u>170,984</u>	<u>125,841</u>

18.5 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.

<u>S\$'000</u>	<u>DBSH Group</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
RESERVE FUND			
Balance at January 1	1,634,921	1,377,290	1,274,750
General reserve arising from equity accounting	—	(844)	36,556
Appropriation from profit and loss account (Note 18.6)	120,184	258,475	65,984
Balance at December 31	<u>1,755,105</u>	<u>1,634,921</u>	<u>1,377,290</u>

18.6 REVENUE RESERVE

S\$'000	DBSH Group		
	2000	1999	1998
Balance at January 1			
As previously reported	3,466,969	2,308,956	2,822,295
Prior year adjustment ^a (Note 3)	—	520,300	631,084
	3,466,969	2,829,256	3,453,379
Net profit attributable to members.....	1,388,846	1,071,783	111,964
Write back of excess provision for preference dividends in previous year (Note 13).....	2,235	2,917	696
Share of reserve arising from equity accounting	172	—	—
(Goodwill) /reserve arising from acquisitions of subsidiary and associated companies....	(761,504)	62,306	(527,399)
Dividend on ordinary shares paid less income tax (Note 14)	(3,397)	(2,337)	(412)
Redemption of DBSH Non-voting redeemable CPS	(414,265)	—	—
Transfer to General reserve (Note 18.5)	(120,184)	(258,475)	(65,984)
	<u>(1,296,943)</u>	<u>(195,589)</u>	<u>(593,099)</u>
Amount available for distribution	3,558,872	3,705,450	2,972,244
Less: Interim dividend on ordinary shares paid 14% (1999: 9%; 1998: 9%) less income tax	125,861	65,593	61,630
Interim dividend on DBSH Non-voting CPS paid 14% (1999: 9%; 1998: Nil) less income tax	3,478	14,969	—
Interim dividend on DBSH Non-voting redeemable CPS paid 14% (1999: Nil; 1998: Nil) less income tax.....	9,896	—	—
Proposed final dividend on ordinary shares 16% (1999: 16%; 1998: 9%) less income tax (Note 14)	146,851	140,399	61,815
Proposed special dividend on ordinary shares 15% (1999: Nil; 1998: 9%) less income tax	137,674	—	—
Proposed final dividend on DBSH Non-voting CPS 16% (1999: 16%; 1998: 9%) less income tax (Note 13)	3,034	17,520	14,969
Proposed final dividend on DBSH Non-voting redeemable CPS 16% (1999: Nil; 1998: Nil) less income tax (Note 13)	8,030	—	—
Proposed preference dividend on non-redeemable convertible preference shares in 1998 1.5% less income tax	—	—	4,574
Balance at December 31	<u>3,124,048</u>	<u>3,466,969</u>	<u>2,829,256</u>

^a Referred to the effect of a change in accounting policy in respect of associated companies with effect from 1999 on prior years' reserves.

19. MINORITY INTERESTS

At December 31, 2000, the minority interest of the DBSH Group was as follows:

<u>In S\$'million</u>	<u>DBSH Group</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
DBS Thai Danu Bank	278	418	137
DBS Group Holdings (Hong Kong) Ltd	(117)	(102)	—
Other subsidiaries	(35)	(65)	(66)
	<u>126</u>	<u>251</u>	<u>71</u>

The balance in respect of 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 the company has positive net assets. The amounts consolidated in these accounts for DTDB are prepared under Singapore GAAP. There are significant differences in accounting for loan provisions^a 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.

The Board of Directors and management has determined that it has no legal or commercial obligation to provide finance 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"), 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.

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

20. SUBORDINATED TERM DEBTS

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. These debts are treated as Tier 2 capital for the purposes of capital adequacy ratio computation in their respective countries. For the calculation of DBSH Group's capital adequacy ratio, only the S\$1,299,563,000 (US\$750 million) 7½% subordinated notes and S\$866,375,000 (US\$500 million) 7½% subordinated notes qualify as Tier 2 capital.

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

S\$'000	DBSH Group		
	2000	1999	1998
Thai Baht Floating Rate Subordinated term debt 2001 of subsidiary (DTDB)			
— due within 12 months	19,985	—	—
— due after 12 months (Note 20.2)	—	22,184	22,710
US\$ Floating Rate Subordinated term debt 2004 of subsidiary (DTDB) due after 12 months (Note 20.3)	—	—	20,073
US\$ Floating Rate Subordinated term debt 2005 of subsidiary (DTDB) due after 12 months (Note 20.4)	—	78,239	83,317
Thai Baht Fixed Rate Perpetual Subordinated Debentures No. 1 of subsidiary (DTDB) due after 12 months (Note 20.5)	199,811	221,787	—
Thai Baht Subordinated Debentures No. 2 of subsidiary (DTDB)			
— due within 12 months	23,650	26,231	—
— due after 12 months (Note 20.6)	45,635	50,679	—
Thai Baht 4.25% Fixed Rate Subordinated term debt 2010 of subsidiary (DTDB) due after 12 months (Note 20.7)	43,049	—	—
US\$ 7 $\frac{7}{8}$ % Subordinated Notes 2009 of subsidiary (DBS Bank) due after 12 months (Note 20.8)	1,299,563	1,249,500	—
US\$ 7 $\frac{7}{8}$ % Subordinated Notes 2010 of subsidiary (DBS Bank) due after 12 months (Note 20.9)	866,375	—	—
Thai Baht 3.50% Fixed Rate Subordinated term debt 2010 of subsidiary (DTDB) due after 12 months (Note 20.10)	10,392	—	—
Total	2,508,460	1,648,620	126,100

20.2 The Thai Baht 500 million Floating Rate Subordinated term debt was issued on January 29, 1993 and matures on January 29, 2001. Interest is payable semi-annually at DTDB's six month average minimum overdraft rate.

20.3 The US\$17 million Floating Rate Subordinated term debt was issued on December 27, 1994, and was redeemed on 30 December 1999, prior to its maturity on December 27, 2004.

20.4 The US\$50 million Floating Rate Subordinated term debt was issued on August 6, 1995 and fully redeemed prior to its maturity of August 6, 2005. Interest was payable semi-annually at the six-month London Interbank Offered Rate plus a mark-up of 1.25% from August 6, 1995 to August 6, 2000 and the six-month London Interbank Offered Rate plus a mark-up of 3% from August 7, 2000 to its redemption.

20.5 On June 3, 1999, DTDB issued 50,000 Class A Preference Shares at a par value of Baht 10 each together with non-detachable 50,000 perpetual Subordinated Debentures ("Subordinated Debentures No. 1") at par value of Baht 100,000 each. The Subordinated Debentures 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.

20.6 On June 3, 1999, DTDB also issued Subordinated Debenture No 2/1 to 2/29 ("Subordinated Debenture No. 2") at a 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.

- 20.7** The Thai Baht 1,077 million Fixed Rate Subordinated term debt was issued on January 18, 2000 and matures on January 17, 2010. Interest is payable annually at a fixed rate of 4.25%.
- 20.8** The US\$750 million 7⁷/₈% Subordinated Notes was issued on August 10, 1999 and matures on August 10, 2009. 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 a mark-up of 1.0475% above the three-month London Interbank Offered Rate via interest rate swaps.
- 20.9** The US\$500 million 7⁷/₈% Subordinated Notes was issued on April 15, 2000 and matures on April 15, 2010. 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 a mark-up of 0.9569% above the six-month London Interbank Offered Rate via interest rate swaps.
- 20.10** The Thai Baht 260 million Fixed Rate Subordinated term debt was issued on December 28, 2000 and matures on December 27, 2010. Interest is payable annually at a fixed rate of 3.5%.

21. OTHER DEBT SECURITIES IN ISSUE

Other debt securities comprise mainly negotiable fixed and floating rate certificate of deposits issued.

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

S\$'000	DBSH Group		
	2000	1999	1998
HK \$10.48% Negotiable Fixed Rate Certificates of Deposits 2000 of subsidiary (DBS Bank)			
— due within 12 months	—	42,861	—
— due after 12 months (Note 21.2)	—	—	42,619
HK \$7% Negotiable Fixed Rate Certificates of Deposits 1999 of subsidiary (DBS Bank) due within 12 months (Note 21.3)	—	—	42,620
HK \$10.125% Negotiable Fixed Rate Certificates of Deposits 1999 of subsidiary (DBS Bank) due within 12 months (Note 21.4)	—	—	10,655
HK \$6.31% Negotiable Fixed Rate Certificates of Deposits 2000 of subsidiary (DBS Bank) due within 12 months (Note 21.5)	—	64,291	—
HK \$8.60% Negotiable Fixed Rate Certificates of Deposits 2000 of subsidiary (DBS Bank)			
— due within 12 months	—	21,431	—
— due after 12 months (Note 21.6)	—	—	21,310
HK\$ Negotiable Floating Rate Certificates of Deposits 2000 of subsidiary (DBS Bank)			
— due within 12 months	—	96,437	—
— due after 12 months (Note 21.7)	—	—	95,894
HK \$10.255% Negotiable Fixed Rate Certificates of Deposits 2001 of subsidiary (DBS Bank)			
— due within 12 months	22,216	—	—
— due after 12 months (Note 21.8)	—	21,431	21,310
HK \$8.75% Negotiable Fixed Rate Certificates of Deposits 2001 of subsidiary (DBS Bank)			
— due within 12 months	22,216	—	—
— due after 12 months (Note 21.9)	—	21,431	21,310

<u>S\$'000</u>	<u>DBSH Group</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
HK \$7.565% Negotiable Fixed Rate Certificates of Deposits 2001 of subsidiary (DBS Bank)			
— due within 12 months	22,216	—	—
— due after 12 months (Note 21.10)	—	21,430	—
HK \$10.10% Negotiable Fixed Rate Certificates of Deposits 2001 of subsidiary (DBS Bank)			
— due within 12 months	22,216	—	—
— due after 12 months (Note 21.11)	—	21,430	21,310
HK\$ Negotiable Floating Rate Certificates of Deposits 2002 of subsidiary (DBS Bank) due after 12 months (Note 21.12)	22,216	21,430	—
HK\$ Negotiable Floating Rate Certificates of Deposits 2002 of subsidiary (DBS Bank) due after 12 months (Note 21.13)	22,216	21,430	—
HK\$ Negotiable Floating Rate Certificates of Deposits 2002 of subsidiary (DBS Bank) due after 12 months (Note 21.14)	22,216	21,430	—
HK\$ Negotiable Floating Rate Certificates of Deposits 2002 of subsidiary (DBS Bank) due after 12 months (Note 21.15)	11,108	10,715	—
S\$ Floating Rate Notes 2001 of subsidiary (DBS China Square Ltd) due within 12 months (Note 21.16)	76,000	22,000	72,000
HK\$ Negotiable Floating Rate Certificates of Deposits 2000 of subsidiary (DBS Kwong On Bank) due within 12 months (Note 21.17)	—	128,582	—
HK\$ Negotiable Floating Rate Certificates of Deposits 2002 of subsidiary (DBS Bank) due after 12 months (Note 21.18)	33,323	—	—
HK \$7.38% Negotiable Fixed Rate Certificates of Deposits 2002 of subsidiary (DBS Bank) due after 12 months (Note 21.19)	22,215	—	—
HK\$ Negotiable Floating Rate Certificates of Deposits 2002 of subsidiary (DBS Bank) due after 12 months (Note 21.20)	22,215	—	—
HK\$ Negotiable Floating Rate Certificates of Deposits 2003 of subsidiary (DBS Bank) due after 12 months (Note 21.21)	22,215	—	—
HK\$ Negotiable Floating Rate Certificates of Deposits 2001 of subsidiary (DBS Kwong On Bank Limited) due within 12 months (Note 21.22)	199,940	—	—
HK\$ Negotiable Floating Rate Certificates of Deposits 2003 of subsidiary (DBS Kwong On Bank Limited) due after 12 months (Note 21.23)	66,647	—	—
S\$ Equity linked notes			
— due within 12 months (Note 21.24)	11,263	—	—
— due after 12 months (Note 21.25)	7,627	—	—
Foreign currencies denominated equity linked notes due after 12 months (Note 21.26)	26,692	—	—
Total	<u>654,757</u>	<u>536,329</u>	<u>349,028</u>

21.2 The HK\$200 million Negotiable Fixed Rate Certificates of Deposit were issued on January 5, 1998 and were redeemed on January 5, 2000. Interest was payable quarterly at a fixed rate of 10.48%.

- 21.3** The HK\$200 million Negotiable Fixed Rate Certificates of Deposit were issued on September 16, 1998 and were redeemed at par on 19 August 1999. Interest was payable quarterly at a fixed rate of 7%.
- 21.4** The HK\$50 million Negotiable Fixed Certificates of Deposit were issued on December 16, 1997 and were redeemed at par on December 16, 1999. Interest was payable quarterly at a fixed rate of 10.125%.
- 21.5** The HK\$300 million Negotiable Fixed Rate Certificates of Deposit were issued on 21 April 1999 and are redeemable on 25 April 2000. Interest is payable quarterly at a fixed rate of 6.31%.
- 21.6** The HK\$100 million Negotiable Fixed Rate Certificates of Deposit were issued on May 6, 1998 and were redeemed on May 12, 2000. Interest was payable quarterly at a fixed rate of 8.60%.
- 21.7** The HK\$450 million Negotiable Floating Rate Certificates of Deposit were issued on August 15, 1997 and were redeemed on August 15, 2000. Interest was payable quarterly and determined at the three-month interbank offered rate for Hong Kong dollar deposits plus 0.22%.
- 21.8** The HK\$100 million Negotiable Fixed Rate Certificates of Deposit were issued on January 5, 1998 and are redeemable on January 5, 2001. Interest is payable quarterly at a fixed rate of 10.255%.
- 21.9** The HK\$100 million Negotiable Fixed Rate Certificates of Deposit were issued on May 6, 1998 and are redeemable on February 12, 2001. Interest is payable quarterly at a fixed rate of 8.75%.
- 21.10** The HK\$100 million Negotiable Fixed Rate Certificates of Deposit were issued on June 25, 1999 and are redeemable on June 25, 2001. Interest is payable quarterly at a fixed rate of 7.565%.
- 21.11** The HK\$100 million Negotiable Fixed Rate Certificates of Deposit were issued on January 5, 1998 and are redeemable on July 5, 2001. Interest is payable quarterly at a fixed rate of 10.10%.
- 21.12** The HK\$100 million Negotiable Floating Rate Certificates of Deposit were issued on March 19, 1999 and are redeemable on March 19, 2002. Interest is payable quarterly and determined at the three-month interbank offered rate for Hong Kong dollar deposits plus 0.30%.
- 21.13** The HK\$100 million Negotiable Floating Rate Certificates of Deposit were issued on March 22, 1999 and are redeemable on March 22, 2002. Interest is payable monthly and determined at the one-month interbank offered rate for Hong Kong dollar deposits plus 0.40%.
- 21.14** The HK\$100 million Negotiable Floating Rate Certificates of Deposit were issued on March 26, 1999 and are redeemable on March 26, 2002. Interest is payable monthly and determined at the one-month interbank offered rate for Hong Kong dollar deposits plus 0.40%.
- 21.15** The HK\$50 million Negotiable Floating Rate Certificates of Deposit were issued on March 26, 1999 and are redeemable on March 26, 2002. Interest is payable monthly and determined at the one-month interbank offered rate for Hong Kong dollar deposits plus 0.30%.
- 21.16** The S\$100 million Floating Rate Notes by DBS China Square Ltd were issued on November 15, 1996. Of the S\$100 million issued, S\$20 million (1999: S\$20 million; 1998: S\$20 million) was subscribed by a related company and S\$4 million (1999: S\$58 million; 1998: S\$8 million) was repurchased by DBS China Square Ltd upon the exercise of the option by the noteholders as at December 31, 2000. Interest is payable quarterly and determined at the three-month interbank offered rate for Singapore dollar deposits plus a variable margin. Unless redeemed upon the exercise of the option by the noteholders or repurchased by the issuer, DBS China Square Ltd, in accordance with the terms and

conditions of the Floating Rate Notes issue, the notes are redeemable at par on November 15, 2001.

- 21.17** The HK\$600 million Negotiable Floating Rate Certificates of Deposit were issued on July 28, 1999 and were redeemed on July 26, 2000. Interest was payable quarterly and determined at the three-month Hong Kong Interbank Offered Rate plus a mark-up of 0.30%.
- 21.18** The HK\$150 million Negotiable Floating Rate Certificates of Deposit were issued on June 5, 2000 and are redeemable on June 5, 2002. Interest is payable monthly and determined at the one-month interbank offered rate for Hong Kong dollar deposits plus 0.18%.
- 21.19** The HK\$100 million Negotiable Fixed Rate Certificates of Deposit were issued on July 5, 2000 and are redeemable on July 5, 2002. Interest is payable yearly at a fixed rate of 7.38%.
- 21.20** The HK\$100 million Negotiable Floating Rate Certificates of Deposit were issued on July 12, 2000 and are redeemable on July 12, 2002. Interest is payable monthly and determined at the three-month interbank offered rate for Hong Kong dollar deposits plus 0.2%.
- 21.21** The HK\$100 million Negotiable Floating Rate Certificates of Deposit were issued on June 15, 2000 and are redeemable on June 16, 2003. Interest is payable monthly and determined at the three-month interbank offered rate for Hong Kong dollar deposits plus 0.18%.
- 21.22** The HK\$900 million Negotiable Floating Rate Certificates of Deposit were issued on July 26, 2000 and are redeemable on July 25, 2001. Interest is payable monthly and determined at the one-month Hong Kong Interbank Offered Rate plus a mark-up of 0.10%.
- 21.23** The HK\$300 million Negotiable Floating Rate Certificates of Deposit were issued on July 26, 2000 and are redeemable on July 28, 2003. Interest is payable monthly and determined at the one-month Hong Kong Interbank Offered Rate plus a mark-up of 0.30%.
- 21.24** Short-term notes, with an embedded equity option, issued between November 29, 2000 to December 28, 2000 and maturing between January 5, 2001 to February 23, 2001. The payouts at maturity are linked to the closing value of certain underlying equities listed on the Singapore Exchange Limited.
- 21.25** The S\$ Deposit/Note guaranteed by DBS Bank was issued on December 15, 2000 and is redeemable on December 15, 2005. It offers 100% Capital Protection (in Singapore dollars) plus 70% participation to the rise of Five-Star Fund. The redemption, in excess of the guaranteed return of the principal, is dependent on the net assets value of the underlying Five-Star Fund at maturity.
- 21.26** The US\$/Euro/A\$ denominated Deposit/Note guaranteed by DBS Bank was issued on December 15, 2000 and is redeemable on December 15, 2005. These deposits/Notes offer 100% Capital Protection (in Singapore dollars) plus 70% participation to the rise of Five-Star Fund. The redemption, in excess of the guaranteed return of the principal, is dependent on the net assets value of the underlying Five-Star Fund at maturity as well as the exchange rates prevailing on the Payment Date and 5 business days before Maturity Date.

22. DEPOSITS AND OTHER ACCOUNTS OF NON-BANK CUSTOMERS

S\$'000	DBSH Group		
	2000	1999	1998
Analysed by Currency			
Singapore dollar	55,532,800	58,665,023	55,252,668
US dollar	14,572,609	12,363,509	11,025,487
Thai Baht	2,864,286	4,007,200	4,984,646
Japanese Yen	307,518	357,097	281,400
Hong Kong dollar	4,414,063	3,922,694	157,261
Others	3,029,194	2,952,786	2,156,830
Total	<u>80,720,470</u>	<u>82,268,309</u>	<u>73,858,292</u>
Analysed by Product			
Savings accounts (include S\$ autosave)	38,057,027	40,593,427	36,875,788
Current accounts	8,098,287	6,268,776	4,617,039
Fixed deposits	34,005,229	34,991,827	31,830,758
Other deposits	559,927	414,279	534,707
Total	<u>80,720,470</u>	<u>82,268,309</u>	<u>73,858,292</u>

23. OTHER LIABILITIES

S\$'000	DBSH Group		
	2000	1999	1998
Interest payable	883,472	741,815	658,271
Accrued operating expenses	314,546	266,880	162,750
Balances arising from revaluation of financial instruments (Note 38)	979,182	115,387	391,388
Interest and other income received in advance	107,672	109,842	269,475
Clients' monies payable in respect of securities business	85,337	221,035	103,856
Clients' monies payable in respect of factoring business	107,269	67,772	60,411
Other liabilities arising in respect of insurance business	89,808	—	—
Payable in respect of short sale of debt securities ...	101,616	—	—
Liabilities arising from collaterals received ^b	59,244	—	—
Sundry creditors ^a	415,558	485,990	483,962
Total	<u>3,143,704</u>	<u>2,008,721</u>	<u>2,130,113</u>

^a Included in Sundry Creditors is a deferred gain of S\$36.2 million (1999: S\$39.1 million; 1998 S\$Nil) relating to the derecognition of DBS Tampines Centre.

^b "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.

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:

S\$'000	DBSH Group		
	2000	1999	1998
Balance at January 1	14,763	11,666	36,264
Provision/ (write-back) during the year (Note 12)	3,657	3,097	(24,598)
Balance at December 31	<u>18,420</u>	<u>14,763</u>	<u>11,666</u>

25. LIFE FUND NET ASSETS

The net assets in the Life Fund are as follows:

S\$'000	DBSH Group		
	2000	1999	1998
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	—	—
Net assets	<u>1,288,855</u>	<u>—</u>	<u>—</u>

26. SINGAPORE GOVERNMENT SECURITIES AND TREASURY BILLS

S\$'000	DBSH Group		
	2000	1999	1998
Cost, adjusted for unamortised premium and discount	8,654,588	8,813,815	6,949,915
Less: Provision for diminution in value (Note 30)	4	16	—
Net book value	<u>8,654,584</u>	<u>8,813,799</u>	<u>6,949,915</u>
Market value	<u>8,701,136</u>	<u>8,848,134</u>	<u>7,028,075</u>
Included in the above Singapore Government securities and treasury bills are the following:			
Securities sold under repurchase agreements	<u>36,368</u>	<u>50,455</u>	<u>77,281</u>

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:

S\$'000	DBSH Group		
	2000	1999	1998
Quoted Non-Singapore government securities and treasury bills	1,825,907	1,178,660	1,055,497
Corporate debt securities	1,947,100	1,568,934	1,074,908
Equity shares	1,143,742	662,511	702,403
Total	4,916,749	3,410,105	2,832,808
Less: Provision for diminution in value (Note 30)	67,328	75,560	99,716
Net book value	<u>4,849,421</u>	<u>3,334,545</u>	<u>2,733,092</u>
Market value	<u>4,998,853</u>	<u>3,636,738</u>	<u>2,856,024</u>
Included in the above trading securities are as follows:			
Securities sold under repurchase agreements	<u>565,837</u>	<u>—</u>	<u>—</u>

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

S\$'000	DBSH Group		
	2000	1999	1998
Gross	54,166,424	58,437,720	59,194,664
Less:			
Specific provisions (Note 29)	1,140,841	2,923,661	1,907,509
General provisions (Note 29)	<u>1,001,813</u>	<u>1,144,528</u>	<u>1,071,761</u>
Net total	<u>52,023,770</u>	<u>54,369,531</u>	<u>56,215,394</u>
Including:			
Bills receivable	992,391	1,201,881	2,056,912
Loans	<u>51,031,379</u>	<u>53,167,650</u>	<u>54,158,482</u>
Net total	<u>52,023,770</u>	<u>54,369,531</u>	<u>56,215,394</u>

S\$'000	DBSH Group		
	2000	1999	1998
Industry Breakdown			
Manufacturing	5,797,205	5,881,344	6,710,527
Building and Construction	8,726,059	9,606,510	8,867,033
Housing Loans	16,304,465	16,589,007	14,518,103
General Commerce	3,701,000	4,122,745	3,664,277
Transportation, Storage and Communications	3,486,777	3,470,591	3,908,033
Financial Institutions, Investment and Holding Companies	4,143,338	5,042,529	7,216,630
Professionals and Private Individuals (except Housing Loans)	6,317,007	5,749,113	5,070,896
Others	5,690,573	7,975,881	9,239,165
Gross total	<u>54,166,424</u>	<u>58,437,720</u>	<u>59,194,664</u>
Analysed by Currency and Fixed/Variable Rates			
Fixed rate			
Singapore dollar	11,330,517	10,869,086	11,215,654
US dollar	9,505	6,570	73,251
Thai Baht	775,109	118,371	842,230
Hong Kong dollar	155,391	94,115	10,558
Others	86,209	63,095	24,448
Sub-total	12,356,731	11,151,237	12,166,141
Variable rate			
Singapore dollar	24,745,574	27,715,851	30,361,344
US dollar	8,248,547	8,640,032	9,003,146
Thai Baht	1,813,599	4,093,031	2,819,643
Japanese Yen	659,396	901,116	2,156,321
Hong Kong dollar	5,283,933	4,643,945	1,165,120
Others	1,058,644	1,292,508	1,522,949
Sub-total	41,809,693	47,286,483	47,028,523
Total (Gross)	<u>54,166,424</u>	<u>58,437,720</u>	<u>59,194,664</u>

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 the other loans. Variable rate loans 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 via interest rate swaps.

Included in loans and advances of DBSH Group is a loan of S\$337.0 million (1999: S\$745.0 million; 1998: S\$1,075.0 million) extended to a company which is wholly owned by a substantial shareholder of DBS Bank.

Securitisation transactions

During the financial year ended December 31, 2000, S\$784.9 million loans and debt securities were securitised. The principal benefits of these loans were acquired from DBSH Group by a special purpose vehicle, Singa Secured Assets Limited, which were funded primarily through the issue of floating rate notes ("Moneyplus"). No gain or loss was recognised on the transfer. Fee income is determined on an arm-length basis and is recognised in the profit and loss account over the period of securitisation period.

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

S\$'000	DBSH Group			Interest-in-suspense
	Specific	General	Total	
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 to profit and loss account (Note 11)	19,936	(62,492)	(42,556)	—
Interest suspended during the year ..	<u>3,250</u>	<u>—</u>	<u>3,250</u>	<u>34,749</u>
Balance at December 31	<u>1,140,841</u>	<u>1,001,813</u>	<u>2,142,654</u>	<u>48,961</u>

	DBSH Group			Interest-in-suspense
	Specific	General	Total	
1999				
Balance at January 1	1,907,509	1,071,761	2,979,270	62,475
On acquisition of business undertakings and subsidiary companies	171,030	131,300	302,330	—
Utilisation/transfers during the year ..	(199,388)	(1,258)	(200,646)	(15,597)
Charge to profit and loss account (Note 11)	1,046,509	(57,275)	989,234	—
Interest suspended during the year ..	<u>(1,999)</u>	<u>—</u>	<u>(1,999)</u>	<u>39,158</u>
Balance at December 31	<u>2,923,661</u>	<u>1,144,528</u>	<u>4,068,189</u>	<u>86,036</u>

	DBSH Group			Interest-in-suspense
	Specific	General	Total	
1998				
Balance at January 1	154,632	741,467	896,099	12,102
On acquisition of business undertakings and subsidiary companies	875,666	152,978	1,028,644	117
Utilisation/transfers during the year ..	(36,773)	1,168	(35,605)	(480)
Charge to profit and loss account (Note 11)	897,087	176,148	1,073,235	—
Interest suspended during the year ..	<u>16,897</u>	<u>—</u>	<u>16,897</u>	<u>50,736</u>
Balance at December 31	<u>1,907,509</u>	<u>1,071,761</u>	<u>2,979,270</u>	<u>62,475</u>

Included in the general provision is an amount of S\$136.0 million (1999: S\$35.3 million; 1998: S\$Nil) set aside for possible valuation losses from foreclosure of properties taken in satisfaction of certain loan arrangements of DTDB.

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

SS\$'000	DBSH Group				Interest-in-suspense
	Specific	General	Others	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	<u>126,284</u>	<u>1,294</u>	<u>214,057</u>	<u>341,635</u>	<u>2,526</u>
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 ^a	—	—	72,196	72,196	
Other assets ^a	—	—	36,626	36,626	
	<u>126,284</u>	<u>1,294</u>	<u>214,057</u>	<u>341,635</u>	
1999					
Balance at January 1	150,502	202	107,950	258,654	1,952
Utilisation/transfers during the year	(47,428)	—	(29,420)	(76,848)	236
Charge to profit and loss account (Note 11)	4,788	390	68,812	73,990	—
Interest suspended during the year	—	—	—	—	899
Balance at December 31	<u>107,862</u>	<u>592</u>	<u>147,342</u>	<u>255,796</u>	<u>3,087</u>
Specific and general provisions are in respect of the following:					
Singapore Government securities and treasury bills (Note 26)	16	—	—	16	
Trading securities (Note 27)	74,968	592	—	75,560	
Investment securities (Note 31)	32,878	—	—	32,878	
Fixed assets (Note 35)	—	—	39,529	39,529	
Other banking risks ^a	—	—	41,679	41,679	
Other assets ^a	—	—	66,134	66,134	
	<u>107,862</u>	<u>592</u>	<u>147,342</u>	<u>255,796</u>	

^a Provision for other banking risks (excluding provision for term loans to banks) and other assets are held at "Other liabilities" in Note 23.

<u>S\$'000</u>	<u>DBSH Group</u>				<u>Interest-in-suspense</u>
	<u>Specific</u>	<u>General</u>	<u>Others</u>	<u>Total</u>	
1998					
Balance at January 1	156,765	36,607	71,355	264,727	162
On acquisition of subsidiary companies ...	102,064	—	5,904	107,968	—
Utilisation/transfers during the year	(25,607)	(35,496)	23,869	(37,234)	—
Release during the year arising from the change in method of accounting (Notes 2.7.2 & 11)	(83,884)	—	—	(83,884)	—
Charge to profit and loss account (Note 11)	1,164	(909)	6,822	7,077	—
Interest suspended during the year	—	—	—	—	1,790
Balance at December 31	<u>150,502</u>	<u>202</u>	<u>107,950</u>	<u>258,654</u>	<u>1,952</u>
Specific and general provisions are in respect of the following:					
Trading securities (Note 27)	99,514	202	—	99,716	
Investment securities (Note 31)	50,988	—	—	50,988	
Other assets (Note 32)	—	—	67,389	67,389	
Other banking risks	—	—	40,561	40,561	
	<u>150,502</u>	<u>202</u>	<u>107,950</u>	<u>258,654</u>	

S\$'million

Included in the 1999 charge to profit and loss account are the following:

Provision for diminution in value of fixed assets in	
— DBS China Square Ltd	26.0
— DBS Thai Danu Bank	13.5
Write down in carrying value of assets in NDC Merchant Bank Ltd prior to reorganisation	19.9
	<u>59.4</u>

^a Provision for other banking risks (excluding provision for term loans to banks) and other assets are held at "Other liabilities" in Note 23.

31. INVESTMENT SECURITIES

<u>S\$'000</u>	<u>DBSH Group</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Quoted equity shares	32,881	666,792	—
Unquoted equity shares	316,673	330,726	366,547
Debt securities	51,983	—	—
	401,537	997,518	366,547
Less: Provision for diminution in value (Note 30)	60,246	32,878	50,988
Total net book value	<u>341,291</u>	<u>964,640</u>	<u>315,559</u>
Market value of quoted equity shares and debt securities	<u>66,901</u>	<u>672,593</u>	—

Included in quoted equity shares at December 31, 1999, was DBS Bank's (a wholly-owned subsidiary) investment of S\$641.6 million in Far East Bank and Trust Company ("FEB") and Bank of the Philippine Islands ("BPI"). In addition, a deposit of S\$152.6 million was paid to purchase additional shares in FEB (Notes 32 and 37). During the financial year, DBS Bank exercised its option to purchase additional shares in BPI. As a result, DBS Bank's equity stake in BPI increased to 20.8% and this investment was transferred to "Investment in Associated Companies" (Note 34).

32. OTHER ASSETS

S\$'000	DBSH Group		
	2000	1999	1998
Accrued interest receivable ^a	1,296,147	1,002,251	867,427
Accrued income	81,980	31,399	13,029
Balances arising from revaluation of financial instruments (Note 38)	935,621	96,793	397,973
Other foreign exchange revaluation	100,779	159,429	—
Deposits, prepayments and sundry debtors	215,980	202,385	25,973
Foreclosed properties	302,209	211,533	—
Clients' monies receivable from securities business ..	105,249	231,345	105,466
Sundry debtors	259,882	309,779	234,745
Total	3,297,847	2,244,914	1,644,613

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

Included in deposits and prepayments at December 31, 2000, is an amount of 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 2.10).

Included in deposits and prepayments at December 31, 1999, is an amount of S\$152.6 million relating to a deposit paid to acquire additional shares in Far East Bank and Trust Company (Notes 31 and 37).

The general provision of S\$136.0 million (1999: S\$35.3 million; 1998: S\$Nil) in respect of foreclosed properties in DTDB is included in Note 29.

33. INVESTMENTS IN SUBSIDIARIES

33.1 The investments in subsidiary companies at December 31, are as follows:

S\$'000	DBSH	
	2000	1999
Unquoted equity shares at cost	1,546,984	1,324,133
Amounts owing by subsidiary companies	2,150,169	870,633
Total	3,697,153	2,194,766

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

Subsidiary Companies	Country of Incorporation / Business	Principal Activities	Interest Held Directly		Interest Held Indirectly		Cost of Investment Held by DBSH	
			2000	1999	2000	1999	2000	1999
			%	%	%	%	S\$'000	S\$'000
Unquoted								
DBS Bank of Singapore Ltd ..	Singapore	Commercial banking and financial services	100	100	—	—	1,324,133	1,324,133
The Insurance Corporation of Singapore Limited	Singapore	General and life insurance businesses	100	—	—	—	222,851	—
							<u>1,546,984</u>	<u>1,324,133</u>

33.3 Details of indirectly owned subsidiary companies at December 31, are as follows:

Subsidiary Companies	Country of Incorporation/ Business	Interest Held by DBS Bank			Interest Held by DBSH's subsidiaries			Cost of Investment Held by DBSH's subsidiaries			
		2000	1999	1998	2000	1999	1998	2000	1999	1998	
	Principal Activities	%	%	%	%	%	%	S\$'000	S\$'000	S\$'000	
Quoted											
DBS Thai Danu Bank Public Company Ltd(b) (Market value : 2000: S\$418,797,439; 1999: S\$473,838,475; 1998: S\$266,868,140)	Thailand	Commercial banking and financial services	51.7	51.8	50.27	—	—	—	—	—	(a)
Unquoted											
Thai Danu-DBS Co Ltd(b)	Thailand	Custodial services	49	49	49	51.0	51.0	51.0	1,200	1,331	668
DBS Thai Danu Securities Ltd(b)	Thailand	Stockbroking and corporate finance services	—	—	—	99.99	99.99	99.99	31,710	26,749	8,323
Inter-Roof Manufacturing Public Co. Ltd(g)	Thailand	Roof Tile Manufacturer	—	—	—	76.0	76.0	70.91	(d)	9	9
DBS Bank Philippines, Inc.(b)	Philippines	Commercial banking and financial services	71.7	60	60	—	—	—	33,821	34,091	34,778
DBS Savings Bank Philippines, Inc.(b)	Philippines	Savings and mortgage banking	—	—	—	100	100	100	(c)	11,592(c)	11,826
DBS Forex Centre Philippines, Inc.(b)	Philippines	Dealing and brokering currencies options, futures, and forwards	100	100	100	—	—	—	289	345	352
PT Bank DBS Indonesia(b) (formerly known as PT Bank DBS Buana)	Indonesia	Commercial banking and financial services	99	85	85	—	—	—	31,518	—	(a) 24,961
NDC Capital Holdings Pte Ltd (formerly known as NDC Merchant Bank Ltd)	Singapore	Dormant	100	100	100	—	—	—	56,459	56,459	108,849
NDC Merchant Bank Nominees Pte Ltd	Singapore	Dormant	—	—	—	100	100	100	(d)	(d)	(d)
DBS Trading Pte Ltd	Singapore	Margin trading in foreign exchange, gold and futures	100	100	100	—	—	—	10,000	10,000	10,000
DBS Finance Ltd	Singapore	Finance company	100	100	100	—	—	—	142,000	242,000	242,000
DBSF Holdings Pte Ltd	Singapore	Investment holding	—	—	—	100	100	100	500	500	500
DBSF Investments Pte Ltd	Singapore	Property holding	—	—	—	100	100	100	16,805	16,805	16,805
DBS Finance Nominees Pte Ltd	Singapore	Trust, nominee and agency services	—	—	—	100	100	100	(d)	(d)	(d)
DBS Factors Pte Ltd (Refer 33.4.2)	Singapore	Domestic/international factoring and trade financing	100	100	100	—	—	—	5,000	5,000	5,000
DBS Card Centre Pte Ltd (Refer 33.4.1)	Singapore	Dormant	100	100	100	—	—	—	8,000	8,000	8,000
DBS Securities Holding Pte Ltd	Singapore	Investment holding	100	100	100	—	—	—	121,500	121,500	121,500
DBS-Capital Trust Securities India Pvt Ltd(b)	India	Stockbroking	—	—	—	75	75	75	6,979	6,979	6,979

Subsidiary Companies	Country of Incorporation/ Business	Principal Activities	Interest Held by DBS Bank			Interest Held by DBSH's subsidiaries			Cost of Investment Held by DBSH's subsidiaries		
			2000	1999	1998	2000	1999	1998	2000	1999	1998
			%	%	%	%	%	%	S\$'000	S\$'000	S\$'000
DBS Futures Hong Kong Ltd (b)	Hong Kong	Hang Seng Index Futures Options and stock futures trading	—	—	—	100	100	100	2,222	2,143	2,131
DBS Investment Research Pte Ltd	Singapore	Market research consultancy	—	—	—	100	100	100	(d)	(d)	(d)
DBS Securities Hong Kong Ltd (b)	Hong Kong	Stockbroking	—	—	—	100	100	100	41,782	41,782	41,782
DBS Securities Malaysia Pte Ltd	Singapore	Investment holding	—	—	—	100	100	100	16,500	16,500	16,500
DBS Securities Nominees Pte Ltd	Singapore	Nominee services	—	—	—	100	100	100	(d)	(d)	(d)
DBS Securities Nominees (HK) Ltd (b)	Hong Kong	Nominee services	—	—	—	100	100	100	111	107	107
DBS Securities Philippines, Inc (b)	Philippines	Stockbroking	—	—	—	100	100	100	11,090	11,090	11,090
DBS Securities Singapore Pte Ltd	Singapore	Stockbroking	—	—	—	100	100	100	50,000	25,000	25,000
DBS Securities UK Ltd (b)	United Kingdom	Securities services	—	—	—	100	100	100	175	175	175
PT DBS Securities Indonesia (b)	Indonesia	Stockbroking and underwriting	—	—	—	75	75	55	13,791	13,791	12,277
DBS Asia Ltd (b)	Hong Kong	Financial services and investment holding	100	100	100	—	—	—	(d)	(d)	(d)
DBS Asia Capital Limited (b)	Hong Kong	Corporate finance and advisory services	100	100	100	—	—	—	22,214	21,429	21,309
DBS Asset Management Ltd	Singapore	Investment management services and unit trusts	100	100	100	—	—	—	4,000	4,000	4,000
DBS Asset Management (United States) Pte Ltd	Singapore	Investment management services	—	—	—	100	100	100	250	250	250
Hwang-DBS Asset Management (Malaysia) Sdn Bhd	Singapore	Fund management consultancy	—	—	—	—	—	51	—	(j)	758
DBS Asset Management (Hong Kong) Ltd (b)	Hong Kong	Investment management services	—	—	—	100	100	—	2,322	2,143	—
DBS Capital Investments Ltd	Singapore	Venture capital investments	100	100	100	—	—	—	17,942 (e)	17,942 (e)	17,942 (e)
DBS Computer Services Pte Ltd (Refer 33.5.2)	Singapore	Computer services and IT consultancy	100	100	100	—	—	—	—(a)	—(a)	—(a)
IBEXCo Pte Ltd (h)	Singapore	Electronic commerce service provider	—	—	—	—	51	51	—	2,040	2,040
POSB Computer Services Pte Ltd	Singapore	Computer services and IT consultancy	100	100	100	—	—	—	9,470	9,470	39,070
DBS Group Holdings (Hong Kong) Ltd	Bermuda	Investment holding	87.3	87.3	100	—	—	—	746,873	645,394	—
DBS Kwong On Bank Limited (b)	Hong Kong	Commercial banking and financial services	—	—	—	100	100	—	839,721	734,176	—
DBS Kwong On Finance Limited (b)	Hong Kong	Deposit-taking finance company	—	—	—	100	100	—	5,554	5,358	—

Subsidiary Companies	Country of Incorporation/ Business	Principal Activities	Interest Held by DBS Bank				Interest Held by DBSH's subsidiaries				Cost of Investment Held by DBSH's subsidiaries			
			2000		1999		2000		1999		2000		1999	
			%	%	%	%	%	%	S\$'000	S\$'000	S\$'000	S\$'000		
DBS Kwong On Bank (Nominees) Limited (b)	Hong Kong	Trust, nominee and agency services	—	—	—	100	100	—	—	(d)	—	—	—	
DBS Kwong On Insurance Company Limited (b)	Hong Kong	Insurance company	—	—	—	100	100	—	—	2,222	2,143	—	—	
DBS Kwong On Futures Limited (b)	Hong Kong	Dormant	—	—	—	100	100	—	—	555	536	—	—	
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	21	—	—	
DBS Kwong On Securities Limited (b)	Hong Kong	Dormant	—	—	—	100	100	—	—	3,332	3,215	—	—	
DBS Nominees Pte Ltd	Singapore	Nominee services	100	100	—	—	—	—	—	364	364	364	—	
DBS Pte Ltd (In voluntary liquidation)	Singapore	Investment holding	100	100	—	—	—	—	—	25,201	69,337	69,337	—	
DBS China Square Ltd	Singapore	Property investment holding	70	70	—	—	—	—	—	119,000(f)	119,000(f)	84,000(f)	—	
DBS Trustee Ltd	Singapore	Trustee services	20	20	—	80	80	—	—	150	150	150	—	
ICS Reinsurance Pte Ltd ("ICS Re") (i)	Singapore	Dormant	—	—	—	51.5	—	—	—	—(a)	—	—	—	
The Insurance Corporation of Singapore (UK) Limited ("ICS UK") (i)	United Kingdom	In provisional liquidation	—	—	—	98	—	—	—	—(a)	—	—	—	
Reinsurance Management Corporation of Asia (Pte) Ltd	Singapore	Management of reinsurance companies	—	—	—	80	—	—	—	2,360	—	—	—	
RMCA Holdings Pte Ltd	Singapore	Investment holding and management of reinsurance companies	—	—	—	100	—	—	—	6,456	—	—	—	
Singapore Factory Development Ltd	Singapore	Group financing	100	100	—	—	—	—	—	5,525	5,525	5,525	—	
Credit POSB Pte Ltd (under dissolution) (Refer 33.5.3)	Singapore	Dormant	—	—	—	100	—	—	—	—(a)	—(a)	—(a)	—(a)	
Singapore Bankers Club Pte Ltd	Singapore	Has not commenced operations	100	100	—	—	—	—	—	—(a)	—(a)	—(a)	—(a)	

(a) Written down to zero value.

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

(c) Merged with DBS Bank Philippines, Inc with effect from January 1, 2000.

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

(e) Included cost of investment in preference shares held amounting to S\$17,932,000 (1999: S\$17,932,000; 1998: S\$17,932,000).

(f) Included cost of investment in preference shares held amounting to S\$73,500,000 (1999: S\$73,500,000; 1998: S\$38,500,000).

(g) The investment in this subsidiary company was acquired as a result of debt restructuring. This is not intended to be a long-term investment. Consequently, the results of this subsidiary company are not consolidated. This company is audited by another public accounting firm.

(h) Ceased to be a subsidiary with effect from March 31, 2000.

(i) 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.

(j) Ceased to be a subsidiary with effect from July 22, 1999.

During the financial year ended December 31, 2000, DBS Finance Ltd, a wholly-owned subsidiary of DBS Bank, declared a special dividend of S\$100,000,000 as a return of capital to DBS Bank. Upon receipt of this special dividend, the cost of investment of DBS Finance Ltd reduced from S\$242,000,000 to S\$142,000,000.

During the financial year ended December 31, 2000, DBS Pte Ltd, a wholly-owned subsidiary of DBS Bank declared and paid a net dividend in specie of S\$44,136,000 representing the 2.7% equity interest in DBS Land Limited to DBS Bank. Upon receipt of the dividend in specie, the cost of investment of DBS Pte Ltd reduced from S\$69,337,000 to S\$25,201,000.

33.4 GROUP RECONSTRUCTURING

33.4.1 On July 1, 2000, DBS Card Centre Pte Ltd, a wholly-owned subsidiary of DBS Bank, transferred its business undertakings to DBS Bank. Following the transfer, DBS Card Centre Pte Ltd is now inactive.

33.4.2 During the financial year ended December 31, 2000, DBS Bank commenced the process of transferring the business undertakings of DBS Factors Pte Ltd, a wholly-owned subsidiary of DBS Bank, to DBS Bank. The transfer is expected to be completed in 2001.

33.5 ACQUISITION AND DISPOSAL OF SUBSIDIARY COMPANIES

33.5.1 On January 22, 2000, The Insurance Corporation of Singapore Limited ("ICS") became a wholly-owned subsidiary of DBSH Group pursuant to a scheme of arrangement ("Scheme") to reorganise the share capital of ICS. As set out in the Scheme, DBSH issued 8,439,171 new ordinary shares of par value S\$1.00 each, credited as fully paid, to the entitled scheme shareholders who were registered as holders of the Scheme shares in the Register of Members of ICS as at the close of business on January 24, 2000. In addition, DBS Bank paid S\$357,616 in cash to the entitled shareholders who had elected for cash consideration. As a result of the Scheme, DBS Bank's equity interest in ICS was reduced from 48.3% to 47.9% with DBSH holding the remaining 52.1%. The net attributable tangible assets of ICS as at the date of acquisition were S\$251,305,000.

On April 17, 2000, DBS Bank declared and paid a net dividend in specie of S\$44,517,316 which represent 47.9% equity interest in ICS to DBSH. Upon receipt of the dividend in specie, DBSH holds 100% of the equity interest in ICS.

33.5.2 On March 31, 2000, DBS Computer Services Pte Ltd, a wholly-owned subsidiary of DBS Bank, sold 1,640,000 ordinary shares of par value S\$1.00 each in IBEXCo Pte Ltd ("IBEXCo") to bex.com pte ltd for a consideration of S\$6,150,000. On completion of the sale, DBSH Group's effective equity interest in IBEXCo was reduced from 51.0% to 10.0% and IBEXCo ceased to be a subsidiary of DBSH Group.

33.5.3 Credit POSB Pte Ltd ("CPPL") was, on request of DBSH, struck off from the Registrar of Companies on August 18, 2000, pursuant to Section 17 of the Post Office Savings Bank of Singapore (Transfer of Undertakings and Dissolution) Act 1998 and Section 344 of the Companies Act.

33.6 ACQUISITION OF ADDITIONAL INTEREST IN SUBSIDIARY COMPANIES

33.6.1 On March 14, 2000, DBS Bank acquired an additional 14.0% equity interest in PT Bank DBS Indonesia ("PTBDI") for a consideration of IDR 14,000,000,000. The net attributable tangible assets (negative) of PTBDI as at the date of the additional acquisition was IDR 9,528,437,354. On completion of the acquisition, DBS Bank's effective equity interest in PTBDI increased from 85.0% to 99.0%.

On March 31, 2000, DBS Bank subscribed for 3,267 new ordinary shares of PTBDI of par value IDR 50,000,000 each. This amounted to

IDR 163,350,000,000. On completion of the recapitalisation exercise, DBS Bank's effective equity interest in PTBDI remained unchanged at 99.0%.

- 33.6.2** On June 20, 2000, DBS Bank subscribed for 96,170,000 private placement shares and 213,554,026 rights share of par value Baht 10.00 each issued by DTDB. The total amount paid was Baht 3,097,240,260. On June 26, 2000, DBS Bank subscribed for 75,000 Capital Augmented Preference shares of par value Baht 10.00 each fully paid in cash, which amounted to Baht 7,500,000,000. On completion of the recapitalisation exercise, DBS Bank's effective equity interest in DTDB decreased marginally from 51.8% to 51.7%.
- 33.6.3** On October 5, 2000, DBS Group Holdings (Hong Kong) Ltd ("DBSHK") finalised and made payment to the ex-shareholders of DBS Kwong On Bank Limited ("DKOB") who have opted for Option B (cash of HK\$9.00 and contingent units) and Option C (combination of DBSHK shares and contingent units). The amount paid was HK\$1.30 per contingent unit based on a loan loss ratio of 3.6%. The value of each contingent unit was computed based on a pre-determined formulae agreed upon at acquisition date. Upon settlement of the contingent payment, the cost of acquisition of DKOB was S\$746,873,000.
- 33.6.4** On November 20, 2000, DBS Bank acquired an additional 11.7% equity interest in DBS Bank Philippines, Inc ("DBSP") for a consideration of Peso 315,813,802. The net attributable tangible asset of DBSP as at the date of the additional acquisition was Peso 152,485,398. On completion of the acquisition, DBS Bank's effective equity interest in DBSP increased from 60.0% to 71.7%.

33.7 AMOUNTS OWING BY SUBSIDIARY COMPANIES

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

33.8 FAIR VALUES OF ASSETS AND LIABILITIES OF SUBSIDIARY COMPANIES ACQUIRED

The fair value of assets and liabilities of the subsidiary companies acquired were as follows:

<u>S\$'000</u>	<u>DBSH Group</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Fixed assets	86,576	230,150	170,937
Government, trading and investment securities	156,846	128,205	298,770
Cash and balances, placements with, and loans to banks, loans to and bills receivable from non-bank customers (in 1999, net of general provision of S\$120,891,729)	82,131	6,101,735	5,306,535
Other assets	37,099	55,091	199,112
Deposits and balances of banks, deposits and other accounts of non-bank customers, debt securities in issue and other borrowings	—	(5,707,119)	(5,759,059)
Other liabilities	(110,540)	(68,482)	(169,681)
	252,112	739,580	46,614
Less: Minority interests	807	94,187	23,442
Adjusted net attributable assets	251,305	645,393	23,172
Add: Goodwill on acquisition taken to reserves	—	—	286,945
	251,305	645,393	310,117
Less: Non-cash outflow for acquisition of subsidiary company	250,940	—	—
Less: Cash and balances with banks	—	30,248	43,648
Net cash outflow for acquisition of subsidiary companies	<u>365</u>	<u>615,145</u>	<u>266,469</u>

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:

S\$'000	DBSH Group		
	2000	1999	1998
Fixed assets	1,558	—	—
Other assets	478	—	—
Other liabilities	(1,344)	—	—
	692	—	—
Less: Minority interests	339	—	—
Adjusted net attributable assets	353	—	—
Add: Profit on disposal of subsidiary company	5,797	—	—
Less: Non cash inflow from the disposal of subsidiary company ..	3,690	—	—
Net cash inflow from the disposal of subsidiary company	2,460	—	—

34. ASSOCIATES AND JOINT VENTURE COMPANIES

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

S\$'000	DBSH Group		
	2000	1999	1998
Quoted equity shares at cost	1,071,800	583,407	389,460
Unquoted equities at cost	36,450	15,094	15,374
	1,108,250	598,501	404,834
Less: Goodwill arising from equity accounting	836,123	—	—
	272,127	598,501	404,834
Add: Share of reserves arising from equity accounting	285,561	881,045	682,697
	557,688	1,479,546	1,087,531
Market value of quoted equity shares	719,274	1,635,054	880,056

34.1.1 During the financial year ended December 31, 2000 DBS Bank paid a total consideration of Peso 11,084,813,000 for its investment in Bank of the Philippine Islands ("BPI"). As at the end of the financial year, total investment cost in BPI was Peso 30,273,306,000, which represents a 20.8% equity interest. In addition, a joint venture company, Ayala DBS Holdings Inc., 40% owned by DBS Bank, was set up to hold part of the investment in BPI.

34.1.2 On February 21, 2000, DBS Bank sold part of its stake in an associated company, DBS Land Limited to Pidemco Land, amounting to 324,150,000 shares for a total consideration of S\$965,967,000. Following the sale, DBS Group's equity interest in DBS Land Limited was reduced from 30.3% to 5.4%.

34.1.3 On November 14, 2000, General Securities Investments Limited after obtaining its shareholders' approval commenced voluntary liquidation process to unlock value for its shareholders. The shareholders have elected to receive the distribution of the company's assets in cash. The first distribution of cash is expected to be made by first quarter of 2001 and the final distribution by last quarter of 2001.

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 in which equity accounting was applied with effect from the 1999 financial year are as follows:

S\$'000	DBSH Group					
	2000		1999		1998	
	NTA	Market Value	NTA	Market Value	NTA	Market Value
<i>Held by subsidiary companies</i>						
Bank of the Philippine Islands	358,211	639,718	—	—	—	—
General Securities Investments Ltd ^a	—	—	55,373	31,143	34,224	20,946
Hwang — DBS (Malaysia) Bhd ...	60,196	79,556	51,897	107,467	44,541	55,474
DBS Land Limited	—	—	1,160,913	1,292,443	814,514	696,025
The Insurance Corporation of Singapore Ltd ^b	—	—	120,597	204,001	107,056	38,312
Total	<u>418,407</u>	<u>719,274</u>	<u>1,388,780</u>	<u>1,635,054</u>	<u>1,000,335</u>	<u>810,757</u>

^a Shares were delisted on November 29, 2000, when the company commenced voluntary liquidation (Note 34.1.3).

^b Became a subsidiary effective from January 22, 2000 (Note 33.5.1).

34.2.1 The associated companies held by the DBSH Group at December 31 are as follows:

Associated Companies	Country of Incorporation / Business	Principal Activities	Interest Held by DBSH Group		
			2000 %	1999 %	1998 %
Quoted					
<i>Held by DBS Bank</i>					
DBS Land Limited	Singapore	Investment holding	^a 30.27	28.33	
The Insurance Corporation of Singapore Limited	Singapore	General and life insurance	^b 48.26	49.40	
Bank of the Philippine Islands	Philippines	Commercial banking and financial services	20.84	—	—
Singapore Petroleum Company Ltd	Singapore	Petroleum refining, provision of administrative support service, marketing and trading of crude oil	—	—	26.02
<i>Held By Other Subsidiary Companies</i>					
Hwang — DBS (Malaysia) Bhd	Malaysia	Investment holding	23.27	23.56	23.94
Unquoted					
<i>Held by DBS Bank</i>					
General Securities Investments Ltd ^c	Singapore	Investment holding	41.76	41.76	41.76
Fujitec Singapore Corporation Ltd	Singapore	Manufactures elevators, escalators and related components	26.00	26.00	26.00

<u>Associated Companies</u>	<u>Country of Incorporation / Business</u>	<u>Principal Activities</u>	<u>Interest Held by DBSH Group</u>		
			<u>2000</u> %	<u>1999</u> %	<u>1998</u> %
Investment and Capital Corporation of the Philippines	Philippines	Financial services	20.00	20.00	20.00
Orix Leasing Singapore Ltd	Singapore	Lease and hire-purchase financing of equipment	30.00	30.00	30.00
Network for Electronic Transfers (Singapore) Pte Ltd	Singapore	Electronic funds transfer	20.00	20.00	28.57
Singapore Polymer Corporation Pte Ltd	Singapore	Manufactures poly vinyl chloride resins and related compound	38.73	38.73	38.73
Spray's Shipping Pte Ltd ...	Singapore	Dormant	26.00	26.00	26.00
Transpac Capital Pte Ltd ...	Singapore	Investment manager for venture capital companies, investment advisory, consultancy and related services	32.00	32.00	32.00
Transpac Investments Ltd ..	Singapore	Investment holding	32.00	32.00	32.00
Venture Investment Management (S) Pte Ltd	Singapore	Investment management services	24.50	24.50	24.50
Yamaha Music (Asia) Pte Ltd	Singapore	Distributor and retailer of all kinds of musical instruments, operator and franchise of music schools	20.00	20.00	20.00
<i>Held By Other DBS Subsidiary Companies</i>					
Transtech Venture Management Pte Ltd	Singapore	Investment manager for venture capital	40.00	40.00	40.00
Venture Investment Management II Ltd	Singapore	Investment manager for venture capital	30.00	30.00	30.00
Transtech Capital Investment I Ltd (under voluntary liquidation)	Singapore	Venture capital investment	41.54	41.54	41.54
Shenton Realty Corporation	Philippines	Real estate holding company	38.40	38.40	38.40
Shenton Corporation	Philippines	Real estate holding company	24.00	24.00	24.00
Singapore Consortium Investment Management Ltd	Singapore	Investment management services	20.00	20.00	—

<u>Associated Companies</u>	<u>Country of Incorporation / Business</u>	<u>Principal Activities</u>	<u>Interest Held by DBSH Group</u>		
			<u>2000</u>	<u>1999</u>	<u>1998</u>
			%	%	%
Thailand Carpet Manufacturing Public Company Limited ^d	Thailand	Carpet manufacturer	46.00	46.00	—
Roche Diagnostics (Thailand) Company Limited ^d	Thailand	Distributor of medical products	25.50	22.00	—

^a During the year, DBSH Group sold part of its stake in DBS Land Limited amounting to 324,150,000 shares for a total consideration of S\$966 million. Following the sale, DBSH Group's equity interest in DBS Land Limited was reduced from 30.3% to 5.4%.

^b Ceased to be an associated company effective from January 22, 2000 (Note 33.5.1).

^c Shares were delisted on November 29, 2000, when the company commenced voluntary liquidation.

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

34.3 The joint venture companies held by DBSH Group at December 31, are as follows:

<u>Joint Venture Companies</u>	<u>Country of Incorporation / Business</u>	<u>Principal Activities</u>	<u>Interest Held by DBSH Group</u>		
			<u>2000</u>	<u>1999</u>	<u>1998</u>
			%	%	%
<i>Held By DBS Bank</i>					
Ayala DBS Holdings Inc.	Philippines	Investment holding	40.00	—	—
<i>Held By Other Subsidiary Companies</i>					
IBUYIPAY Pte Ltd . . .	Singapore	To design, develop, implement and maintain internet-based payment gateway	50.00	—	—

34.4 On August 7, 2000, DBS Nominees (Private) Limited, a wholly-owned subsidiary of DBS Bank which is in turn a wholly-owned subsidiary of DBSH, established a joint-venture company, IBUYIPAY Pte Ltd, with Adroit Innovations Limited. The joint venture company has an authorised share capital of S\$10,000,000 divided into 10,000,000 ordinary shares of par value S\$1.00 each and an issued and paid up share capital of S\$2.00 fully paid.

35. FIXED ASSETS

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

S\$'000	DBSH Group				
	Leasehold Properties	Freehold Properties	Total Properties	Equipment, Furniture and Other Assets	Total
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 ...	<u>1,356,192</u>	<u>569,975</u>	<u>1,926,167</u>	<u>627,916</u>	<u>2,554,083</u>
Accumulated depreciation					
Balance at January 1, 2000	195,580	64,047	259,627	329,394	589,021
Depreciation charge (Note 10)	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)	<u>(89,986)</u>	<u>(12,107)</u>	<u>(102,093)</u>	<u>(3,142)</u>	<u>(105,235)</u>
Net book value at December 31, 2000 ...	<u>1,037,658</u>	<u>491,354</u>	<u>1,529,012</u>	<u>260,756</u>	<u>1,789,768</u>
Market value at December 31, 2000 ...	<u>1,672,272</u>	<u>533,824</u>	<u>2,206,096</u>	<u>—</u>	<u>2,206,096</u>
Cost					
Balance at January 1, 1999	1,360,489	315,450	1,675,939	418,455	2,094,394
Additions	80,653	42,671	123,324	100,502	223,826
Disposals	(98,268)	(5,290)	(103,558)	(46,211)	(149,769)
On acquisition of subsidiary companies ..	—	229,616	229,616	55,690	285,306
Exchange differences ...	(199)	(3,268)	(3,467)	(1,275)	(4,742)
Balance at December 31, 1999 ...	<u>1,342,675</u>	<u>579,179</u>	<u>1,921,854</u>	<u>527,161</u>	<u>2,449,015</u>
Accumulated depreciation					
Balance at January 1, 1999	183,239	31,662	214,901	260,615	475,516
Depreciation charge (Note 10)	33,025	9,587	42,612	74,089	116,701

S\$'000	DBSH Group				
	Leasehold Properties	Freehold Properties	Total Properties	Equipment, Furniture and Other Assets	Total
Disposals	(20,594)	—	(20,594)	(36,457)	(57,051)
On acquisition of subsidiary companies ..	—	23,096	23,096	32,061	55,157
Exchange differences ...	(90)	(298)	(388)	(914)	(1,302)
Balance at December 31, 1999 ...	195,580	64,047	259,627	329,394	589,021
Less: Provision for diminution in value (Note 30)	<u>(26,000)</u>	<u>(13,529)</u>	<u>(39,529)</u>	—	<u>(39,529)</u>
Net book value at December 31, 1999 ...	<u>1,121,095</u>	<u>501,603</u>	<u>1,622,698</u>	<u>197,767</u>	<u>1,820,465</u>
Market value at December 31, 1999 ...	<u>1,872,471</u>	<u>577,522</u>	<u>2,449,993</u>	—	<u>2,449,993</u>
Cost					
Balance at January 1, 1998	1,021,314	72,387	1,093,701	291,373	1,385,074
Additions	49,930	1,206	51,136	48,682	99,818
Disposals	(735)	(3,095)	(3,830)	(48,309)	(52,139)
On acquisition of business undertakings and subsidiary companies	290,049	244,159	534,208	127,246	661,454
Exchange differences ...	(69)	793	724	(537)	187
Balance at December 31, 1998 ...	<u>1,360,489</u>	<u>315,450</u>	<u>1,675,939</u>	<u>418,455</u>	<u>2,094,394</u>
Accumulated depreciation					
Balance at January 1, 1998	152,917	11,074	163,991	185,773	349,764
Depreciation charge (Note 10)	26,802	4,288	31,090	56,928	88,018
Disposals	(108)	(793)	(901)	(44,691)	(45,592)
On acquisition of business undertakings and subsidiary companies	3,632	16,937	20,569	62,707	83,276
Exchange differences ...	(4)	156	152	(102)	50
Balance at December 31, 1998 ...	<u>183,239</u>	<u>31,662</u>	<u>214,901</u>	<u>260,615</u>	<u>475,516</u>
Net book value at December 31, 1998 ...	<u>1,177,250</u>	<u>283,788</u>	<u>1,461,038</u>	<u>157,840</u>	<u>1,618,878</u>
Market value at December 31, 1998 ...	<u>1,836,473</u>	<u>353,172</u>	<u>2,189,645</u>	—	<u>2,189,645</u>

35.2 The net book value of DBS Building Tower Two, an investment property held for the purpose of generating rental income, at December 31, 2000 was S\$218.5 million (1999: S\$220.5 million; 1998: S\$229.5 million). Its market value was independently appraised at S\$493.0 million (1999: S\$583.6 million; 1998: S\$581.0 million).

36. 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 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.

Other contingent liabilities include transactions related customs and performance bonds and are, generally, short-term commitments to third parties which are not directly dependent on the customer's creditworthiness.

The amounts outstanding at December 31, comprise the following:

<u>S\$'000</u>	<u>DBSH Group</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Acceptances on account of customers	148,922	136,390	70,504
Guarantees on account of customers	3,938,461	4,632,706	4,701,180
Endorsements and other obligations on account of			
customers Letters of credit	2,487,208	2,703,580	2,256,864
Others	163,858	189,743	205,443
Spot foreign exchange contracts	1,931,823	889,588	1,450,799
Other contingent items	4,147	1,950	—
Total	<u>8,674,419</u>	<u>8,553,957</u>	<u>8,684,790</u>

Included in "Guarantees on account of customers" as at December 31, 2000, was a guarantee of 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, and DBS UP Guaranteed Fund 5.0/1" on the guaranteed value payable on June 25, 2003, June 23, 2004 and December 23, 2005 respectively.

37. 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 balance sheet at December 31, comprise the following:

<u>S\$'000</u>	<u>DBSH Group</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Loans and other facilities			
Undrawn credit facilities	32,910,381	34,774,381	35,453,654
Undrawn note issuance and revolving underwriting facilities	400	5,900	4,500
Undisbursed commitments in debt securities and equities	102,000	495,782	66,008
Underwriting commitments in debt securities and equities	<u>6,665</u>	<u>—</u>	<u>3,804</u>
Sub-total	<u>33,019,446</u>	<u>35,276,063</u>	<u>35,527,966</u>
Capital Commitments			
Development of land parcel at China Square	—	—	63,463
Others	<u>45,598</u>	<u>27,691</u>	<u>8,969</u>
Total	<u>33,065,044</u>	<u>35,303,754</u>	<u>35,600,398</u>

Included in undisbursed commitments in debt securities and equities at December 31, 1999, was S\$421.7 million (1998: S\$Nil) relating to a commitment entered into to purchase additional shares in Far East Bank and Trust Company (Note 31 and 32).

38 FINANCIAL DERIVATIVES

38.1 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.

Credit related contracts

Credit derivatives are financial instruments that enable DBSH Group to manage credit risk without changing their underlying loan portfolios. The effect of a credit derivative is to transfer credit risk from one party, the protection buyer, to another party, the protection seller, who receives premium or interest related payments in return for contracting to make payments to the protection buyer. The payments are linked to the standing of a reference asset, which may be a security, loan or an obligation on other derivative instruments. The term credit derivative may also be applied to cash instruments where repayment is linked to credit standing of a reference asset.

*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.

- 38.2** 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 trading derivative financial instruments by counterparties to reflect the underlying credit risk of these counterparties. In the financial statements, derivative financial instruments are revalued on a net position basis and the unrealised gains or losses are reflected in "Other assets" or "Other liabilities".

	DBSH Group			
	Non Trading	Trading		
	Underlying Principal	Underlying Principal	Year-end Positive Fair Value	Year-end Negative Fair Value
SS\$'000				
2000				
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				
brought	—	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
Swaptions purchased	—	111,078	2,656	—
Swaptions sold	—	111,078	—	1,729
Interest rate futures options				
written	—	1,646,113	—	2,230

<u>S\$'000</u>	DBSH Group			
	Non Trading	Trading		
	Underlying Principal	Underlying Principal	Year-end Positive Fair Value	Year-end Negative Fair Value
Interest rate caps / floor purchased	—	463,188	4,277	395
Interest rate caps / floor written	—	<u>1,566,241</u>	<u>885</u>	<u>10,263</u>
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	—	<u>4,433,491</u>	<u>2,861</u>	<u>357</u>
Sub-total	—	8,868,946	3,254	3,146
Total	<u>28,777,748</u>	<u>147,415,969</u>		
Balances arising from off- balance sheet financial instruments (see Other liabilities / Other assets Notes 23 / 32)			<u>935,621</u>	<u>979,182</u>

^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.

<u>S\$'000</u>	DBSH Group			
	Non Trading	Trading		
	Underlying Principal	Underlying Principal	Year-end Positive Fair Value	Year-end Negative Fair Value
1999				
Foreign Exchange (FX)				
Derivatives				
FX Forwards	2,678,100	1,561,454	9,709	36,837
FX swaps	24,458,505	2,569,255	22,959	26,787
Currency swaps	445,601	768,761	29,435	28,646
Currency options purchased	800,740	55,153	187	54
Currency options written	825,273	56,017	168	—
Sub-total	<u>29,208,219</u>	<u>5,010,640</u>	62,458	92,324
Interest Rate Derivatives				
Interest rate swaps	2,700,827	3,251,632	34,284	21,644
Financial futures purchased	—	1,165,523	35	566
Financial futures sold	—	2,132,157	16	799
Swaptions purchased	—	8,330	—	54
Interest rate caps / floors written ..	50,000	—	—	—
Sub-total	<u>2,750,827</u>	<u>6,557,642</u>	34,335	23,063
Total	<u>31,959,046</u>	<u>11,568,282</u>		
Balances arising from off- balance sheet financial instruments (see Other liabilities / Other assets Notes 23 / 32)			<u>96,793</u>	<u>115,387</u>

<u>S\$'000</u>	<u>DBSH Group</u>			
	<u>Non Trading</u>	<u>Trading</u>		
	<u>Underlying Principal</u>	<u>Underlying Principal</u>	<u>Year-end Positive Fair Value</u>	<u>Year-end Negative Fair Value</u>
1998				
Foreign Exchange (FX) Derivatives				
FX Forwards	228,219	2,996,660	68,012	18,856
FX swaps	17,830,973	6,611,505	199,794	245,527
Currency swaps	15,858	564,128	74,962	73,388
Currency futures	13,208	—	—	—
Currency options purchased	—	281,258	2,582	19,857
Currency options written	—	289,140	22,463	2,865
Sub-total	<u>18,088,258</u>	<u>10,742,691</u>	<u>367,813</u>	<u>360,493</u>
Interest Rate Derivatives				
Forward rate agreements	523,692	—	—	—
Interest rate swaps	4,352,838	2,305,688	30,160	30,895
Financial futures purchased	—	—	—	—
Financial futures sold	—	—	—	—
Swaptions purchased	—	—	—	—
Interest rate caps / floors written ..	43,000	—	—	—
Sub-total	<u>4,919,530</u>	<u>2,305,688</u>	<u>30,160</u>	<u>30,895</u>
Total	<u><u>23,007,788</u></u>	<u><u>13,048,379</u></u>		
Balances arising from off-balance sheet financial instruments (see Other liabilities / Other assets Notes 23 / 32)			<u>397,973</u>	<u>391,388</u>

39. ASSETS PLEDGED

The aggregate carrying amounts of assets that have been mortgaged or pledged in the normal course of business to secure the liabilities of DBSH Group at December 31 are as follows:

<u>S\$'000</u>	<u>DBSH Group</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Promissory notes endorsed to third parties	—	—	32,135
Securities sold under repurchase agreements	618,060	50,455	77,281
Other assets pledged	<u>429,404</u>	<u>528,853</u>	<u>492,058</u>
Total	<u><u>1,047,464</u></u>	<u><u>579,308</u></u>	<u><u>601,474</u></u>

40. 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, 2000, DBSH Group had assets in the Regional Countries, amounting to S\$7,126 million (1999: S\$9,114 million, 1998: S\$9,832 million) and in Hong Kong and China amounting to S\$8,003 million (1999: S\$7,453 million, 1998: S\$3,505 million).

In S\$'million	DBSH Group					
	2000		1999		1998	
	Assets	NPLs ¹	Assets	NPLs ¹	Assets	NPLs ¹
Malaysia	815	304	780	412	894	284
Indonesia	487	176	892	566	840	467
Thailand (excluding DTDB) ..	356	49	592	234	895	348
Korea	1,044	51	753	76	700	11
The Philippines	1,354	87	1,203	77	553	129
	4,056	667	4,219	1,365	3,882	1,239
DTDB	3,070	1,238	4,895	3,207	5,950	2,874
Total Regional	7,126	1,905	9,114	4,571	9,832	4,114
Hong Kong	6,906	541	6,345	852	2,293	120
China	1,097	153	1,108	124	1,212	54
Total	15,129	2,599	16,566	5,547	13,337	4,288

¹ NPLs include classified bank loans, contingent facilities and debt instruments.

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

Assets in In S\$'million	Loans and Debt Securities				Investments (d)	Total (e)= (a+b+c+d)	Less: Loans to/Investments in Financial Subsidiaries/ Overseas Branches (f)	Net Exposure	
	Bank (a)	Central Banks & Govt. securities (b)		Non- Bank ¹ (c)				Amount (g)=(e-f)	As a % of Total Assets (h)
		Bank (a)	Govt. securities (b)						
Malaysia	664	34	645	48	1,391	576	815	0.8%	
Indonesia	205	47	301	37	591	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	1,612	258	1,354	1.3%	
SUB-TOTAL	1,802	451	2,144	809	5,205	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	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%	

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

The DBSH Group's exposures to these countries at December 31, 1999 were as follows:

Assets in In S\$'million	Loans and Debt Securities			Investments (d)	Total (e)= (a+b+c+d)	Less: Loans to/Investments in Financial Subsidiaries/ Overseas Branches (f)	Net Exposure	
	Bank (a)	Central Banks & Govt. securities (b)	Non- Bank ¹ (c)				Amount (g)=(e-f)	As a % of Total Assets (h)
Malaysia	654	50	662	43	1,410	630	780	0.8%
Indonesia	347	122	578	12	1,059	167	892	0.9%
Thailand (excluding DTDB)	245	8	475	25	754	162	592	0.6%
Korea	410	126	438	9	983	230	753	0.7%
The Philippines	582	69	383	710	1,743	541	1,203	1.2%
SUB-TOTAL	2,238	375	2,536	799	5,948	1,729	4,219	4.1%
DTDB	82	301	4,463	59	4,906	12	4,895	4.6%
TOTAL REGIONAL COUNTRIES	2,320	676	7,000	859	10,855	1,741	9,114	8.6%
Hong Kong	1,227	292	5,485	913	7,916	1,572	6,345	6.0%
China	713	8	1,008	2	1,732	624	1,108	1.0%
TOTAL	4,260	976	13,493	1,773	20,503	3,936	16,566	15.6%

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

The DBSH Group's exposures to these countries at December 31, 1998 were as follows:

Assets in In S\$'million	Loans and Debt Securities			Investments (d)	Total (e)= (a+b+c+d)	Less: Loans to/Investments in Financial Subsidiaries/ Overseas Branches (f)	Net Exposure	
	Bank (a)	Central Banks & Govt. securities (b)	Non- Bank ¹ (c)				Amount (g)=(e-f)	As a % of Total Assets (h)
Malaysia	833	8	752	46	1,639	745	894	1.0%
Indonesia	332	91	573	37	1,033	193	840	0.9%
Thailand (excluding DTDB)	362	10	674	42	1,088	193	895	1.0%
Korea	331	40	540	4	915	215	700	0.7%
Philippines	418	8	329	78	833	280	553	0.6%
SUB-TOTAL	2,277	157	2,869	206	5,508	1,626	3,882	4.2%
DTDB	127	696	5,029	105	5,957	7	5,950	6.0%
TOTAL REGIONAL COUNTRIES	2,404	853	7,897	311	11,465	1,633	9,832	9.9%
Hong Kong	1,122	42	1,848	208	3,220	927	2,293	2.3%
China	822	8	1,042	—	1,872	660	1,212	1.2%
TOTAL	4,348	903	10,787	519	16,557	3,220	13,337	13.5%

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

41. NON-PERFORMING LOANS AND PROVISIONS

41.1 At December 31, 2000, DBSH Group's total non-performing loans amounted to S\$4,410.5 million (1999: S\$8,149.0 million; 1998: S\$7,086.0 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\$4,410.5 million:

- S\$3,507.5 million (80%) [1999: S\$4,951.5 million (61%); 1998: S\$3,799.1 million (54%)] were in the substandard category; and

- S\$2,651.1 million (60%) [1999: S\$4,529.8 million (56%); 1998: S\$4,021.8 million (57%)] were secured by collateral.

Total cumulative specific and general provisions at December 31, 2000 amounted to 130% (1999: 118%; 1998: 103%) of unsecured NPLs.

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

In S\$'million	DBSH Group				
	Regional Countries		Singapore	Other Countries	Total
	DTDB	Others			
2000					
Non-Performing Loans (NPLs)	1,238.3	666.7	1,735.3	770.2	4,410.5
— Substandard	955.6	500.8	1,543.9	507.2	3,507.5
— Doubtful	32.3	98.3	28.5	198.4	357.5
— Loss	250.4	67.6	162.9	64.6	545.5
NPLs as a % of:					
— Total loans in the respective countries	40.2%	12.8%	3.5%	2.3%	4.8%
— Group total assets	1.1%	0.6%	1.6%	0.7%	4.0%
Non-bank NPLs as a % of non-bank loans in the respective countries	42.7%	28.2%	4.2%	7.5%	7.6%
Total Cumulative Provisions	719.2	477.7	786.7	302.0	2,285.6
— Specific provisions	544.8	191.3	306.8	194.1	1,237.0
— General provisions ^a	174.4	286.4	479.9	107.9	1,048.6
Total Cumulative Provisions as a % of:					
— Total loans in the respective countries	23.4%	9.2%	1.6%	0.9%	2.5%
— Group total assets	0.6%	0.4%	0.7%	0.3%	2.1%
— NPLs in the respective countries	58%	72%	45%	39%	52%
— Unsecured NPLs in the respective countries	119%	132%	155%	106%	130%

^a Included in the general provision is an amount of S\$136.0 million (1999: S\$35.3 million; 1998: S\$Nil) set aside for possible valuation losses from foreclosure of properties taken in satisfaction of certain loan arrangements of DTDB.

Details of DBSH Group's NPLs and provisions as at December 31, 1999 were as follows:

In S\$'million	DBSH Group				
	Regional Countries		Singapore	Other Countries	Total
	DTDB	Others			
1999					
Non-Performing Loans (NPLs)	3,206.6	1,364.6	2,425.0	1,152.7	8,149.0
— Substandard	1,170.7	910.1	2,088.7	781.9	4,951.5
— Doubtful	113.7	125.3	48.9	333.1	621.0
— Loss	1,922.2	329.2	287.4	37.7	2,576.4
NPLs as a % of:					
— Total loans in the respective countries	65.4%	22.9%	4.9%	4.2%	9.3%
— Group total assets	3.0%	1.3%	2.3%	1.1%	7.7%

In S\$'million	DBSH Group				
	Regional Countries		Singapore	Other Countries	Total
	DTDB	Others			
Non-bank NPLs as a % of non-bank loans in the respective countries	70.4%	47.4%	5.4%	11.3%	13.0%
Total Cumulative Provisions	1,923.9	947.2	938.6	476.2	4,285.9
— Specific provisions	1,785.4	578.7	447.8	282.9	3,094.8
— General provisions	138.5	368.5	490.7	193.4	1,191.0
Total Cumulative Provisions as a % of:					
— Total loans in the respective countries	39.2%	15.9%	1.9%	1.7%	4.9%
— Group total assets	1.8%	0.9%	0.9%	0.4%	4.0%
— NPLs in the respective countries	60%	69%	39%	41%	53%
— Unsecured NPLs in the respective countries	133%	99%	118%	112%	118%

Details of DBSH Group's NPLs and provisions made at December 31, 1998 were as follows:

In S\$'million	DBSH Group				
	Regional Countries		Singapore	Other Countries	Total
	DTDB ^a	Others			
1998					
Non-Performing Loans (NPLs)	2,874.3	1,239.2	2,705.3	267.2	7,086.0 ^b
— Substandard	338.2	865.4	2,391.1	204.4	3,799.1
— Doubtful	744.9	130.4	34.9	41.2	951.4
— Loss	1,791.2	243.4	279.3	21.6	2,335.5
NPLs as a % of:-					
— Total loans in the respective countries	49.1%	22.8%	4.8%	1.4%	8.2%
— Group total assets	2.9%	1.3%	2.7%	0.3%	7.2%
Non-bank NPLs as a % of non-bank loans in the respective countries	51.7%	39.1%	6.1%	4.1%	11.8%
Total Cumulative Provisions	1,165.8	939.3	927.9	114.4	3,147.4
— Specific provisions	1,088.7	477.9	400.9	64.2	2,031.7
— General provisions	77.1	461.4	527.0	50.2	1,115.7
Total Cumulative Provisions as a % of:-					
— Total loans in the respective countries	19.9%	17.3%	1.6%	0.6%	3.6%
— Group total assets	1.2%	1.0%	0.9%	0.1%	3.2%
— NPLs in the respective countries	41%	76%	34%	43%	44%
— Unsecured NPLs in the respective countries	93%	109%	112%	101%	103%

^a Include special general provisions for regional exposures and additional specific provisions for DTDB's loans which are booked in Singapore.

^b S\$4.0 billion was secured by collateral.

41.2 INDUSTRY ANALYSIS OF NON-PERFORMING LOANS

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

<u>In S\$'million</u>	<u>DBSH Group</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Manufacturing	917.0	1,940.1	1,698.5
Building and Construction	877.5	1,846.1	1,739.5
Housing Loans	254.4	510.6	579.0
General Commerce	847.4	1,594.8	1,100.7
Transportation, Storage and Communications	233.6	332.1	319.0
Financial Institutions, Investment and Holding Companies ...	433.0	670.6	679.1
Professionals and Private Individuals (except Housing Loans)	284.9	355.4	317.1
Others	562.7	899.3	653.1
Total.....	<u>4,410.5</u>	<u>8,149.0</u>	<u>7,086.0</u>

42. MATURITY ANALYSIS

The following tables show the breakdown by remaining period to maturity of assets and liabilities of DBSH Group at December 31, 2000, 1999 and 1998. The tables also analyse how funds are obtained and how they are being applied within each maturity band:

SS'000	DBSH Group					Total
	Repayable on Demand	Less Than 1 Year	Over 1 Year and Less Than 3 Years	Over 3 Years and Less Than 5 Years	Over 5 Years	
2000						
Cash, and balances and placements with central banks	2,538,361	2,572,011	—	34,647	—	5,145,019
Singapore Government securities and treasury bills	—	4,166,442	1,981,343	1,714,658	792,141	8,654,584
Trading securities	4,849,421	—	—	—	—	4,849,421
Balances, placements with, and loans to banks	207,693	33,899,331	351,616	79,205	30,844	34,568,689
Loans to, and bills receivable from non-bank customers	4,483,011	15,467,808	9,428,918	5,569,736	17,074,297	52,023,770
Deposits and balances of banks	(353,252)	(11,700,374)	—	—	—	(12,053,626)
Deposits and other accounts of non-bank customers	(46,178,476)	(34,037,732)	(500,408)	(3,854)	—	(80,720,470)
Other debt securities in issue	—	(376,066)	(244,372)	(34,319)	—	(654,757)
Other borrowings . . .	—	(201,019)	(121,376)	(92,087)	(234,170)	(648,652)
Subordinated term debts . . .	—	(43,635)	(25,842)	(11,155)	(2,427,828)	(2,508,460)
Total . . .	<u>(34,453,242)</u>	<u>9,746,766</u>	<u>10,869,879</u>	<u>7,256,831</u>	<u>15,235,284</u>	<u>8,655,518</u>

S\$'000	DBSH Group					Total
	Repayable on Demand	Less Than 1 Year	Over 1 Year and Less Than 3 Years	Over 3 Years and Less Than 5 Years	Over 5 Years	
1999						
Cash, and balances and placements with central banks	3,626,212	3,284,826	—	32,803	—	6,943,841
Singapore Government securities and treasury bills	—	4,308,579	2,130,408	1,892,509	482,303	8,813,799
Trading securities	3,334,545	—	—	—	—	3,334,545
Balances, placements with, and loans to banks	—	26,113,375	199,830	117,545	62,914	26,493,664
Loans to, and bills receivable from non-bank customers	4,624,483	14,933,609	11,839,439	5,364,331	17,607,669	54,369,531
Deposits and balances of banks	(350,649)	(7,136,474)	(2,326)	(1,160)	—	(7,490,609)
Deposits and other accounts of non-bank customers	(46,884,582)	(35,153,821)	(229,906)	—	—	(82,268,309)
Other debt securities in issue	—	(353,601)	(182,728)	—	—	(536,329)
Other borrowings	—	(153,673)	(299,695)	(33,834)	(145,714)	(632,916)
Subordinated term debts	—	(26,231)	(48,415)	(24,448)	(1,549,526)	(1,648,620)
Total	<u>(35,649,991)</u>	<u>5,816,589</u>	<u>13,406,607</u>	<u>7,347,746</u>	<u>16,457,646</u>	<u>7,378,597</u>

S\$'000	DBSH Group					Total
	Repayable on Demand	Less Than 1 Year	Over 1 Year and Less Than 3 Years	Over 3 Years and Less Than 5 Years	Over 5 Years	
1998						
Cash, and balances and placements with central banks	2,150,463	6,570,000	—	—	—	8,720,463
Singapore Government securities and treasury bills	—	1,871,211	2,836,908	1,089,846	1,151,950	6,949,915
Trading securities	2,733,092	—	—	—	—	2,733,092
Balances, placements with, and loans to banks	—	19,972,976	508,423	194,531	76,017	20,751,947
Loans to, and bills receivable from non-bank customers	3,687,691	19,135,132	11,020,077	9,097,055	13,275,439	56,215,394
Deposits and balances of banks	(531,837)	(11,981,859)	(104,575)	—	—	(12,618,271)
Deposits and other accounts of non-bank customers	(40,958,484)	(32,634,046)	(265,762)	—	—	(73,858,292)
Other debt securities in issue	—	(53,275)	(295,753)	—	—	(349,028)
Other borrowings	—	(153,898)	(280,569)	(59,571)	(154,062)	(648,100)
Subordinated term debts	—	—	(22,710)	—	(103,390)	(126,100)
Total	<u>(32,919,075)</u>	<u>2,726,241</u>	<u>13,396,039</u>	<u>10,321,861</u>	<u>14,245,954</u>	<u>7,771,020</u>

43 SEGMENTAL ANALYSIS

43.1 BUSINESS SEGMENT ANALYSIS (PRIMARY SEGMENT INFORMATION)

The financial statements 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 and investment 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, and nominee and trustee 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. The income and funding cost of DBSH Group's associated companies are included in this category.

- **DBS Thai Danu Bank PCL ("DTDB")**

This covers the activities of DTDB in Thailand, a key company in DBSH Group. These amounts include specific and general provisions booked in Singapore against exposures held in DTDB's balance sheet.

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

In S\$'million	DBSH Group						
	Consumer Banking	Investment Banking	Treasury and Markets	Central Operations	Total	DBS Thai Danu Bank	Grand Total
2000							
Income before operating expenses	1,623	873	354	4	2,854	77	2,931
Net profit before taxation (Segment results)	799	733	268	(92)	1,708	(33)	1,675
Taxation	(169)	(169)	(59)	82	(315)	—	(315)
Net profit attributable to members	<u>620</u>	<u>561</u>	<u>205</u>	<u>19</u>	<u>1,405</u>	<u>(16)</u>	<u>1,389</u>
Other Information							
Segment assets	26,651	30,386	30,903	2,164	90,104	3,988	94,092
Unallocated corporate assets	—	—	—	17,136	17,136	—	17,136
Total assets	<u>26,651</u>	<u>30,386</u>	<u>30,903</u>	<u>19,300</u>	<u>107,240</u>	<u>3,988</u>	<u>111,228</u>
Segment liabilities	68,134	15,494	6,158	1,836	91,622	3,312	94,934
Unallocated corporate liabilities	—	—	—	5,925	5,925	—	5,925
Total liabilities	<u>68,134</u>	<u>15,494</u>	<u>6,158</u>	<u>7,761</u>	<u>97,547</u>	<u>3,312</u>	<u>100,859</u>
Capital expenditure	32	6	14	187	239	8	247
Depreciation	33	5	5	82	125	11	136

In S\$'million	DBSH Group						
	Consumer Banking	Investment Banking	Treasury and Markets	Central Operations	Total	DBS Thai Danu Bank	Grand Total
1999							
Income before operating expenses	1,364	910	281	386	2,941	88	3,029
Net profit before taxation (Segment results)	757	470	241	410	1,878	(837)	1,041
Taxation	(205)	(112)	(56)	(5)	(378)	(1)	(379)
Net profit attributable to members	549	358	185	410	1,502	(430)	1,072
Other Information							
Segment assets	25,958	33,509	21,151	3,120	83,738	4,773	88,511
Unallocated corporate assets	—	—	—	17,954	17,954	—	17,954
Total assets	<u>25,958</u>	<u>33,509</u>	<u>21,151</u>	<u>21,074</u>	<u>101,692</u>	<u>4,773</u>	<u>106,465</u>
Segment liabilities	68,534	12,479	5,332	1,220	87,565	4,560	92,125
Unallocated corporate liabilities	—	—	—	3,716	3,716	—	3,716
Total liabilities	<u>68,534</u>	<u>12,479</u>	<u>5,332</u>	<u>4,936</u>	<u>91,281</u>	<u>4,560</u>	<u>95,841</u>
Capital expenditure	26	5	11	158	200	24	224
Depreciation	28	4	4	69	105	12	117

Note: There are no 1998 comparative figures as it was not a requirement under the existing standard.

43.2 GEOGRAPHICAL SEGMENT ANALYSIS (SECONDARY SEGMENT INFORMATION)

DBSH Group operates in four main geographical areas:

- **Singapore**, the home country of DBSH Group, which includes all the areas of operations in the primary business segments.
- **“Other ASEAN countries”**, which includes business activities in Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Thailand and Vietnam. The main activities for other ASEAN countries comprise mainly branch and subsidiary operations.
- **“Other Asia Pacific countries”**, which includes business activities in Australia, Bangladesh, China, Hong Kong, India, Japan, Korea, New Zealand, Pakistan, Papua New Guinea, Russia, Sri Lanka and Taiwan. The main activities for other Asia Pacific countries comprise mainly branch and subsidiary operations.
- **Rest of the World** — the main activities are branch operations.

With the exception of Singapore, 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	DBSH Group		
	Total Assets ^a	Income Before Operating Expenses	Net Profit Attributable to Members
2000			
Singapore ^b	89,888	2,406	1,207
Other ASEAN ^b	4,491	124	5
Other Asia Pacific	11,715	345	136
Rest of the World	5,134	56	41
Total	<u>111,228</u>	<u>2,931</u>	<u>1,389</u>
1999			
Singapore	86,241	2,600	1,116
Other ASEAN	5,860	142	(106) ^c
Other Asia Pacific	9,333	242	63
Rest of the World	5,031	45	(1)
Total	<u>106,465</u>	<u>3,029</u>	<u>1,072</u>
1998			
Singapore	83,143	1,589	65
Other ASEAN	7,103	123	(17)
Other Asia Pacific	5,512	115	39
Rest of the World	4,279	49	25
Total	<u>100,037</u>	<u>1,876</u>	<u>112</u>

^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 are booked in Singapore.

^c The losses were mainly in respect of DTDB, PT Bank DBS Indonesia and DBS Labuan Branch.

44. 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:

S\$'000	DBSH Group		
	2000	1999	1998
Current Assets			
Cash, and balances and placements with central banks	5,110,372	6,911,038	8,720,463
Singapore Government securities and treasury bills	4,166,442	4,308,579	1,871,211
Trading securities	4,849,421	3,334,545	2,733,092
Balances, placements with, and loans and advances to banks	34,107,024	26,113,375	19,972,976
Bills receivable from non-bank customers	992,391	1,201,881	2,056,912
Loans and advances to non-bank customers . . .	18,958,428	18,356,211	20,765,911
Other assets	3,297,847	2,244,914	1,644,613
Total current assets	<u>71,481,925</u>	<u>62,470,543</u>	<u>57,765,178</u>
Current Liabilities			
Deposits and balances of banks	12,053,626	7,487,123	12,513,696
Deposits and other accounts of non-bank customers	80,216,208	82,038,403	73,592,530
Other debt securities in issue	376,066	353,601	53,275
Other borrowings	201,019	153,673	153,898
Subordinated term debts	43,635	26,231	—
Bills payable	407,394	571,734	366,010
Other liabilities	3,143,704	2,008,721	2,130,113
Current taxation	407,675	509,879	108,144
Proposed dividends	296,200	157,919	81,358
Total current liabilities	<u>97,145,527</u>	<u>93,307,284</u>	<u>88,999,024</u>
Net current liabilities	<u>(25,663,602)</u>	<u>(30,836,741)</u>	<u>(31,233,846)</u>

45 RELATED PARTY TRANSACTIONS

45.1 TRANSACTIONS WITH DBS BANK, A WHOLLY-OWNED SUBSIDIARY

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 / period amounting to S\$19,169,000 (1999: S\$71,000).

45.2 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.

46. SUBSEQUENT EVENTS

46.1 On November 28, 2000, DBSH Bank announced the integration of operations with its wholly-owned subsidiary company, DBS Finance Ltd ("DBS Finance"). DBS Finance entered into a Scheme of Arrangement and Amalgamation under Sections 210 and 212 of the Companies Act, Chapter 50 ("Scheme").

Subsequent to the financial year-end, the Scheme was sanctioned by the High Court of Singapore on January 22, 2001 and the Scheme became effective on January 29, 2001. The following events took place on the effective date:

- All the DBS Finance's business assets, liabilities, rights and obligations (except for certain excluded assets) were transferred to DBSH Bank at the respective book values of the assets and liabilities at January 29, 2001.

- All the DBS Finance's rights and obligations (except for those relating to excluded assets) were transferred to DBS Bank.
- DBS Finance ceased to operate as a finance company with effect from January 29, 2001 and will remain inactive except for the holding of investments in its subsidiaries and certain properties.

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

- 46.2** On February 13, 2001, DBS Bank entered into a Scheme of Arrangement ("Scheme") to acquire a 59.47% stake in Vickers Ballas Holdings Limited ("Vickers Ballas"). Subject to the approval of the Scheme, Vickers Ballas will be renamed DBS Vickers. Under the Scheme, DBS Bank will pay the minority shareholders S\$443.9 million for the 59.47% stake in Vickers Ballas. This represents 1.19 times Vickers Ballas' adjusted book value as at December 31, 2000.
- 46.3** On March 25, 2001, DBS Capital Funding Corporation, a special purpose vehicle of DBS Bank completed a two-tranche offering of Tier 1 capital securities, a US dollar US\$725 million tranche with a coupon of 7.657% and a Singapore dollar tranche of S\$100 million with a coupon rate of 5.35%. The proceeds from the issue are to support business expansion and other general corporate purposes, as well as to facilitate capital management initiatives.
- 46.4** On April 11, 2001, DBS Diamond Holdings Ltd, a wholly-owned subsidiary of DBS Bank, itself wholly-owned by DBSH Group, announced its intention to make a voluntary conditional offer to acquire the entire issued ordinary share capital of Dao Heng Bank Group Limited ("Dao Heng Group") and all options over such ordinary share capital. Under the terms of the agreement, the shareholders of Dao Heng Group will be offered consideration of HK\$60.01 in cash, or HK\$43.13 in cash and one share in the capital of DBS Diamond Holdings Ltd for every ordinary share of US\$0.50 each in Dao Heng Group.
- 46.5** On May 10, 2001, DBS Bank completed an issue of US\$850 million of Subordinated Notes with a coupon of 7.125% maturing in 2011. The net proceeds of the sale of these Subordinated Notes will be used primarily for general corporate purposes.
- 46.6** On May 24, 2001, DBS Bank completed an issue of S\$1.1 billion of new 6% non-cumulative preference shares, of par value S\$0.01 each. These preference shares have a liquidation preference of S\$100 each. The net proceeds of the issue of these preference shares will be used primarily for general corporate purposes.
- 46.7** On June 20, 2001, DBSH agreed in principle to enter into a 50-50 joint venture with TD Waterhouse Group to form a regional online financial services company.

K. OUB GROUP FINANCIAL INFORMATION

The information in this report for OUB and its subsidiaries ("OUB Group") has been extracted from the Annual Reports and other publicly available information. As Reporting Accountant, we have had no access to management or access to the books and records of OUB Group. As such, our work has been limited to solely relying on the information that has been extracted from the Annual Reports of OUB Group for the years ended December 31, 1998 to 2000 and included in this report. No additional work has been undertaken.

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

S\$'000	Note	OUB Group		
		2000	1999	1998
Interest income	3.1	2,339,123	1,979,337	2,687,194
Less: Interest expense	3.2	1,340,211	1,128,010	1,843,849
Net interest income		<u>998,912</u>	<u>851,327</u>	<u>843,345</u>
Fees and commissions	4	182,714	231,984	148,481
Dividends	5	6,032	4,355	6,926
Rental		4,905	3,755	3,826
Other income	6	83,801	118,033	85,495
Income before operating expenses		<u>1,276,364</u>	<u>1,209,454</u>	<u>1,088,073</u>
Less: Staff costs		263,851	227,631	208,933
Other operating expenses		<u>222,534</u>	<u>209,719</u>	<u>177,653</u>
Total operating expenses	7	<u>486,385</u>	<u>437,350</u>	<u>386,586</u>
Operating profit		789,979	772,104	701,487
Less: Provision for possible loan losses and diminution in value of other assets	8	<u>123,324</u>	<u>211,218</u>	<u>471,663</u>
		666,655	560,886	229,824
Add: Share of profits less losses of associated companies		<u>53,375</u>	<u>45,274</u>	<u>12,901</u>
Net profit before taxation		720,030	606,160	242,725
Less: Taxation	9	144,295	119,292	54,492
Share of taxation of associated companies	9	<u>14,631</u>	<u>10,804</u>	<u>10,352</u>
Net profit after taxation		561,104	476,064	177,881
Less: Minority interests		<u>16,064</u>	<u>25,995</u>	<u>1,266</u>
Net profit attributable to members ..		<u><u>545,040</u></u>	<u><u>450,069</u></u>	<u><u>176,615</u></u>

CONSOLIDATED BALANCE SHEETS

S\$'000	Note	OUB Group		
		2000	1999	1998
SHARE CAPITAL AND RESERVES				
Share capital	11.1	993,535	990,790	816,988
RESERVES				
Share premium		1,764,435	1,757,116	1,867,984
Capital reserve	11.2	41,327	40,677	40,679
General reserve	11.3	1,047,821	916,404	803,276
Unappropriated profit		1,035,408	789,040	593,635
Share of associated companies' reserves		277,992	226,908	183,939
SHAREHOLDERS' FUNDS		5,160,518	4,720,935	4,306,501
MINORITY INTEREST		139,898	126,137	100,553
LIABILITIES				
Deposits and balances of banks		12,518,001	8,175,258	11,592,137
Deposits of non-bank customers		26,899,471	24,564,360	25,790,596
Certificates of deposit issued		381,597	136,757	225,279
	12	39,799,069	32,876,375	37,608,012
Bills payable		52,281	106,148	93,613
Provision for tax	13	175,110	160,221	97,305
Other liabilities	14	1,144,032	1,243,632	1,155,607
Proposed dividend		82,513	88,577	60,457
Debt securities	15	50,000	50,000	50,000
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS ..		46,603,421	39,372,025	43,472,048
ASSETS				
Balances with central banks		800,866	729,996	610,117
Cash, bullion and balances with banks and agents		248,371	281,571	188,998
Certificates of deposits held		633,370	504,424	478,984
Singapore government securities	16.2	3,502,454	3,411,550	2,885,533
Other government securities	16.3	204,060	198,573	239,129
Dealing securities	16.4	577,189	290,068	204,626
Placements with, and loans to banks	17	9,393,893	7,042,657	13,128,339
Bills receivable		474,090	213,909	195,117
Loans to non-bank customers		28,100,934	24,789,888	23,771,108
	18	28,575,024	25,003,797	23,966,225
Investment securities	16.5	869,028	209,608	156,630
Other assets	19	776,434	743,159	725,625
Associated companies	20	612,848	586,261	524,909
Fixed assets	22	409,884	370,361	362,933
TOTAL ASSETS		46,603,421	39,372,025	43,472,048
MEMORANDUM ITEMS				
Contingent liabilities	23	2,501,298	2,343,587	2,363,257
Commitments	25	16,524,885	13,192,066	12,327,176
		19,026,183	15,535,653	14,690,433
Financial derivatives	24	15,424,096	13,369,361	12,512,022

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2000 FOR OUB GROUP

	General Reserves							Share of Associated Companies' Non- distributable Reserves	Share of Associated Companies' Distributable Reserves	Share of Associated Companies' Non- distributable Reserves	Total Shareholders' Funds
	Total Share Capital	Share Premium	Capital Reserves (Non- distributable)	Statutory Reserves	Exchange Translation Reserves	Other Reserves	Revenue Reserves				
2000											
Balance at January 1, 2000	990,790	1,757,116	40,677	910,251	(104,489)	110,642	789,040	63,235	163,673	4,720,935	
Shares issued under OUB Share Option Scheme	2,745	7,319	—	—	—	—	—	—	—	10,064	
Net exchange translation adjustments during the year	—	—	14	3,414	8,483	(147)	—	(284)	3,949	15,429	
Transfer from unappropriated profit	—	—	636	120,055	—	2	—	28,721	—	149,414	
Adjustments for decrease in shareholdings in a subsidiary arising from warrants and employee share options exercised	—	—	—	(390)	—	—	—	—	—	(390)	
Capital reduction	—	—	—	—	—	—	—	(6)	—	(6)	
Transfer from distributable reserves	—	—	—	—	—	—	—	1,585	—	1,585	
Transfer to non-distributable reserves	—	—	—	—	—	—	—	(1,585)	—	(1,585)	
Transfer to capital reserves	—	—	—	—	—	—	(636)	—	—	(636)	
Transfer to general reserves	—	—	—	—	—	—	(120,057)	—	—	(120,057)	
Net profit attributable to members	—	—	—	—	—	—	516,319	—	—	516,319	
Net dividends paid after previous year end in respect of shares issued under OUB Share Option Scheme	—	—	—	—	—	—	(168)	—	—	(168)	
Dividends	—	—	—	—	—	—	(149,090)	—	—	(149,090)	
Goodwill on disposal of associated companies Revaluation surplus on properties	—	—	—	—	—	—	—	10,669	—	10,669	
Revaluation deficit on securities	—	—	—	—	—	—	—	12,822	—	12,822	
Gain on sale of investments	—	—	—	—	—	—	—	(11,756)	—	(11,756)	
Others	—	—	—	—	—	—	—	7,023	—	7,023	
Balance at December 31, 2000	<u>993,535</u>	<u>1,764,435</u>	<u>41,327</u>	<u>1,033,330</u>	<u>(96,006)</u>	<u>110,497</u>	<u>1,035,408</u>	<u>90,027</u>	<u>187,965</u>	<u>5,160,518</u>	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 1999 FOR OUB GROUP

	Total Share Capital	Share Premium	Capital Reserves (Non- distributable)	General Reserves			Revenue Reserves	Share of Associated Companies' Distributable Reserves	Share of Associated Companies' Non- distributable Reserves	Total Shareholders' Funds
				Statutory Reserves	Exchange Translation Reserves	Other Reserves				
1999										
Balance at January 1, 1999	816,988	1,867,984	40,679	803,276	(110,464)	110,464	593,635	47,682	136,257	4,306,501
Shares issued under OUB Share Option Scheme	13,581	50,668	—	—	—	—	—	—	—	64,249
Bonus issues	160,221	—	—	—	—	—	—	—	—	160,221
Premium utilised for bonus issues	—	(160,221)	—	—	—	—	—	—	—	(160,221)
Expenses in connection with bonus issues	—	(1,315)	—	—	—	—	—	—	—	(1,315)
Net exchange translation adjustments during the year	—	—	(1)	166	5,975	158	—	500	1,563	8,361
Transfer from / (to) unappropriated profit	—	—	(1)	106,988	—	20	—	25,434	—	132,441
Adjustments for decrease in shareholdings in a subsidiary arising from warrants and employee share options exercised	—	—	—	(179)	—	—	—	—	—	(179)
Capital reduction	—	—	—	—	—	—	—	(4,826)	—	(4,826)
Transfer from distributable reserve	—	—	—	—	—	—	—	—	5,366	5,366
Transfer to non-distributable reserve	—	—	—	—	—	—	—	(5,366)	—	(5,366)
Transfer from capital reserve	—	—	—	—	—	—	1	—	—	1
Transfer to general reserve	—	—	—	—	—	—	(107,008)	—	—	(107,008)
Net profit attributable to members	—	—	—	—	—	—	424,635	—	—	424,635
Net dividends paid after previous year end in respect of shares issued under OUB Share Option Scheme	—	—	—	—	—	—	(90)	—	—	(90)
Dividends	—	—	—	—	—	—	(122,133)	—	—	(122,133)
Goodwill on disposal of associated companies	—	—	—	—	—	—	—	—	(8,731)	(8,731)
Revaluation surplus on properties	—	—	—	—	—	—	—	—	5,374	5,374
Revaluation surplus on securities	—	—	—	—	—	—	—	—	23,734	23,734
Others	—	—	—	—	—	—	—	(189)	110	(79)
Balance at December 31, 1999	990,790	1,757,116	40,677	910,251	(104,489)	110,642	789,040	63,235	163,673	4,720,935

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 1999 FOR OUB GROUP

	Total Share Capital	Share Premium	Capital Reserves (Non- distributable)	General Reserves			Revenue Reserve	Share of Associated Companies' Distributable Reserves	Share of Associated Companies' Non- distributable Reserves	Total Shareholders' Funds
				Statutory Reserves	Exchange Translation Reserves	Other Reserves				
1998										
Balance at January 1, 1998	816,949	1,867,839	39,071	696,974	(105,819)	105,819	628,528	—	—	4,049,361
Shares issued under OUB Share Option Scheme	39	145	—	—	—	—	—	—	—	184
Exchange translation adjustments	—	—	(14)	8,769	(4,645)	(8,975)	—	—	—	(4,865)
Transfer from unappropriated profit	—	—	130	97,533	—	29,726	—	—	—	127,389
Surplus on acquisition of subsidiaries	—	—	1,492	—	—	—	—	—	—	1,492
Goodwill written-off upon merger with a subsidiary	—	—	—	—	—	(16,106)	—	—	—	(16,106)
Net profit attributable to members	—	—	—	—	—	—	176,615	—	—	176,615
Share of associated companies' results	—	—	—	—	—	—	6,569	—	—	6,569
Transfer to capital reserves	—	—	—	—	—	—	(130)	—	—	(130)
Transfer to general reserves	—	—	—	—	—	—	(127,259)	—	—	(127,259)
Interim dividends paid	—	—	—	—	—	—	(30,231)	—	—	(30,231)
Proposed dividends	—	—	—	—	—	—	(60,457)	—	—	(60,457)
Share of associated companies' reserves on initial adoption of equity accounting	—	—	—	—	—	—	—	61,510	174,827	236,337
Net movements during the year	—	—	—	—	—	—	—	(13,828)	(38,570)	(52,398)
Balance at December 31, 1998	816,988	1,867,984	40,679	803,276	(110,464)	110,464	593,635	47,682	136,257	4,306,501

CONSOLIDATED CASH FLOW STATEMENTS

S\$'000	OUB Group		
	2000	1999	1998
Cash flows from operating activities			
Profit before tax and share of associated companies' results	666,655	560,886	229,824
Adjustments for:-			
Provision for possible loan losses and diminution in value of assets	123,324	211,218	471,663
Depreciation and goodwill amortisation	42,928	39,085	35,774
Operating profit before working capital changes	832,907	811,189	737,261
Increase / (Decrease) in:			
Certificates of deposit issued	244,840	(88,522)	(50,166)
Deposits of non-bank customers	2,335,111	(1,226,236)	3,222,260
Deposits and balances of banks	4,342,743	(3,416,879)	862,027
Bills payable and other liabilities	(153,465)	100,560	327,964
(Increase) / Decrease in:			
Government and dealing securities	(414,515)	(549,323)	(917,786)
Bills receivable and loans to non-bank customers	(3,658,628)	(1,257,491)	(1,470,747)
Placements with and loans to banks	(2,351,291)	6,085,712	(2,839,502)
Other assets	(31,417)	(27,786)	(73,528)
Cash provided by / (used in) operating activities	1,146,285	431,224	(202,217)
Tax paid	(128,949)	(56,583)	(95,986)
Net cash provided by / (used in) operating activities (1)	1,017,336	374,641	(298,203)
Cash flows from investing activities			
Net increase in investment securities	(665,808)	(55,633)	(46,971)
Net (increase) / decrease in investments in associated companies	24,498	(18,385)	(92,110)
Dividends received from associated companies	9,296	9,010	12,033
Acquisition of subsidiaries, net of cash acquired	—	—	(2,348)
Change in minority interests	(438)	533	478
Net increase in fixed assets	(82,785)	(46,514)	(80,599)
Net cash used in investing activities (2)	(715,237)	(110,989)	(209,517)
Cash flows from financing activities			
Net proceeds from issue of shares	10,064	62,934	184
Dividends paid	(157,311)	(94,992)	(74,483)
Net cash used in financing activities (3)	(147,247)	(32,058)	(74,299)
Net foreign exchange translation adjustments (4)	11,764	6,298	(4,865)
Net change in cash and cash equivalents (1) + (2) + (3) + (4)	166,616	237,892	(586,884)
Cash, and cash equivalents at January 1	1,515,991	1,278,099	1,864,983
Cash, and cash equivalents at December 31	1,682,607	1,515,991	1,278,099
Cash and cash equivalents			
Balances with central banks	800,866	729,996	610,117
Cash, bullion and balances with banks and agents	248,371	281,571	188,998
Certificates of deposit held	633,370	504,424	478,984
	1,682,607	1,515,991	1,278,099

OUB GROUP

NOTES TO THE FINANCIAL INFORMATION

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

1. GENERAL

OUB is domiciled and incorporated in Singapore and is listed on the Singapore Exchange Securities Trading Limited. The address of its registered office is 1 Raffles Place, OUB Centre, Singapore 048616.

OUB carries on all the normal activities of a commercial bank whilst the principal activities of its subsidiaries are listed in Note 21. There have been no significant changes in the nature of these activities during the financial year. The financial information is expressed in Singapore dollars.

2. PRINCIPAL ACCOUNTING POLICIES

2.1 BASIS OF ACCOUNTING

The financial information of OUB and its subsidiaries are prepared in accordance with the historical cost convention, modified by the revaluation of certain off-balance sheet financial instruments to market value at the balance sheet date, the inclusion of certain fixed assets at a valuation, and are in accordance with the provisions of the Companies Act and Statements of Accounting Standard.

2.2 BASIS OF CONSOLIDATION

The consolidated financial information incorporates the financial information of OUB and its subsidiaries. The results of subsidiaries acquired or disposed of during the financial year are included in or excluded from the consolidated financial information from the date of acquisition or disposal. All internal profits have been eliminated on consolidation and the Group results relate to external transactions only.

Goodwill arising from the acquisition of subsidiaries is written off against capital reserves in the year of acquisition. Negative goodwill arising from the acquisition of subsidiaries is treated as capital reserves in the year of acquisition.

2.3 FOREIGN CURRENCIES

Foreign currency monetary assets and liabilities are translated into Singapore dollars at the rates of exchange ruling at the balance sheet date. Foreign currency transactions of the Singapore incorporated subsidiaries and of OUB's domestic operations during the year are translated into Singapore dollars at the rates of exchange ruling on the transaction dates. The results of foreign subsidiaries and of OUB's Asian Currency Unit and overseas branch operations are translated at the rates of exchange ruling at the balance sheet date.

All exchange differences are taken to the income statement except for translation differences arising from the opening net investments in foreign subsidiaries, foreign associated companies and overseas branches regarded as foreign entities (as defined in Statement of Accounting Standard 20) which are taken directly to general reserves.

2.4 OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

Off-balance sheet financial instruments including forwards, swaps, futures and options are valued at market prices if they are for trading or general hedging purposes, and the resultant gains or losses are taken to the income statement. Transactions entered into for specific hedging purposes are accounted for in a manner consistent with the accounting treatment of the item being hedged.

2.5 BASIS OF VALUATION OF ASSETS

(a) LOANS AND BILLS RECEIVABLE

Loan and bills receivable are stated after deduction of provisions for possible losses. These provisions comprise specific provision, interest-in-suspense and general provision. Specific provision is based on the borrowers' debt servicing ability and adequacy of securities. In addition, a general provision on total loans is made to cover unexpected losses which have not been specifically identified. Known bad debts are written off.

(b) GOVERNMENT SECURITIES

Government securities are stated at the lower of cost and market value determined on a portfolio basis to take into account the effect of portfolio diversification.

(c) DEALING SECURITIES

Securities held for dealing or non-strategic holding purpose are stated at the lower of cost and market value (for quoted securities) or net tangible asset value (for unquoted securities) determined on a portfolio basis to take into account the effect of portfolio diversification.

(d) INVESTMENT SECURITIES

Long-term investments and investments in subsidiaries and associated companies are stated at cost and provision is made for any diminution in value considered to be other than temporary determined on an individual basis. Cost of debt securities is adjusted for the amortisation of premium and discount.

(e) ASSOCIATED COMPANIES

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

The Group's share of results of associated companies is included in the consolidated income statement and the Group's share of net assets is included in the consolidated balance sheet. Equity accounting is applied based on the latest audited accounts or management accounts of the associated companies concerned made up to the respective companies' financial year-end which is within six months from the Group's financial year-end.

Where the accounting policies of associated companies do not conform with those of the Group, adjustments are made for amounts considered significant to the Group.

2.6 DEPRECIATION OF FIXED ASSETS

The basis of depreciation is as follows:

- (a) Freehold land and leasehold land with leases having more than 99 years to run are not amortised. Buildings and other leasehold land are amortised on a straight-line basis over the period of the lease or over 50 years whichever is the shorter.
- (b) Other fixed assets are depreciated on a straight line basis over their estimated useful lives as follows:

	No. of Years
Computer software and hardware	3 to 5
Motor vehicles	3
Office equipment, furniture & fittings and others	4 to 10

2.7 RECOGNITION OF INCOME

Interest income is recognised on an accrual basis. Interest income on hire purchase loans is included in the income statement using the sum of digits method.

Fee income relating to loans is recognised over the period during which the related service is provided or credit risk undertaken.

Dividends are taken to the income statement on an accrual basis if the right to receive them can be established, otherwise on a cash basis.

2.8 TAX

Tax expense is determined based on tax effect accounting using the liability method. Deferred tax is provided on significant timing differences from the different treatments in accounting and taxation of relevant items except where it can be demonstrated with reasonable probability that the tax deferral will continue for the foreseeable future. In accounting for timing differences, deferred tax benefits are not recognised unless there is reasonable expectation of their realisation.

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

Securities purchased under agreements to resell (reverse repurchase agreements) and securities sold under agreements to repurchase (repurchase agreements) are treated as collateralised lending and borrowing transactions and reflected in the relevant asset and liability categories in the balance sheet. Interest income on reverse repurchase agreements and interest expenses on repurchase agreements are accrued and brought to the income statement over the respective periods of the agreements.

3. INTEREST

<u>S\$'000</u>	<u>OUB Group</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
3.1 Interest Income			
Interest income from:			
Associated companies	12,675	16,008	N.A.
Others	<u>2,326,448</u>	<u>1,963,329</u>	<u>N.A.</u>
Total	<u>2,339,123</u>	<u>1,979,337</u>	<u>2,687,194</u>
3.2 Interest Expense			
Associated companies	3,143	2,260	N.A.
Others	<u>1,337,068</u>	<u>1,125,750</u>	<u>N.A.</u>
Total	<u>1,340,211</u>	<u>1,128,010</u>	<u>1,843,849</u>

N.A. — Information not publicly available.

4. FEES AND COMMISSIONS

<u>S\$'000</u>	<u>OUB Group</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Fees and commissions from:			
Associated companies	3,195	2,756	N.A.
Others	<u>179,519</u>	<u>229,228</u>	<u>N.A.</u>
Total	<u>182,714</u>	<u>231,984</u>	<u>148,481</u>

N.A. — Information not publicly available.

Fee and commission income comprises securities brokerage, advisory fees, loan fees and commissions on trades and other services.

5. DIVIDENDS

<u>S\$'000</u>	<u>OUB Group</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Dividends from:			
Other quoted investments	4,015	4,272	6,371
Other unquoted investments	<u>2,017</u>	<u>83</u>	<u>555</u>
Total	<u>6,032</u>	<u>4,355</u>	<u>6,926</u>

6. OTHER INCOME

<u>S\$'000</u>	<u>OUB Group</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Net gains / (losses) from:			
Dealing			
Foreign exchange	26,263	20,479	48,816
Securities	16,845	18,872	16,923
Others	16,993	9,348	511
Disposal of investment securities	1,225	48,960	2,312
Disposal of fixed assets	(177)	(37)	(514)
Other	<u>22,652</u>	<u>20,411</u>	<u>17,447</u>
Total	<u>83,801</u>	<u>118,033</u>	<u>85,495</u>

Included in the gain from disposal of investment securities for 1999 were gains of S\$48.2 million from disposal of shares received from a capital reduction exercise of an associated company.

7. TOTAL OPERATING EXPENSES**7.1** Total operating expenses include the following:

<u>S\$'000</u>	<u>OUB Group</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Directors' fees and remuneration	7,737	5,757	5,839
Remuneration of Bank's directors	4,083	3,012	3,107 ^a
Remuneration of other directors	2,415	2,086	2,099
Fees of Bank's directors	974	474	433
Fees of other directors	265	185	200
Remuneration of auditors	1,756	1,641	1,685
Audit work	791	733	688
Non-audit work	523	478	544
Other auditors	442	430	453
Depreciation (Note 22)	42,928	39,085	33,380
Bank premises and other properties	4,379	4,632	4,072
Other fixed assets	<u>38,549</u>	<u>34,453</u>	<u>29,308</u>
Fee and commission expenses	24,652	38,798	N.A.
Professional fees paid to a firm of which a director of OUB is a member	—	34	14
Maintenance and hire of fixed assets including buildings	25,435	19,663	15,750
Rental of premises	27,885	26,172	29,353
Staff retirement benefits (Note 14)	3,559	4,186	N.A.
Other expenses	<u>352,433</u>	<u>302,014</u>	<u>300,565</u>
Total	<u>486,385</u>	<u>437,350</u>	<u>386,586</u>

^a Included in the remuneration of bank's directors for 1998 is an adjustment of S\$420,000 being under provision in respect of 1997. Therefore, the remuneration for 1998 would have been S\$2,687,000.

		OUB Group		
		2000	1999	1998
7.2	Number of staff as at December 31:	4,331	4,119	N.A.

N.A. — Information not publicly available.

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

	2000	1999	1998
S\$500,000 and above	2	2	2
S\$250,000 to S\$499,999	—	—	—
Below S\$250,000	<u>11</u>	<u>8</u>	<u>8</u>
Total	<u>13</u>	<u>10</u>	<u>10</u>

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

		OUB Group		
S\$'000		2000	1999	1998
Specific provision for loans (Note 18.2)		87,435	248,091	291,068
Specific provision / (write-back) for diminution in value of investments and other assets (Note 16.6)		35,756	(8,681)	28,903
Bad debt written off		37,476	20,088	9,091
(Write back) / Provision of general provision for loan losses, contingencies and other banking risks (Note 18.2)		<u>(37,343)</u>	<u>(48,280)</u>	<u>142,601</u>
Total		<u>123,324</u>	<u>211,218</u>	<u>471,663</u>

9. TAX

		OUB Group		
S\$'000		2000	1999	1998
Current taxation (Note 13)		132,588	120,082	53,977
Deferred taxation (Note 13)		<u>11,707</u>	<u>(790)</u>	<u>515</u>
		144,295	119,292	54,492
Share of associated companies' taxes		<u>14,631</u>	<u>10,804</u>	<u>10,352</u>
Total		<u>158,926</u>	<u>130,096</u>	<u>64,844</u>

The resulting tax rate of the Group for the year was lower than the Singapore corporate tax rate of 25.5% (1999: 26.0%; 1998: 26.0%) due mainly to certain overseas income not being taxable and offshore income from the Asian Currency Unit being either tax-exempt or taxed at a concessionary rate of 10%.

10. EARNINGS PER SHARE

		OUB Group		
S\$'000		2000	1999	1998
Net profit attributable to members (\$'000)		545,040	450,069	176,615
Weighted average number of ordinary shares in issue ('000)				
For basic earnings per share		992,748	982,383	976,283
Adjustment for assumed conversion of share options ...		<u>4,504</u>	<u>5,249</u>	<u>597</u>
For diluted earnings per share		<u>997,252</u>	<u>987,632</u>	<u>976,880</u>
Earnings (excluding extraordinary items) per share (cents)				
Basic		54.90	45.81	18.09
Diluted		54.65	45.57	18.08

Basic earnings per share is calculated by dividing the net profit attributable to members by the weighted average number of ordinary shares in issue during the financial year.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted for the number of shares that could have been acquired at the average market price during the year based on the exercise price of the outstanding share options.

11. SHARE CAPITAL AND RESERVES

11.1 SHARE CAPITAL

<u>Number of Shares ("000")</u>	<u>OUB Group</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Authorised			
2,000,000,000 ordinary shares of S\$1 each	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>
Issued and paid-up			
At January 1	990,790	816,988	816,949
Shares issued under OUB Share Option Schemes . .	2,745	13,581	39
Bonus issues	—	160,221	—
At December 31,	<u>993,535</u>	<u>990,790</u>	<u>816,988</u>
Shares held by associated companies	<u>126,072</u>	<u>126,072</u>	<u>N.A.</u>

N.A. — Information not publicly available.

^a During the year ended December 31, 2000, OUB issued 2,744,276 (1999: 13,581,519) ordinary shares of S\$1.00 each, fully paid up in cash, pursuant to the OUB Share Option Scheme at the offering prices ranging from S\$1.89 to S\$7.88 (1999: S\$1.89 to S\$6.17) per share according to the terms of the options granted.

^b At December 31, 2000, 26,175,010 (1999: 19,569,516; 1998: 21,923,777) shares of OUB were unissued under the OUB Share Option Scheme at the offering prices ranging from S\$1.89 to S\$8.68 (1999: S\$1.89 to S\$7.88; 1998: S\$2.18 to S\$6.17) per share, with expiry dates ranging from September 30, 2001, to August 31, 2010.

11.2 CAPITAL RESERVES (NON-DISTRIBUTABLE)

Capital reserves represent realised gains on disposal of investment securities and properties as prescribed by the articles of association of certain subsidiaries.

11.3 GENERAL RESERVES (NON-DISTRIBUTABLE)

General reserves comprise statutory reserves, exchange translation reserves and other reserves.

Statutory reserves include amounts transferred from unappropriated profits in accordance with the Banking Act, Finance Companies Act, Cap. 108, Malaysian Banking and Financial Institutions Act, 1989, Securities Industry Act, Cap. 289, Rules of Singapore Exchange Derivatives Trading Limited and other overseas statutory regulations.

Exchange translation reserves comprise net exchange differences arising from the translation of foreign entities.

Other reserves include amounts transferred from unappropriated profits to cover differences in exchange translation reserves and reserves required by overseas regulatory bodies.

11.4 DIVIDENDS

S\$'000	OUB Group		
	2000	1999	1998
Interim dividend of 5 cents (1999: 5 cents, 1998: 5 cents) per share less income tax at 25.5% (1999: 26%, 1998: 26%) paid	36,987	33,556	30,229
Special interim dividend of 4 cents (1999: S\$Nil) per share less income tax at 25.5% paid	29,590	—	—
Proposed final dividend of 7 cents (1999: 7 cents, 1998: 7 cents) per share less income tax at 24.5% (1999: 25.5%, 1998: 26%)	52,508	51,670	42,320
Proposed special final dividend of 4 cents (1999: 5 cents, 1998: 3 cents) per share less income tax at 24.5% (1999: 25.5%, 1998: 26%)	30,005	36,907	18,137
Total	<u>149,090</u>	<u>122,133</u>	<u>90,686</u>

12. TOTAL DEPOSITS**12.1 Total deposits analysed by remaining maturity**

S\$'000	OUB Group		
	2000	1999	1998
Within 1 year	39,515,937	32,714,921	37,350,150
Over 1 year but within 3 years	283,041	144,892	208,295
Over 3 years but within 5 years	91	16,562	49,567
Total	<u>39,799,069</u>	<u>32,876,375</u>	<u>37,608,012</u>
Deposits of associated companies (included in total deposits)	<u>108,157</u>	<u>116,714</u>	<u>N.A.</u>

N.A. — Information not publicly available.

12.2 Deposits of non-bank customers analysed by product

S\$'000	OUB Group		
	2000	1999	1998
Savings deposits	2,667,447	2,563,484	N.A.
Current accounts	2,316,499	2,301,634	N.A.
Fixed deposits	21,667,582	19,458,536	N.A.
Other deposits	247,943	240,706	N.A.
Total	<u>26,899,471</u>	<u>24,564,360</u>	<u>25,790,596</u>

N.A. — Information not publicly available.

13. PROVISION FOR TAX

<u>S\$'000</u>	<u>OUB Group</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
CURRENT TAX			
At January 1	155,537	91,834	N.A.
Exchange translation adjustments	(457)	204	N.A.
Tax paid	(128,912)	(56,583)	N.A.
Tax charge for the year (Note 9)	<u>132,588</u>	<u>120,082</u>	<u>53,977</u>
At December 31	<u>158,756</u>	<u>155,537</u>	<u>91,831</u>
DEFERRED TAX			
At January 1	4,684	5,474	N.A.
Tax paid	(37)	—	N.A.
Tax charge for the year (Note 9)	—	—	N.A.
Transfer to income statement (Note 9)	<u>11,707</u>	<u>(790)</u>	<u>515</u>
At December 31	<u>16,354</u>	<u>4,684</u>	<u>5,474</u>
Total	<u>175,110</u>	<u>160,221</u>	<u>97,305</u>

N.A. — Information not publicly available.

14. OTHER LIABILITIES

<u>S\$'000</u>	<u>OUB Group</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Revaluation loss on off balance sheet financial instruments (Note 24)	15,882	5,354	8,631
Interest payable	205,749	192,227	235,310
Trade creditors	435,784	612,193	329,730
Sundry creditors	330,322	209,939	219,103
Provision for staff retirement benefits at January 1	11,235	7,327	N.A.
Exchange translation adjustments	(86)	90	N.A.
Provision utilised	(110)	(368)	N.A.
Transfer to income statements (Note 7.1)	3,559	4,186	N.A.
At December 31	14,598	11,235	7,327
Provision for contingent assets			
At January 1	3,465	280	N.A.
Exchange translation adjustments	77	1	N.A.
Provision utilised	(1,632)	(11)	N.A.
Net provision for the year	56	3,195	N.A.
At December 31	1,966	3,465	280
Others	<u>139,731</u>	<u>209,219</u>	<u>355,226</u>
Total	<u>1,144,032</u>	<u>1,243,632</u>	<u>1,155,607</u>

N.A. — Information not publicly available.

15. DEBT SECURITIES

<u>S\$'000</u>	<u>OUB Group</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
S\$50 million bonds due 2001	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>

The bonds are redeemable at par on October 10, 2001 and interest is payable annually in arrears at a fixed rate of 1.85%.

Under the Singapore Accounting Standard ("SAS 32") on Financial Instruments Disclosure and Presentation which becomes operative for financial statements covering

periods beginning on or after October 1, 2000, the accounting treatment for an issue of bonus with warrants is to allocate the proceeds of the issue separately between the value of the bonds and the value of the warrants. The difference between the principal amount of the bonds and its allocated value is amortised and taken to the income statement of the Group over the life of the bonds. The value of the warrants is capitalised as a general reserve. Expenses of the issue are set-off against the general reserves.

For information, had SAS 32 been applied in preparing these financial information, the profit before tax would have been reduced by approximately S\$1,403,000 (1999: S\$1,336,000; 1998: S\$1,274,000) for the Group. The net tangible assets of the Group would have been increased by approximately S\$1,124,000 (1999: S\$2,527,000; 1998: S\$3,863,000) representing the difference between the principal amount of the bonds of S\$50 million and the net present value of the bonds at the time of issue less the bond discount that would have been amortised to date.

16. TOTAL SECURITIES

<u>S\$'000</u>	<u>OUB Group</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
16.1 Total Securities*			
Cost	5,220,393	4,161,488	3,557,936
Less: Provision for diminution in value	<u>67,662</u>	<u>51,689</u>	<u>72,018</u>
Net book value	<u>5,152,731</u>	<u>4,109,799</u>	<u>3,485,918</u>
16.2 Singapore Government Securities			
Cost	3,502,469	3,411,732	2,885,533
Less: Provision for diminution in value	15	182	—
Net book value	<u>3,502,454</u>	<u>3,411,550</u>	<u>2,885,533</u>
Market value	<u>3,513,948</u>	<u>3,425,001</u>	<u>2,906,533</u>
16.3 Other Government Securities			
Cost	204,381	199,116	241,814
Less: Provision for diminution in value	<u>321</u>	<u>543</u>	<u>2,685</u>
Net book value	<u>204,060</u>	<u>198,573</u>	<u>239,129</u>
Market value	<u>205,239</u>	<u>200,980</u>	<u>244,876</u>
16.4 Dealing Securities			
Quoted equity securities			
Cost	75,907	59,556	47,074
Less: Provision for diminution in value	<u>32,684</u>	<u>2,665</u>	<u>28,514</u>
Net book value	<u>43,223</u>	<u>56,891</u>	<u>18,560</u>
Market value	<u>43,250</u>	<u>65,042</u>	<u>18,995</u>
Quoted debt securities			
Cost	532,303	213,959	163,761
Less: Provision for diminution in value	<u>4,837</u>	<u>12,951</u>	<u>7,127</u>
Net book value	<u>527,466</u>	<u>201,008</u>	<u>156,634</u>
Market value	<u>531,002</u>	<u>201,823</u>	<u>157,830</u>

* Cover notes 16.2 to 16.5

S\$'000	OUB Group		
	2000	1999	1998
Unquoted debt securities			
Cost	6,541	48,863	45,721
Less: Provision for diminution in value	41	16,694	16,289
Net book value	<u>6,500</u>	<u>32,169</u>	<u>29,432</u>
Total net book value	<u>577,189</u>	<u>290,068</u>	<u>204,626</u>
16.5 Investment Securities			
Quoted equity securities			
Cost	32,086	25,233	27,359
Less: Provision for diminution in value	3,684	2,294	6,831
Net book value	<u>28,402</u>	<u>22,939</u>	<u>20,528</u>
Market value	<u>80,239</u>	<u>80,310</u>	<u>60,437</u>
Unquoted equity securities			
Cost	81,977	47,767	46,376
Less: Provision for diminution in value	4,759	2,149	2,331
Net book value	<u>77,218</u>	<u>45,618</u>	<u>44,045</u>
Quoted debt securities			
Cost	538,558	87,488	28,947
Less: Provision for diminution in value	5,582	40	286
Net book value	<u>532,976</u>	<u>87,448</u>	<u>28,661</u>
Market value	<u>552,450</u>	<u>89,723</u>	<u>28,779</u>
Unquoted debt securities			
Cost	246,171	67,774	71,351
Less: Provision for diminution in value	15,739	14,171	7,955
Net book value	<u>230,432</u>	<u>53,603</u>	<u>63,396</u>
Total net book value	<u>869,028</u>	<u>209,608</u>	<u>156,630</u>
16.6 Specific provision for diminution in value of securities and other assets			
At January 1	68,581	80,132	51,222
Exchange translation adjustments	125	—	(35)
Transfer from a subsidiary acquired	—	—	42
Provision utilised	(24,232)	(2,870)	—
Charge / (write-back) for the year (Note 8) ...	<u>35,756</u>	<u>(8,681)</u>	<u>28,903</u>
At December 31	<u>80,230</u>	<u>68,581</u>	<u>80,132</u>
16.7 Total securities analysed by issuer			
Government	3,706,850	3,610,848	N.A.
Public sector	304,781	38,924	N.A.
Banks	439,516	13,000	N.A.
Corporations	<u>769,246</u>	<u>498,716</u>	<u>N.A.</u>
Total (at cost)	<u>5,220,393</u>	<u>4,161,488</u>	<u>3,557,936</u>

N.A. — Information not publicly available.

S\$'000	OUB Group		
	2000	1999	1998
16.8 Total securities analysed by country			
Singapore	4,107,102	3,655,161	N.A.
United States	380,091	99,542	N.A.
Malaysia	227,898	240,330	N.A.
United Kingdom	125,813	—	N.A.
Hong Kong	71,843	43,785	N.A.
Belgium	63,430	88	N.A.
Australia	54,152	43,064	N.A.
Other countries	190,064	79,518	N.A.
Total (at cost)	<u>5,220,393</u>	<u>4,161,488</u>	<u>3,557,936</u>

N.A. — Information not publicly available.

17. PLACEMENTS WITH AND LOANS TO BANKS

S\$'000	OUB Group		
	2000	1999	1998
Analysed by remaining maturity			
Within 1 year	9,355,757	6,987,343	13,104,823
Over 1 year but within 2 years	1,734	9,993	N.A.
Over 2 years but within 3 years	16,035	1,665	N.A.
Over 1 year but within 3 years	17,769	11,658	9,966
Over 3 years but within 5 years	16,623	38,288	13,550
Over 5 years	3,744	5,368	—
Total	<u>9,393,893</u>	<u>7,042,657</u>	<u>13,128,339</u>

N.A. — Information not publicly available.

18. TOTAL NON-BANK LOANS AND BILLS

18.1

S\$'000	OUB Group		
	2000	1999	1998
Gross loans and bills	29,740,744	26,287,961	25,086,753
Less : Provisions	1,165,720	1,284,164	1,120,528
Net loans and bills	<u>28,575,024</u>	<u>25,003,797</u>	<u>23,966,225</u>
Net loans and bills to associated companies (included in total net loans and bills)	<u>349,081</u>	<u>318,613</u>	<u>N.A.</u>

N.A. — Information not publicly available.

18.2 Provision for possible loan losses and interest-in-suspense

S\$'000	OUB Group		
	Specific provision	Interest-in-suspense	General Provision
2000			
Balance at January 1	551,656	344,022	578,896
Exchange translation adjustments	3,935	5,760	1,395
Provision utilised	(146,058)	(24,276)	—
Net provision/ (write-back) for the year (Note 8) ..	<u>87,435</u>	<u>(310)</u>	<u>(37,343)</u>
Balance at December 31	<u>496,968</u>	<u>325,196</u>	<u>542,948</u>

S\$'000	OUB Group		
	Specific provision	Interest-in-suspense	General Provision
1999			
Balance at January 1	402,260	212,819	626,846
Exchange translation adjustments	382	(1,833)	330
Provision utilised	(99,077)	(14,655)	—
Net provision/ (write-back) for the year (Note 8) ..	<u>248,091</u>	<u>147,691</u>	<u>(48,280)</u>
Balance at December 31	<u>551,656</u>	<u>344,022</u>	<u>578,896</u>
1998			
Balance at January 1	114,898	67,047	483,594
Exchange translation adjustments	4,066	(374)	651
Provision utilised	(7,772)	(4,152)	—
Net provision/ (write-back) for the year (Note 8) ..	<u>291,068</u>	<u>150,298</u>	<u>142,601</u>
Balance at December 31	<u>402,260</u>	<u>212,819</u>	<u>626,846</u>

N.A. — Information not publicly available.

18.3 Analysed by remaining maturity

S\$'000	OUB Group		
	2000	1999	1998
Analysed by remaining maturity			
Within 1 year	11,743,217	10,753,093	12,093,046
Over 1 year but within 2 years	3,487,911	2,709,804	N.A.
Over 2 years but within 3 years	1,990,281	2,813,830	N.A.
Over 1 year but within 3 years	5,478,192	5,523,634	3,832,319
Over 3 years but within 5 years	3,151,252	2,518,923	3,086,217
Over 5 years	9,368,083	7,492,311	6,075,171
Gross loans and bills	<u>29,740,744</u>	<u>26,287,961</u>	<u>25,086,753</u>

N.A. — Information not publicly available.

18.4 Analysed by industry

S\$'000	OUB Group		
	2000	1999	1998
Manufacturing	2,505,692	2,063,506	1,742,984
Building and Construction	5,749,336	5,854,259	7,070,205
Housing Loans	4,337,065	3,308,080	2,449,267
General Commerce	2,244,335	1,985,423	2,933,512
Transport, storage and communications	1,060,051	944,190	690,639
Financial Institutions	6,004,752	5,237,025	4,354,535
Professionals and Private Individuals	4,278,013	3,733,398	3,340,422
Others	3,561,500	3,162,080	2,505,189
Gross loans and bills	<u>29,740,744</u>	<u>26,287,961</u>	<u>25,086,753</u>

18.5 Analysed by country

S\$'000	OUB Group		
	2000	1999	1998
Singapore	22,026,468	18,798,760	N.A.
Malaysia	2,909,041	2,290,396	N.A.
Hong Kong	1,016,048	1,202,813	N.A.
Australia	805,352	981,927	N.A.
Other countries	2,983,835	3,014,065	N.A.
Gross loans and bills	<u>29,740,744</u>	<u>26,287,961</u>	<u>25,086,753</u>

N.A. — Information not publicly available.

19. OTHER ASSETS

S\$'000	OUB Group		
	2000	1999	1998
Interest receivable (net of interest-in-suspense)	214,511	157,496	198,116
Revaluation gain on off-balance sheet financial instruments (Note 24)	27,421	18,439	17,638
Trade debtors	373,566	493,637	235,749
Sundry debtors	54,439	46,580	74,157
Others	106,497	27,007	199,965
Total	<u>776,434</u>	<u>743,159</u>	<u>725,625</u>

20. ASSOCIATED COMPANIES

S\$'000	OUB Group		
	2000	1999	1998
Quoted associated companies			
Cost and net book value	<u>256,131</u>	<u>256,131</u>	<u>256,131</u>
Market value	<u>591,138</u>	<u>493,569</u>	<u>N.A.</u>
Unquoted associated companies			
Cost	78,725	103,222	84,839
Less: Provision for diminution in value	—	—	—
Net book value	<u>78,725</u>	<u>103,222</u>	<u>84,839</u>
Total net book value	334,856	359,353	340,970
Add: Share of associated companies reserves	277,992	226,908	183,939
	<u>612,848</u>	<u>586,261</u>	<u>524,909</u>

N.A. — Information not publicly available.

Details of the Group's associated companies are as follows:

<u>Associated Companies</u>	<u>Country of Incorporation / Business</u>	<u>Principal Activities</u>	<u>Interest</u>		
			<u>2000</u> %	<u>1999</u> %	<u>1998</u> %
Quoted					
Hotel Negara Limited	Singapore	Hotel	45.33	45.33	45.33
Overseas Union Enterprise Limited	Singapore	Hotel	44.62	44.62	44.57
Overseas Union Securities Limited	Singapore	Investment holding	46.00	46.00	46.00
Unquoted					
Asian-American Merchant Bank Limited (in voluntary liquidation)	Singapore	Merchant banking	37.00	37.00	37.00
OUB Manulife Pte Ltd	Singapore	Life insurance	50.00	50.00	50.00
Overseas Union Insurance, Limited	Singapore	General insurance	47.84	47.85	47.86
Network for Electronic Transfers (Singapore) Pte Ltd	Singapore	Electronic funds transfer	20.00	20.00	—
First OUB Pte Ltd	Singapore	Electronic banking	50.00	—	—
Singapore Consortium Investment Management Ltd	Singapore	Unit trust fund management	20.00	20.00	—
OUB Optimix Funds Management Ltd	Singapore	Unit trust fund management	50.00	—	—
PJB Pacific Securities Sdn Bhd	Malaysia	Stockbroking	—	49.00	—
Vertex Asia Limited	Singapore	Investment	20.55	20.55	20.55
Weslia Pty Limited	Australia	Investment	50.00	50.00	50.00
Meritco Development Pte Ltd	Singapore	Investment holding	25.00	25.00	25.00
Overseas Union Facilities (Private) Limited	Singapore	Investment holding	49.00	49.00	49.00
Overseas Union Garden Sdn Berhad	Malaysia	Investment holding and rental of properties	20.13	20.20	20.26
Overseas Union Land Pte Ltd	Singapore	Investment holding and rental of properties	49.50	49.50	49.50
Okemore Pty Limited	Australia	Property development	40.00	40.00	40.00
85 Spring Street Properties Pty Limited	Australia	Property development	50.00	50.00	50.00

^a Company has not commenced business operations.

21. SUBSIDIARIES

<u>S\$'000</u>	<u>OUB Group</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Quoted subsidiaries			
Cost and net book value.....	<u>54,413</u>	<u>54,413</u>	<u>54,413</u>
Market value	<u>91,190</u>	<u>96,404</u>	<u>53,452</u>
Unquoted subsidiaries			
Cost	396,521	346,297	306,300
Provision for diminution in value.....	<u>(5,696)</u>	<u>(2,641)</u>	<u>(2,488)</u>
Net book value	<u>390,825</u>	<u>343,656</u>	<u>303,812</u>
Total Net book value	<u>445,238</u>	<u>398,069</u>	<u>358,225</u>
Amounts due from subsidiaries	<u>326,581</u>	<u>162,128</u>	<u>495,766</u>
Total	<u>771,819</u>	<u>560,197</u>	<u>853,991</u>

Details of the subsidiaries of OUB at December 31, are as follows:

	Country of Incorporation/ Business	Principal Activities	Group Interest		Cost of OUB's investment		
			2000	1999	2000	1999	
			%	%	S\$'000	S\$'000	
Quoted subsidiaries							
Overseas Union Trust Limited	Singapore	Finance company	52.62	52.88	54,413	54,413	50,719
Unquoted subsidiaries							
Overseas Union Bank (Malaysia) Berhad (a)	Malaysia	Commercial banking	100.00	100.00	201,157	201,157	201,157
OUB Australia Ltd (a)	Australia	Merchant banking	100.00	100.00	14,670	14,670	14,670
OUB Factors Pte Ltd (d)	Singapore	Factoring	76.78	76.91	2,550	2,550	2,550
OUB Finance (H.K.) Limited (a)	Hong Kong	Finance company	100.00	100.00	4,728	4,558	4,561
OUB Credit Bhd (a) (e)	Malaysia	Leasing	100.00	100.00	—	—	—
OUL Sdn Bhd (a)	Malaysia	Leasing	100.00	100.00	907	907	907
OUB Bullion & Futures Ltd	Singapore	Bullion and futures dealing	100.00	100.00	4,000	4,000	4,000
OUB Securities Pte Ltd (e)	Singapore	Stockbroking	100.00	100.00	—	—	—
OUB Securities (H.K.) Limited (a) (e)	Hong Kong	Stockbroking	100.00	100.00	—	—	—
OUB Asset Management Ltd	Singapore	Asset management	100.00	100.00	10,913	10,913	10,913
OUB-TA Asset Management Sdn Bhd (a) (e)	Malaysia	Asset management	51.00	51.00	—	—	—
Overseas Union Management Services Pte Ltd	Singapore	Management services	100.00	100.00	10	10	10
Overseas Union Management Services Sdn Bhd (a)	Malaysia	Management services	100.00	100.00	10	10	10
Overseas Union Bank Trustees Ltd	Singapore	Trustee services	50.52	50.58	30	30	30
OUB Research Sdn Bhd (a) (e)	Malaysia	Research services	100.00	100.00	—	—	—
Overseas Union Holdings Private Limited	Singapore	Investment holding	100.00	100.00	5,000	5,000	5,000
Securities Investments Pte Ltd	Singapore	Investment holding	100.00	100.00	50,000	50,000	30,000
Overseas Union Garden (Private) Limited (e)	Singapore	Investment holding	100.00	100.00	—	—	—
Overseas Union Holdings (Aust) Pty Limited (a) (e)	Australia	Investment holding	100.00	100.00	—	—	—
OUB.com Pte Ltd	Singapore	Investment holding	100.00	100.00	50,000	—	—
OUB Investments Pte Ltd	Singapore	Investment holding	100.00	100.00	21,521	21,521	1,521
Overseas Union Facilities (H.K.) Limited (a)	Hong Kong	Investment dealing	100.00	100.00	1,508	1,454	1,454
OUB (Australia) Securities Pty Ltd (a) (e)	Australia	Investment advisory	100.00	100.00	—	—	—
Overseas Union Holdings Sdn Bhd (a) (e)	Malaysia	Property investment	100.00	100.00	—	—	—
Overseas Union Facilities Sdn Bhd (a) (b)	Malaysia	Property investment	100.00	100.00	—	—	—
OUB Towers Pte Ltd	Singapore	Property management	100.00	100.00	—	—	—
Overseas Union Developments (Private) Limited	Singapore	Property management	100.00	100.00	17,500	17,500	17,500
Overseas Union Project Management Pte Ltd (e)	Singapore	Property management	100.00	100.00	12,000	12,000	12,000
Overseas Union Realty Services Pte Ltd (e)	Singapore	Property management	100.00	100.00	—	—	—
Overseas Union Developments Sdn Bhd (a) (e)	Singapore	Property management	100.00	100.00	—	—	—
Overseas Union Bank Nominees (Private) Limited	Malaysia	Property management	100.00	100.00	—	—	—
IBS Nominees (Private) Ltd (b) (d)	Singapore	Nominee services	100.00	100.00	10	10	10
Mandarin Nominees Pte Ltd (e)	Singapore	Nominee services	100.00	100.00	—	—	—
Overseas Union Trust (Nominees) Pte Ltd (e)	Singapore	Nominee services	100.00	100.00	—	—	—
OUB Nominees (Tempatan) Sdn Bhd (a) (e)	Singapore	Nominee services	52.62	52.88	—	—	—
OUB Nominees (Asing) Sdn Bhd (a) (e)	Malaysia	Nominee services	100.00	100.00	—	—	—
Overseas Union Bank Nominees (H.K.) Limited (a)	Hong Kong	Nominee services	100.00	100.00	4	4	4
Overseas Union Bank Nominees (U.K.) Limited (c)	United Kingdom	Nominee services	100.00	100.00	3	3	3
OUB Australia Nominees Pty Ltd (a) (e)	Australia	Nominee services	100.00	100.00	—	—	—

(a) Audited by other members of PricewaterhouseCoopers

(b) Cost of investment is below S\$500

(c) Corporation is dormant and its financial statements are not subject to statutory audit in the U.K.

(d) Company is under voluntary liquidation.

(e) Subsidiaries held indirectly by OUB.

22. FIXED ASSETS

S\$'000	OUB Group		
	Properties	Others	Total
2000			
Cost			
Balance at January 1, 2000.....	299,916	283,251	583,167
Exchange translation adjustments.....	(5,479)	919	(4,560)
Reclassifications	(131)	131	—
Additions	17,373	72,114	89,487
Disposals	(3,174)	(21,913)	(25,087)
Balance at December 31, 2000	<u>308,505</u>	<u>334,502</u>	<u>643,007</u>
Accumulated depreciation			
Balance at January 1, 2000.....	26,123	182,198	208,321
Exchange translation adjustments.....	107	626	733
Charge to income statement (Note 7.1)	4,379	38,549	42,928
Disposals	(3,174)	(20,505)	(23,679)
Balance at December 31, 2000	<u>27,435</u>	<u>200,868</u>	<u>228,303</u>
Less: Provision for diminution in value of properties	<u>4,820</u>	<u>—</u>	<u>4,820</u>
Net book value at December 31, 2000.....	<u>276,250</u>	<u>133,634</u>	<u>409,884</u>
1999			
Cost			
Balance at January 1, 1999.....	286,358	259,930	546,288
Exchange translation adjustments.....	(10)	254	244
Reclassifications	(176)	176	—
Additions	14,014	40,766	54,780
Disposals	(270)	(17,875)	(18,145)
Balance at December 31, 1999	<u>299,916</u>	<u>283,251</u>	<u>583,167</u>
Accumulated depreciation			
Balance at January 1, 1999.....	21,491	161,864	183,355
Exchange translation adjustments.....	—	185	185
Charge to income statement (Note 7.1)	4,632	34,453	39,085
Disposals	—	(14,304)	(14,304)
Balance at December 31, 1999	<u>26,123</u>	<u>182,198</u>	<u>208,321</u>
Less: Provision for diminution in value of properties	<u>4,485</u>	<u>—</u>	<u>4,485</u>
Net book value at December 31, 1999	<u>269,308</u>	<u>101,053</u>	<u>370,361</u>
1998			
Cost			
Balance at January 1, 1998.....	255,852	224,700	480,552
Exchange translation adjustments.....	(28)	188	160
Reclassifications	(8,638)	8,638	—
Additions	39,420	43,982	83,402
Disposals	(248)	(17,578)	(17,826)
Balance at December 31, 1998	<u>286,358</u>	<u>259,930</u>	<u>546,288</u>
Accumulated depreciation			
Balance at January 1, 1998.....	17,642	147,197	164,839
Exchange translation adjustments.....	6	137	143
Charge to income statement (Note 7.1)	4,072	29,308	33,380
Disposals	(229)	(14,778)	(15,007)
Balance at December 31, 1998	<u>21,491</u>	<u>161,864</u>	<u>183,355</u>
Net book value at December 31, 1998.....	<u>264,867</u>	<u>98,066</u>	<u>362,933</u>

Included in the properties of S\$276.3 million were leasehold properties of S\$151.7 million (1999: S\$150.7 million; 1998: S\$154.4 million).

Market value of the properties as at December 31, 2000 was estimated to be S\$581.4 million (1999: S\$570.8 million; 1998: S\$522.0 million) by the Directors of the Group. Provision for diminution in value was made for properties with estimated market value below their net book value. Excess of estimated market value over net book value of properties is not recognised in the financial information.

23. CONTINGENT LIABILITIES

<u>S\$'000</u>	<u>OUB Group</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Direct credit substitutes	1,673,256	1,444,618	1,203,273
Transaction-related contingencies	457,513	568,054	656,954
Trade-related contingencies	310,172	231,193	191,737
Other contingent liabilities	60,357	99,722	311,293
Total	<u>2,501,298</u>	<u>2,343,587</u>	<u>2,363,257</u>

The contingent liabilities include acceptances, guarantees, performance bonds and indemnities, the majority of which are offset by corresponding obligations of third parties.

24. FINANCIAL INSTRUMENTS

<u>S\$'000</u>	<u>OUB Group</u>		
	<u>Underlying Principal</u>	<u>Year-end Positive Fair Value</u>	<u>Year-end Negative Fair Value</u>
2000			
Foreign Exchange			
Spot and forward	766,339	6,980	6,099
Swaps	10,851,713	2,757	2,644
Futures	25,841	11	206
Options purchased	16,433	—	—
Options written	16,433	—	109
Subtotal	11,676,759	9,748	9,058
Interest Rate			
Swaps	3,383,132	15,647	6,435
Futures	242,592	42	—
Sub-total	3,625,724	15,689	6,435
Equity			
Futures	6,815	18	5
Options purchased	164	—	10
Options written	476	—	44
Sub-total	7,455	18	59
Others	114,158	1,966	330
Total	<u>15,424,096</u>	<u>27,421</u>	<u>15,882</u>
		(Note 19)	(Note 14)
Financial instruments contracted with:			
Associated companies	117,400	1,003	—
Others	15,306,696	26,418	15,882
Total	<u>15,424,096</u>	<u>27,421</u>	<u>15,882</u>

S\$'000	OUB Group		
	Underlying Principal	Year-end Positive Fair Value	Year-end Negative Fair Value
1999			
Foreign Exchange			
Spot and forward	542,487	9,685	2,802
Swaps	10,192,466	506	51
Futures	35,910	34	38
Options purchased	40,239	—	306
Options written	64,680	56	—
Subtotal	10,875,782	10,281	3,197
Interest Rate			
Forward rate agreements	20,000	2	—
Swaps	2,264,561	4,945	1,673
Futures	153,447	—	82
Sub-total	2,438,008	4,947	1,755
Equity			
Futures	7,261	—	123
Options purchased	1,980	—	—
Options written	561	61	—
Sub-total	9,802	61	123
Bullion			
Spot and forward	34,717	3,004	232
Swaps	7,344	146	—
Futures	3,708	—	47
Sub-total	45,769	3,150	279
Total	13,369,361	18,439	5,354
		(Note 19)	(Note 14)
Financial instruments contracted with:			
Associated companies	107,900	465	72
Others	13,261,461	17,974	5,282
Total	13,369,361	18,439	5,354
1998			
Foreign Exchange			
Spot and forward	819,047	9,319	7,016
Swaps	10,864,908	—	—
Futures	10,485	13	72
Options purchased	22,237	—	223
Options written	32,561	30	—
Subtotal	11,749,238	9,362	7,311
Interest Rate			
Forward rate agreements	24,374	9	—
Swaps	471,564	3,702	327
Futures	157,870	—	324
Sub-total	653,808	3,711	651

<u>S\$'000</u>	<u>OUB Group</u>		
	<u>Underlying Principal</u>	<u>Year-end Positive Fair Value</u>	<u>Year-end Negative Fair Value</u>
Equity			
Futures	1,036	10	—
Bullion			
Spot and forward	95,963	4,443	667
Swaps	—	—	—
Futures	11,977	112	2
Sub-total	<u>107,940</u>	<u>4,555</u>	<u>669</u>
Total	<u>12,512,022</u>	<u>17,638</u>	<u>8,631</u>
		(Note 19)	(Note 14)

25. COMMITMENTS

The Group had the following commitments as at December 31:

<u>S\$'000</u>	<u>OUB Group</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Lease commitments	28,353	19,449	46,728
Capital commitments	49,880	38,386	42,371
Forward asset purchases/sales and forward deposits placed	1,743,083	86,709	48,546
Undrawn credit facilities	14,698,374	13,034,589	12,184,067
Undrawn note issuance facilities and revolving underwriting facilities	5,195	12,933	5,464
Total	<u>16,524,885</u>	<u>13,192,066</u>	<u>12,327,176</u>

25.1 OTHER CONTINGENT LIABILITIES

As at December 31, the Group had unsecured contingent liabilities as follows:

<u>S\$'000</u>	<u>OUB Group</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Letters of credit to an exchange	N.A.	24,650	14,644

N.A. — Information not publicly available.

26. EXPOSURES TO REGIONAL COUNTRIES

As at December 31, 2000, the Group's total net exposure to the region, covering Malaysia, Indonesia, Thailand, South Korea and The Philippines, stood at S\$3.57 billion (1999: S\$3.15 billion; 1998: S\$3.68 billion), of which 90.6% (1999: 83.6%) was to Malaysia.

27. NON-PERFORMING LOANS (NPL) AND CUMULATIVE PROVISIONS**27.1 NON-PERFORMING LOANS**

S\$'000	Regional			Global		
	2000	1999	1998	2000	1999	1998
Analysed by loan grading:						
Substandard	322,725	375,914	N.A.	2,110,808	2,181,916	N.A.
Doubtful	122,961	136,214	N.A.	255,589	266,020	N.A.
Loss	218,420	294,145	N.A.	462,205	543,009	N.A.
Total	<u>664,106</u>	<u>806,273</u>	<u>N.A.</u>	<u>2,828,602</u>	<u>2,990,945</u>	<u>N.A.</u>
Analysed by security coverage:						
Secured	311,848	363,371	N.A.	1,923,907	1,909,886	N.A.
Unsecured	<u>352,258</u>	<u>442,902</u>	<u>N.A.</u>	<u>904,695</u>	<u>1,081,059</u>	<u>N.A.</u>
Total	<u>664,106</u>	<u>806,273</u>	<u>N.A.</u>	<u>2,828,602</u>	<u>2,990,945</u>	<u>N.A.</u>
Analysed by country:						
Malaysia				471,584	508,653	N.A.
Indonesia				94,545	138,176	N.A.
Thailand				79,773	86,459	N.A.
South Korea				17,940	72,677	N.A.
The Philippines				264	308	N.A.
Regional Countries				<u>664,106</u>	<u>806,273</u>	<u>N.A.</u>
Singapore				1,892,651	1,953,867	N.A.
Other countries				<u>271,845</u>	<u>230,805</u>	<u>N.A.</u>
Global				<u>2,828,602</u>	<u>2,990,945</u>	<u>N.A.</u>
NPL as % of global assets	1.4	2.0	N.A.	6.1	7.6	N.A.
Non-bank NPL as % of non-bank loans	20.4	28.6	N.A.	9.3	11.1	N.A.

N.A. — There is no comparative information for 1998 as this information was not required to be published by banks.

Non-performing loans are those classified as Substandard, Doubtful and Loss in accordance with MAS Notice 612. A loan is automatically classified as non-performing once the interest or principal payments are three months or more in arrears.

Foreseeable losses relating to these non-performing loans have been provided for in the financial statements.

Global non-performing loans (covering loans, bills, debt securities and contingent assets) of the Group was S\$2.83 billion as at December 31, 2000 (1999: S\$2.99 billion; 1998: S\$2.89 billion), of which, S\$664 million (1999: S\$806 million; 1998: S\$819 million) was from the region. The global non-performing loans constituted 6.1% (1999: 7.6%; 1998: N.A.) of Group's global assets with 74.6% (1999: 73.0%; 1998: N.A.) in the substandard category and 68.0% (1999: 63.9%; 1998: N.A.) secured.

27.2 CUMULATIVE PROVISIONS

S\$'000	Regional			Global		
	2000	1999	1998	2000	1999	1998
Specific	250,164	316,406	N.A.	651,517	753,553	N.A.
General	225,700	289,700	N.A.	542,948	578,896	N.A.
Total	<u>475,864</u>	<u>606,106</u>	<u>N.A.</u>	<u>1,194,465</u>	<u>1,332,449</u>	<u>N.A.</u>
Total provision as % of						
NPL	71.7	75.2	73.0	42.2	44.6	39.9
Unsecured NPL	135.1	136.8	122.0	132.0	123.3	104.9
Gross exposure	11.0	15.8	N.A.	2.4	3.0	N.A.

N.A. — There is no comparative information for 1998 as this information was not required to be published by banks.

As at December 31, 2000, the Group's global provision for possible loan losses (covering loans, bills, debt securities, and contingent assets) amounted to S\$1.19 billion (1999: S\$1.33 billion; 1998: S\$1.15 billion) which covered 42.2% (1999: 44.6%; 1998: 39.9%) of the global non-performing loans and 132.0% (1999: 123.3%; 1998: 104.9%) of the global unsecured non-performing loans. Loan provision for the region was S\$476 million (1999: S\$606 million; 1998: S\$598 million) which formed 71.7% (1999: 75.2%; 1998: 73.0%) of regional non-performing loans and 135.1% (1999: 136.8%; 1998: 122.0%) of regional unsecured non-performing loans.

28. SEGMENTAL ANALYSIS

28.1 ANALYSED BY BUSINESS SEGMENT

S\$'000	OUB Group								
	Consumer & Commercial Banking	Corporate Banking	Treasury	Investment & Fund Management	Others	Total Singapore	Malaysian Operations	International Banking	Group Total
2000									
Operating income									
Operating income from external customers	496,642	214,133	141,208	93,301	(3,324)	941,960	135,974	198,430	1,276,364
Inter-segment income	3,179	(1,889)	(26,320)	4,324	141,810	121,104	(11,891)	(40,451)	68,762
	<u>499,821</u>	<u>212,244</u>	<u>114,888</u>	<u>97,625</u>	<u>138,486</u>	<u>1,063,064</u>	<u>124,083</u>	<u>157,979</u>	<u>1,345,126</u>
Elimination									(68,762)
Total									<u>1,276,364</u>
Net profit before tax									
Net profit before tax	299,287	168,956	74,826	30,716	88,012	661,797	70,916	73,224	805,937
Share of associated companies' results	—	—	—	11,054	40,704	51,758	985	632	53,375
	<u>299,287</u>	<u>168,956</u>	<u>74,826</u>	<u>41,770</u>	<u>128,716</u>	<u>713,555</u>	<u>71,901</u>	<u>73,856</u>	<u>859,312</u>
Unallocated expenses									(139,282)
Total									<u>720,030</u>
Total Assets									
Segment assets	10,916,381	10,813,585	14,353,847	231,855	214,511	36,530,179	2,674,719	6,582,104	45,787,002
Investment in associated companies	—	—	—	84,361	512,682	597,043	4,593	11,212	612,848
	<u>10,916,381</u>	<u>10,813,585</u>	<u>14,353,847</u>	<u>316,216</u>	<u>727,193</u>	<u>37,127,222</u>	<u>2,679,312</u>	<u>6,593,316</u>	<u>46,399,850</u>
Unallocated corporate assets									203,571
Total									<u>46,603,421</u>

S\$'000	OUB Group								
	Consumer & Commercial Banking	Corporate Banking	Treasury	Investment & Fund Management	Others	Total Singapore	Malaysian Operations	International Banking	Group Total
Total Liabilities									
Segment liabilities ..	17,057,091	4,246,844	12,462,958	77,129	17,877	33,861,899	2,081,523	5,170,779	41,114,201
Unallocated corporate liabilities									328,702
Total									41,442,903
Capital									
expenditure	14,520	2,956	3,563	1,229	50,649	72,917	12,213	4,357	89,487
Depreciation	13,692	1,372	1,285	1,233	19,250	36,832	3,805	2,291	42,928
1999									
Operating Income									
Operating Income from external customers	442,135	168,588	136,363	129,848	4,915	881,849	127,636	199,969	1,209,454
Inter-segment income	7,121	1,865	4,244	1,942	106,571	121,743	(18,986)	(39,484)	63,273
	449,256	170,453	140,607	131,790	111,486	1,003,592	108,650	160,485	1,272,727
Elimination									(63,273)
Total									1,209,454
Net profit before tax									
Net profit before tax	262,404	90,651	108,776	67,685	84,669	614,185	44,278	21,956	680,419
Share of associated companies' results	—	—	—	7,183	37,175	44,358	334	582	45,274
	262,404	90,651	108,776	74,868	121,844	658,543	44,612	22,538	725,693
Unallocated expenses									(119,533)
Total									606,160
Total Assets									
Segment assets	9,271,919	9,043,455	10,781,973	360,004	213,724	29,671,075	2,216,021	6,715,577	38,602,673
Investment in associated companies	—	—	—	99,075	461,132	560,207	13,904	12,150	586,261
	9,271,919	9,043,455	10,781,973	459,079	674,856	30,231,282	2,229,925	6,727,727	39,188,934
Unallocated corporate assets									183,091
Total									39,372,025
Total Liabilities									
Segment liabilities ..	15,031,572	3,710,346	9,329,266	213,751	12,519	28,297,454	1,864,913	4,199,344	34,361,711
Unallocated corporate liabilities									289,379
Total									34,651,090
Capital									
expenditure	17,707	77	3,996	2,031	18,694	42,505	10,861	1,414	54,780
Depreciation	13,638	1,330	1,365	1,558	15,280	33,171	3,755	2,159	39,085

N.A. — There is no comparative information for 1998 as this information was not required to be published by banks.

The business segment analysis is based on the Group's internal management reporting structure. The classification is based on the nature of the products and services and type of customers served. It reflects the management of business within the Group.

Segment results, assets and liabilities include items that can be directly associated with the respective business segments as well as those that can be allocated on a reasonable basis. Expenses, assets and liabilities which are common and cannot be meaningfully allocated to the business segments are presented under unallocated expenses, assets and liabilities respectively.

The share of associated companies' results is allocated to the respective business segments that closely represent their principal line of business.

Segment capital expenditure comprises costs incurred during the year on acquisition of fixed assets.

The Group's business is divided into the following segments:

- **Consumer & Commercial Banking**
Consumer & Commercial Banking engages mainly in the provision of credit facilities and investment services to individuals and retail businesses as well as collection of deposits.
- **Corporate Banking**
Corporate Banking focuses on the provision of credit and marketing of financial products and services to corporate clients.
- **Investment and Fund Management**
Investment and Fund Management is involved in investment activities including investment holding, corporate finance and advisory services, asset management, trustee & custodian services and stockbroking operations.
- **Treasury**
Treasury provides a comprehensive range of treasury-related products and services which encompass foreign exchange, futures, other financial derivatives and money market operations.
- **Others**
Others comprise mainly Head Office functions, hotel and property management.
- **Malaysian Operations**
Malaysian operations covers the operations of the Group's Malaysian subsidiaries, in particular, Overseas Union Bank (Malaysia) Berhad.
- **International Banking**
International Banking comprises the Group's operations outside Singapore and Malaysia.

28.2 ANALYSED BY GEOGRAPHIC SEGMENT

<u>S\$'000</u>	<u>OUB Group</u>				<u>Total</u>
	<u>Singapore</u>	<u>Other ASEAN</u>	<u>Other Asia Pacific</u>	<u>Rest of the World</u>	
Operating income					
2000	964,733	133,941	135,122	42,568	1,276,364
1999	900,768	136,709	136,053	35,924	1,209,454
1998	N.A	N.A	N.A	N.A	N.A
Net profit before tax					
2000	550,924	61,582	75,699	31,825	720,030
1999	495,980	14,470	69,007	26,703	606,160
1998	141,386	21,148	54,715	25,476	242,725
Total assets					
2000	38,562,667	2,873,843	3,177,650	1,989,261	46,603,421
1999	30,581,747	2,699,997	4,110,869	1,979,412	39,372,025
1998	34,715,272	2,971,424	3,941,113	1,844,239	43,472,048
Capital expenditure					
2000	73,145	12,484	3,222	636	89,487
1999	42,505	11,158	1,010	107	54,780
1998	N.A	N.A	N.A	N.A	N.A

N.A. — There is no comparative information for 1998 as this information was not required to be published by banks.

The analysis by geographical segment is based on the location where the transactions and assets are booked which is not materially different from where they are located. Apart from Singapore, other major countries of operations included Malaysia (under Other ASEAN); Hong Kong, Australia and China (under Other Asia Pacific); and United States and United Kingdom (under Rest of the World).

29. ASSETS PLEDGED

<u>S\$'000</u>	<u>OUB Group</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Securities sold under repurchase agreements	30,342	—	N.A.
Certificates of deposit pledged with other banks as required by overseas regulators	19,069	26,648	N.A.
Securities pledged with other banks for credit facilities granted (facilities utilised at December 31, 2000: S\$Nil; 1999: S\$7,358; 1998: S\$26,097)	38,142	38,142	N.A.

N.A. — Information not publicly available.

30. NET CURRENT ASSETS AND LIABILITIES

In compliance with the Ninth Schedule of the Companies Act, the current assets and current liabilities of the Group are as follows:

<u>S\$'000</u>	<u>OUB Group</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Current Assets			
Balance with central banks	800,866	729,996	N.A.
Cash, bullion and balances with banks & agents	248,371	281,571	N.A.
Certificates of deposit held	633,370	504,424	N.A.
Singapore government securities	3,433,781	3,340,920	N.A.
Other government securities	174,048	179,815	N.A.
Dealing securities	577,189	290,068	N.A.
Placements with and loans to banks	9,355,757	6,987,343	N.A.
Bills receivable	474,090	213,909	N.A.
Loans to non-bank customers	10,103,407	9,255,020	N.A.
Investment securities	46,835	2,504	N.A.
Other assets	776,434	743,159	N.A.
Total current assets	<u>26,624,148</u>	<u>22,528,729</u>	<u>N.A.</u>
Current Liabilities			
Certificates of deposit issued	381,597	136,757	N.A.
Deposits and balances of banks	12,518,001	8,175,258	N.A.
Deposits of non-bank customers	26,616,339	24,402,906	N.A.
Bills payable	52,281	106,148	N.A.
Provision for tax	158,756	155,537	N.A.
Other liabilities	1,144,032	1,243,632	N.A.
Debt securities	50,000	—	N.A.
Proposed dividends	82,513	88,577	N.A.
Total current liabilities	<u>41,003,519</u>	<u>34,308,815</u>	<u>N.A.</u>
Net current liabilities	<u>14,379,371</u>	<u>11,780,086</u>	<u>N.A.</u>

N.A. — Information not publicly available.

31. COMPARATIVES

Certain comparative figures have been reclassified to conform with the current year's presentation.

L. DIVIDENDS

The rate of dividend and the amount paid on the shares of DBSH and OUB for each of the three years ended between December 31, 1998 and December 31, 2000 are as follows:

	<u>Gross Rate of Dividend</u>	<u>Amount of Dividend Less Tax S\$'000</u>
DBSH		
1998		
• Ordinary shares	18%	125,782
• Non-redeemable convertible preference shares ..	1.5%	4,574
• Non-voting convertible preference shares	9%	12,052
1999		
• Ordinary shares		
— paid to external shareholders	9%	65,593
— paid to DBSH, its holding company, following a group restructuring	75%	864,900 ^a
• Non-voting convertible preference shares	9%	14,969
2000		
• Ordinary shares		
— paid to DBSH, its holding company, following a group restructuring	214.05%	2,144,517 ^a
OUB		
1998		
• Ordinary shares	15%	90,686
1999		
• Ordinary shares	17%	122,133
2000		
• Ordinary shares	20%	149,090

^a Included is a tax-exempt dividend of 37.8% (S\$500,000,000) and 9.75% (S\$129,137,000) for 1999 and 2000 respectively.

M. NET TANGIBLE ASSETS PER ORDINARY SHARE

The net tangible assets ("NTA") per Ordinary Share of DBSH Group before the acquisition of OUB (based on the audited balance sheet as at December 31, 2000) and after the acquisition of OUB are tabulated as follows:

	<u>DBSH Group (Before Acquisition) of OUB</u>	<u>Proforma (After Acquisition) of OUB</u>
NTA as at December 31, 2000 (S\$'000) . . .	9,899,449	13,927,337
Ordinary shares as at December 31, 2000 ¹	1,215,661,271	1,821,717,621
NTA per Ordinary share as at December 31, 2000 (S\$)	8.14	7.65

¹ Assumes that the investment in OUB is via a combination of share swap and cash settlement whereby OUB ordinary shareholders will receive 0.61 DBSH share and S\$1.14 in cash in exchange for each OUB ordinary share held.

N. AUDITED FINANCIAL STATEMENTS

No audited financial statements have been prepared by DBSH Group or OUB Group for any period subsequent to December 31, 2000.

Yours faithfully

PricewaterhouseCoopers
Certified Public Accountants
Singapore

Dominic Nixon
Partner

APPENDIX 6
Directors' Report

DBS GROUP HOLDINGS LTD
(Incorporated in the Republic of Singapore)

Directors' Report

On behalf of the Directors of DBS Group Holdings Ltd ("DBSH"), I report that, having made due inquiry in relation to the interval between December 31, 2000, the date to which the last accounts of DBSH have been made up, and the date of the Part B Statement:-

- (1) the businesses of DBSH and its subsidiaries have, in the opinion of the Directors, been satisfactorily maintained;
- (2) no circumstances have, in the opinion of the Directors, arisen since May 12, 2001 (being the date of the last annual general meeting of DBSH) which would adversely affect the trading or the value of the assets of DBSH or any of its subsidiaries;
- (3) the current assets of DBSH and its subsidiaries appear in the books at values which are believed to be realisable in the ordinary course of business;
- (4) on March 25, 2001, DBS Capital Funding Corporation, a wholly-owned subsidiary of DBSH, issued hybrid Tier I securities in the form of US\$725,000,000 7.657% Non-Cumulative Guaranteed Preference Shares, Series A, and S\$100,000,000 5.35% Non-Cumulative Guaranteed Preference Shares, Series B. The hybrid tier I securities are guaranteed by The Development Bank of Singapore Ltd ("DBS Bank"), a wholly-owned subsidiary of DBSH. Save (a) for such guarantee by DBS Bank and (b) as disclosed in (i) Note 22 of "H. Notes to the Unaudited Proforma Consolidated Financial Information of DBSH Group" to the Accountants' Report and (ii) Note 36 of "J. DBSH Group Financial Information" to the Accountants' Report, there are no contingent liabilities by reason of any guarantees given by DBSH and its subsidiaries; and
- (5) since the date of the last annual report of DBSH:-
 - (a) there have been no changes in the published reserves of DBSH and its subsidiaries, except for (i) the issue of the hybrid Tier I securities by DBS Capital Funding Corporation and (ii) the issue on May 25, 2001 by DBS Bank of core Tier I securities in the form of S\$1.1 billion 6% Non-Cumulative Preference Shares; and
 - (b) there are no unusual factors affecting the profits of DBSH and its subsidiaries.

Dated June 23, 2001

Yours faithfully,
For and on behalf of the Board of Directors,
DBS Group Holdings Ltd

Jackson Tai
Director

APPENDIX 7

Alterations in Capital Structure

DBS GROUP HOLDINGS LTD
(Incorporated in the Republic of Singapore)
ALTERATIONS IN CAPITAL STRUCTURE

Details of the alterations in the capital structure of DBS Group Holdings Ltd ("DBSH") and its subsidiaries during the five years immediately preceding the date of the Part B statement are set out below:-

DBSH

<u>Date of Alteration</u>	<u>Number of Shares Allotted/ (Cancelled or Redeemed)</u>	<u>Nature of Alteration</u>	<u>Issued Share Capital After Change S\$</u>	<u>Authorised Share Capital After Change S\$</u>
March 9, 1999	2,000,000,000 ordinary shares ("Shares") of S\$1 each and 500,000,000 non-voting convertible preference shares ("DBSH Non-Voting CPS") of S\$1 each	Authorised share capital at incorporation	N.A.	Ordinary:- 2,000,000,000 DBSH Non-voting CPS:-500,000,000 Total:- 2,500,000,000
	2 Shares of S\$1 each	Issue of Shares for incorporation of DBSH	Ordinary:- 2 Total:- 2	N.A.
September 18, 1999	1,077,970,304 Shares of S\$1 each and 246,162,491 DBSH Non-Voting CPS of S\$1 each	Issue of Shares and DBSH Non-voting CPS pursuant to a Scheme of Arrangement whereby DBSH became the holding company of The Development Bank of Singapore Ltd	Ordinary:- 1,077,970,306 DBSH Non-voting CPS:- 246,162,491 Total:- 1,324,132,797	N.A.
During the financial year ended December 31, 1999	358,117 Shares of S\$1 each	Issue of Shares pursuant to exercise of options granted under the DBSH Share Option Scheme 1995	Ordinary:- 1,078,328,423 DBSH Non-voting CPS:- 246,162,491 Total:- 1,324,490,914	N.A.
	185,832 Shares of S\$1 each	Issue of Shares pursuant to exercise of options granted under the DBSH Share Option Scheme 1996	Ordinary:- 1,078,514,255 DBSH Non-voting CPS:- 246,162,491 Total:- 1,324,676,746	N.A.
	75,324 Shares of S\$1 each	Issue of Shares pursuant to exercise of options granted under the DBSH Share Option Scheme 1997	Ordinary:- 1,078,589,579 DBSH Non-voting CPS:-246,162,491 Total:- 1,324,752,070	N.A.
	76,051 Shares of S\$1 each	Issue of Shares pursuant to exercise of options granted under the DBSH Share Option Scheme 1998	Ordinary:- 1,078,665,630 DBSH Non-voting CPS:- 246,162,491 Total:- 1,324,828,121	N.A.

<u>Date of Alteration</u>	<u>Number of Shares Allotted/ (Cancelled or Redeemed)</u>	<u>Nature of Alteration</u>	<u>Issued Share Capital After Change S\$</u>	<u>Authorised Share Capital After Change S\$</u>
	99,179,630 Shares of S\$1 each and (99,179,630) DBSH Non-voting CPS of S\$1 each	Issue of Shares upon conversion of DBSH Non-voting CPS to Shares	Ordinary:- 1,177,845,260 DBSH Non-voting CPS:- 146,982,861 Total:- 1,324,828,121	N.A.
February 8, 2000	8,439,171 Shares of S\$1 each	Issue of Shares as consideration for acquisition of The Insurance Corporation of Singapore Limited ("ICS") under a Restructuring Scheme to convert ICS to a subsidiary of DBSH	Ordinary:- 1,186,284,431 DBSH Non-voting CPS:- 146,982,861 Total:- 1,333,267,292	N.A.
May 13, 2000	500,000,000 non-voting redeemable convertible preference shares (" <i>DBSH Non-voting redeemable CPS</i> ") of S\$1 each	Increase in authorised capital by S\$500,000,000	N.A.	Ordinary:- 2,000,000,000 DBSH Non-voting CPS:- 500,000,000 DBSH Non-voting redeemable CPS:- 500,000,000 Total:- 3,000,000,000
	94,885,374 DBSH Non-voting redeemable CPS of S\$1 each and (94,885,374) DBSH Non-voting CPS of S\$1 each	Capital reduction by allotment of DBSH Non-voting redeemable CPS in consideration for the cancellation of DBSH Non-voting CPS	Ordinary:- 1,186,284,431 DBSH Non-voting CPS:- 52,097,487 DBSH Non-voting redeemable CPS:- 94,885,374 Total:- 1,238,381,518	N.A.
August 18, 2000	(28,410,000) DBSH Non-voting redeemable CPS of S\$1 each	Redemption of DBSH Non-voting redeemable CPS for \$600,019,200	Ordinary:- 1,186,284,431 DBSH Non-voting CPS:- 52,097,487 DBSH Non-voting redeemable CPS:- 66,475,374 Total:- 1,304,856,892	N.A.
During the financial year ended December 31, 2000	522,207 shares of S\$1 each	Issue of Shares pursuant to exercise of options granted under the DBSH Share Option Scheme 1995	Ordinary:- 1,186,806,638 DBSH Non-voting CPS:- 52,097,487 DBSH Non-voting redeemable CPS:- 66,475,374 Total:- 1,305,379,099	N.A.

<u>Date of Alteration</u>	<u>Number of Shares Allotted / (Cancelled or Redeemed)</u>	<u>Nature of Alteration</u>	<u>Issued Share Capital After Change S\$</u>	<u>Authorised Share Capital After Change S\$</u>
	1,089,317 Shares of S\$1 each	Issue of Shares pursuant to exercise of options granted under the DBSH Share Option Scheme 1996	Ordinary:- 1,187,895,955 DBSH Non-voting CPS:- 52,097,487 DBSH Non-voting redeemable CPS:- 66,475,374 Total:- 1,306,468,416	N.A.
	387,205 Shares of S\$1 each	Issue of Shares pursuant to exercise of options granted under the DBSH Share Option Scheme 1997	Ordinary:- 1,188,283,160 DBSH Non-voting CPS:- 52,097,487 DBSH Non-voting redeemable CPS:- 66,475,374 Total:- 1,306,855,621	N.A.
	218,705 Shares of S\$1 each	Issue of Shares pursuant to exercise of options granted under the DBSH Share Option Scheme 1998	Ordinary:- 1,188,501,865 DBSH Non-voting CPS:- 52,097,487 DBSH Non-voting redeemable CPS:- 66,475,374 Total:- 1,307,074,326	N.A.
	174,638 Shares of S\$1 each	Issue of Shares pursuant to exercise of options granted under the DBSH Share Option Plan 1999	Ordinary:- 1,188,676,503 DBSH Non-voting CPS:- 52,097,487 DBSH Non-voting redeemable CPS:- 66,475,374 Total:- 1,307,248,964	N.A.
	26,984,768 Shares of S\$1 each and (26,984,768) DBSH Non-voting CPS of S\$1 each	Issue of Shares upon conversion of DBSH Non-voting CPS to Shares	Ordinary:- 1,215,661,271 DBSH Non-voting CPS:- 25,112,719 DBSH Non-voting redeemable CPS:- 66,475,374 Total:- 1,307,248,964	N.A.
During the period January 1 to June 20, 2001	699,145 Shares of S\$1 each	Issue of Shares pursuant to exercise of options granted under the DBSH Share Option Scheme 1996	Ordinary:- 1,216,360,416 DBSH Non-voting CPS:- 25,112,719 DBSH Non-voting redeemable CPS:- 66,475,374 Total:- 1,307,948,509	N.A.

<u>Date of Alteration</u>	<u>Number of Shares Allotted/ (Cancelled or Redeemed)</u>	<u>Nature of Alteration</u>	<u>Issued Share Capital After Change S\$</u>	<u>Authorised Share Capital After Change S\$</u>
	160,467 Shares of S\$1 each	Issue of Shares pursuant to exercise of options granted under the DBSH Share Option Scheme 1997	Ordinary:- 1,216,520,883 DBSH Non-voting CPS:- 25,112,719 DBSH Non-voting redeemable CPS:- 66,475,374 Total:- 1,308,108,976	N.A.
	160,700 Shares of S\$1 each	Issue of Shares pursuant to exercise of options granted under the DBSH Share Option Scheme 1998	Ordinary:- 1,216,681,583 DBSH Non-voting CPS:- 25,112,719 DBSH Non-voting redeemable CPS:- 66,475,374 Total:- 1,308,269,676	N.A.
	43,927 Shares of S\$1 each	Issue of Shares pursuant to exercise of options granted under the DBSH Share Option Plan 1999	Ordinary:- 1,216,725,510 DBSH Non-voting CPS:- 25,112,719 DBSH Non-voting redeemable CPS:- 66,475,374 Total:- 1,308,313,603	N.A.
	4,727 Shares of S\$1 each and (4,727) DBSH Non-voting CPS of S\$1 each	Issue of Shares upon conversion of DBSH Non-voting CPS to Shares	Ordinary:- 1,216,730,237 DBSH Non-voting CPS:- 25,107,992 DBSH Non-voting redeemable CPS:- 66,475,374 Total:- 1,308,313,603	N.A.

DIRECTLY-OWNED DBSH SUBSIDIARIES:-***The Development Bank of Singapore Ltd ("DBS")***

<u>Date of Alteration</u>	<u>Number of Shares Allotted/ (Cancelled or Redeemed)</u>	<u>Nature of Alteration</u>	<u>Issued Share Capital After Change S\$</u>	<u>Authorised Share Capital After Change S\$</u>
During the financial year ended December 31, 1996	14,530,360 Shares of S\$1 each	Issue of Shares upon conversion of non-redeemable convertible preference shares ("DBS CPS") of S\$2 each	Ordinary:- 689,769,849 DBS CPS:- 655,981,476 Total:- 1,345,751,325	N.A.
	80,150 Shares of S\$1 each	Issue of Shares upon subscription for additional Shares by converting DBS CPS holders	Ordinary:- 689,849,999 DBS CPS:- 655,981,476 Total:- 1,345,831,475	N.A.

<u>Date of Alteration</u>	<u>Number of Shares Allotted/ (Cancelled or Redeemed)</u>	<u>Nature of Alteration</u>	<u>Issued Share Capital After Change S\$</u>	<u>Authorised Share Capital After Change S\$</u>
	653,474 Shares of S\$1 each	Issue of Shares pursuant to exercise of options granted under the DBS Bank Share Option Scheme 1991	Ordinary:- 690,503,473 DBS CPS:- 655,981,476 Total:- 1,346,484,949	N.A.
	103,776 Shares of S\$1 each	Issue of Shares pursuant to exercise of options granted under the DBS Bank Share Option Scheme 1992	Ordinary:- 690,607,249 DBS CPS:- 655,981,476 Total:- 1,346,588,725	N.A.
During the financial year ended December 31, 1997	11,609,373 Shares of S\$1 each and 119,814,192 DBS CPS of S\$2 each	Issue of Shares upon subscription for additional Shares by converting DBS CPS holders	Ordinary:- 702,216,622 DBS CPS:- 536,167,284 Total:- 1,238,383,906	N.A.
	31,721 Shares of S\$1 each	Issue of additional Shares subscribed by converting DBS CPS holders	Ordinary:- 702,248,343 DBS CPS:- 536,167,284 Total:- 1,238,415,627	N.A.
	10,250 Shares of S\$1 each	Issue of Shares pursuant to exercise of options granted under the DBS Bank Share Option Scheme 1992	Ordinary:- 702,258,593 DBS CPS:- 536,167,284 Total:- 1,238,425,877	N.A.
	30,000 Shares of S\$1 each	Issue of Shares pursuant to exercise of options granted under the DBS Bank Share Option Scheme 1995	Ordinary:- 702,288,593 DBS CPS:- 536,167,284 Total:- 1,238,455,877	N.A.
	359,000 Shares of S\$1 each	Issue of Shares pursuant to exercise of options granted under the DBS Bank Share Option Scheme 1996	Ordinary:- 702,647,593 DBS CPS:- 536,167,284 Total:- 1,238,814,877	N.A.
During the financial year ended December 31, 1998	141,625,977 Shares of S\$1 each	Rights issue of 1 new Share for every 5 existing Shares held by DBS shareholders	Ordinary:- 844,273,570 DBS CPS:- 536,167,284 Total:- 1,380,440,854	N.A.
	70,811,271 Shares of S\$1 each	Bonus issue of 1 new Share for every 10 existing Shares held by DBS shareholders	Ordinary:- 915,084,841 DBS CPS:- 536,167,284 Total:- 1,451,252,125	N.A.
	12,961,675 Shares of S\$1 each and (62,051,221) DBS CPS of S\$2 each	Issue of Shares upon conversion of DBS CPS to Shares	Ordinary:- 928,046,516 DBS CPS:- 412,064,842 Total:- 1,340,111,358	N.A.

<u>Date of Alteration</u>	<u>Number of Shares Allotted/ (Cancelled or Redeemed)</u>	<u>Nature of Alteration</u>	<u>Issued Share Capital After Change S\$</u>	<u>Authorised Share Capital After Change S\$</u>
	100,636 Shares of S\$1 each	Issue of Shares upon subscription for additional Shares by converting DBS CPS holders	Ordinary:- 928,147,152 DBS CPS:- 412,064,842 Total:- 1,340,211,994	N.A.
	1,000,000,000 Shares of S\$1 each and 300,000,000 non-voting convertible preference shares ("DBS Non-voting CPS") of S\$1 each	Increase in authorised ordinary and preference share capital by S\$1,300,000,000	N.A.	Ordinary:- 2,000,000,000 DBS CPS:- 1,200,000,000 DBS Non-voting CPS:- 300,000,000 Total:- 3,500,000,000
	224,764,875 DBS Non-voting CPS of S\$1 each	Issue of DBS Non-voting CPS as consideration for the purchase of business undertakings of POSBank	Ordinary:- 928,147,152 DBS CPS:- 412,064,842 DBS Non-voting CPS:- 224,764,875 Total:- 1,564,976,869	N.A.
During the period January 1 to September 17, 1999	(1) 29,098,392 Shares of S\$1 each (2) 16,505,978 Shares of S\$1 each (3) (206,032,421) DBS CPS of \$2 each	(1) Issue of Shares upon the conversion of DBS CPS to Shares (2) Issue of Shares upon call conversion of all outstanding DBS CPS (3) Conversion of DBS CPS to Shares	Ordinary:- 973,751,522 DBS CPS:- 0 DBS Non-voting CPS:- 224,764,875 Total:- 1,198,516,397	N.A.
	4,401,149 Shares of S\$1 each	Issue of Shares upon subscription for additional Shares by converting DBS CPS holders	Ordinary:- 978,152,671 DBS Non-voting CPS:- 224,764,875 Total:- 1,202,917,546	N.A.
	1,524,389 Shares of S\$1 each	Issue of Shares pursuant to exercise of options granted under the DBS Bank Share Option Scheme 1994	Ordinary:- 979,677,060 DBS Non-voting CPS:- 224,764,875 Total:- 1,204,441,935	N.A.
	1,673,722 Shares of S\$1 each	Issue of Shares pursuant to exercise of options granted under the DBS Bank Share Option Scheme 1995	Ordinary:- 981,350,782 DBS Non-voting CPS:- 224,764,875 Total:- 1,206,115,657	N.A.
	973,072 Shares of S\$1 each	Issue of Shares pursuant to exercise of options granted under the DBS Bank Share Option Scheme 1996	Ordinary:- 982,323,854 DBS Non-voting CPS:- 224,764,875 Total:- 1,207,088,729	N.A.
	1,972,961 Shares of S\$1 each	Issue of Shares pursuant to exercise of options granted under the DBS Bank Share Option Scheme 1997	Ordinary:- 984,296,815 DBS Non-voting CPS:- 224,764,875 Total:- 1,209,061,690	N.A.

<u>Date of Alteration</u>	<u>Number of Shares Allotted / (Cancelled or Redeemed)</u>	<u>Nature of Alteration</u>	<u>Issued Share Capital After Change S\$</u>	<u>Authorised Share Capital After Change S\$</u>
	583,000 Shares of S\$1 each	Issue of Shares pursuant to exercise of options granted under the DBS Bank Share Option Scheme 1998	Ordinary:- 984,879,815 DBS Non-voting CPS:- 224,764,875 Total:- 1,209,644,690	N.A.
	93,090,489 Shares of S\$1 each	Bonus issue for the purpose of the merger of the local and foreign DBS shares	Ordinary:- 1,077,970,304 DBS Non-voting CPS:- 224,764,875 Total:- 1,302,735,179	N.A.
	21,397,616 DBS Non-voting CPS of S\$1 each	Special bonus issue to the Minister for Finance	Ordinary:- 1,077,970,304 DBS Non-voting CPS:- 246,162,491 Total:- 1,324,132,795	N.A.
September 18, 1999	(1,077,970,304) Shares of S\$1 each and (246,162,491) DBS Non-voting CPS of S\$1 each	Cancellation of Shares and DBS Non-voting CPS pursuant to the Restructuring Scheme	Ordinary:- 0 DBS Non-voting CPS:- 0 Total:- 0	N.A.
	1,324,132,795 Shares of S\$1 each	Issue of Shares to DBSH pursuant to the Restructuring Scheme	Ordinary:- 1,324,132,795 Total:- 1,324,132,795	N.A.
March 14, 2001	800,000 non-cumulative redeemable non-convertible perpetual preference shares ("Substitute Preference Shares") of US\$0.01 each and 17,500 Substitute Preference Shares of S\$0.01 each	Increase in authorised share capital by US\$8,000 and S\$175 in connection with an offering of Hybrid Tier 1 Securities	N.A.	Ordinary:- 2,000,000,000 DBS CPS:- 1,200,000,000 DBS Non-voting CPS:- 300,000,000 Substitute Preference Shares:- US\$8,000 and 175
May 12, 2001 The Insurance Corporation of Singapore Limited	1,100,000,000 non-cumulative non-convertible perpetual preference shares ("Non-Cumulative Preference Shares") of S\$0.01 each	Increase in authorised share capital by S\$11,000,000 in connection with an offering of Tier 1 Non-Cumulative Preference Shares	N.A.	Ordinary:- 2,000,000,000 DBS CPS:- 1,200,000,000 DBS Non-voting CPS:- 300,000,000 Substitute Preference Shares:- US\$8,000 and 175 Non-Cumulative Preference Shares:- 1,100,000,000

The Insurance Corporation of Singapore Limited ("ICS")

<u>Date of Alteration</u>	<u>Number of Shares Allotted / (Cancelled or Redeemed)</u>	<u>Nature of Alteration</u>	<u>Issued Share Capital After Change S\$</u>	<u>Authorised Share Capital After Change S\$</u>
During the year ended December 31, 1996	45,325,450 Shares of S\$1 each	Issue of Shares pursuant to exercise of options granted under the ICS Group Share Option Scheme ("ICS Option")	Ordinary:- 50,356,052 Total:- 50,356,052	N.A.
During the year ended December 31 1999	243,000 Shares of S\$1 each	Issue of Shares pursuant to exercise of options granted under the ICS Option	Ordinary:- 51,549,052 Total:- 51,549,052	N.A.
During the year ended December 31, 2000	540,000 Shares of S\$1 each	Issue of Shares pursuant to exercise of options granted under the ICS Option	Ordinary:- 52,089,052 Total:- 52,089,052	N.A.

INDIRECTLY-OWNED DBSH SUBSIDIARIES:-**Singapore**

<u>Date of Alteration</u>	<u>Number of Shares Allotted / (Cancelled or Redeemed)</u>	<u>Nature of Alteration</u>	<u>Issued Share Capital After Change S\$</u>	<u>Authorised Share Capital After Change S\$</u>
DBS China Square Ltd				
June 1, 1996	64,900,000 Shares of S\$1 each	Increase in authorised capital by S\$64,900,000	N.A.	Ordinary: 65,000,000 Total:- 65,000,000
June 10, 1996	64,999,998 Shares of S\$1 each	Issue of 64,999,998 Shares to support operations	Ordinary:- 65,000,000 Total:- 65,000,000	N.A.
November 27, 1996	55,000,000 Redeemable Non-cumulative Preference Shares ("RPS") of S\$0.01 each.	Increase in authorised capital by S\$550,000	N.A.	Ordinary:- 65,000,000 RPS:- 550,000 Total:- 65,550,000
	55,000,000 RPS of S\$0.01 each	Issue of 55,000 RPS to support operations	Ordinary:- 65,000,000 RPS:-550,000 Total:- 65,550,000	N.A.
March 24, 1999	50,000,000 RPS of S\$0.01 each	Increase in authorised capital by S\$500,000	N.A.	Ordinary:- 65,000,000 RPS:-1,050,000 Total:- 66,050,000
	50,000,000 RPS of S\$0.01 each	Issue of RPS to support operations	Ordinary:- 65,000,000 RPS:- 1,050,000 Total:- 66,050,000	N.A.
DBS Finance Ltd				
January 2, 1998	115,000,000 Shares of S\$1 each	Issue of Shares to support operations	Ordinary:- 121,000,000 Total:- 121,000,000	N.A.

<u>Date of Alteration</u>	<u>Number of Shares Allotted / (Cancelled or Redeemed)</u>	<u>Nature of Alteration</u>	<u>Issued Share Capital After Change S\$</u>	<u>Authorised Share Capital After Change S\$</u>
DBS Securities Holding Pte Ltd				
March 29, 1996	9,100,000 Shares of S\$ each	Issue of Shares to sole shareholder, DBS for acquisition of a joint venture	Ordinary:- 85,100,000 Total:- 85,100,000	N.A.
July 11, 1996	8,000,000 Shares of S\$1 each	Issue of Shares to sole shareholder, DBS for acquisition of a new subsidiary	Ordinary:- 93,100,000 Total:- 93,100,000	N.A.
May 30, 1997	5,500,000 Shares of S\$1 each	Issue of Shares to support operations	Ordinary:- 98,600,000 Total:- 98,600,000	N.A.
August 8, 1997	50,000,000 Shares of S\$1 each	Increase in authorised capital by S\$50,000,000	N.A.	Ordinary:- 150,000,000 Total:- 150,000,000
August 15, 1997	22,900,000 Shares of S\$1 each	Issue of Shares to support operations	Ordinary:- 121,500,000 Total:- 121,500,000	N.A.

Hong Kong

<u>Date of Alteration</u>	<u>Number of Shares Allotted / (Cancelled or Redeemed)</u>	<u>Nature of Alteration</u>	<u>Issued Share Capital After Change S\$</u>	<u>Authorised Share Capital After Change S\$</u>
DBS Asset Management (Hong Kong) Limited				
December 12, 2000	45,000 Shares of HK\$10 each	Increase of authorised and issued capital by HK\$450,000 to act as a buffer to the HK regulations (General Regulations of Mandatory Provident Fund Schemes) minimum net assets requirements of HK\$10,000,000	10,450,000	10,450,000
DBS Kwong On Insurance Co. Ltd				
June 26, 2000	80,000 Shares of HK\$1,000 each	Increase of authorised capital by HK\$80,000,000 to comply with HKIA requirement to extend the insurance license	N.A.	100,000,000
DBS Securities Hong Kong Limited				
September 19, 1997	100,000,000 Shares of HK\$1 each	Increase in authorised capital by HK\$100,000,000 to increase working capital to provide margin financing service to clients	N.A.	220,000,000
	100,000,000 Shares of HK\$1 each	Increase in issued capital by HK\$100,000,000 to support operations	200,000,000	N.A.
DBS Asia Capital Limited				
February 22, 1996	1,000 Shares of US\$1,000 each	Issue of Shares to support operations	US\$2,900,000	N.A.
May 15, 1996	(2,900) Shares of US\$1 each and 22,433,675 Shares of HK\$1 each	Conversion of authorised and issued capital of US\$2,900,000 to HK\$22,433,675	22,433,675	22,433,675
August 22, 1996	70,000,000 Shares of S\$1 each	Increase of authorised capital by HK\$70,000,000	N.A.	92,433,675
	70,000,000 Shares of S\$1 each	Issue of Shares to support operations	92,433,675	N.A.

India

<u>Date of Alteration</u>	<u>Number of Shares Allotted / (Cancelled or Redeemed)</u>	<u>Nature of Alteration</u>	<u>Issued Share Capital After Change S\$</u>	<u>Authorised Share Capital After Change S\$</u>
DBS Capital Trust Securities India Pvt Ltd				
July 9, 1996	100,000 Shares of Rupee10 each	Issue of Shares to meet the working capital requirements.	7,790,000	N.A.
August 1, 1996	22,554,333 Shares of Rupee10 each	Increase of issued capital by Rupee225,543,330 as per a joint venture Agreement dated September 9, 1955	233,333,330	N.A.

Indonesia

<u>Date of Alteration</u>	<u>Number of Shares Allotted / (Cancelled or Redeemed)</u>	<u>Nature of Alteration</u>	<u>Issued Share Capital After Change S\$</u>	<u>Authorised Share Capital After Change S\$</u>
PT Bank DBS Indonesia (formerly known as PT Bank DBS Buana)				
August 3, 1998	340 Shares of Rupiah50,000,000 each	Issue of Shares through the re-capitalisation of final dividends paid for the financial year ended December 31, 1997 to support its operations	100,000,000,000	N.A.
March 31, 2000	6,000 Shares of Rupiah50,000,000 each	Increase in authorised capital by Rupiah300,000,000,000	N.A.	400,000,000,000
	3,300 Shares of Rupiah50,000,000 each	Issue of Shares	265,000,000,000	N.A.

Philippines

<u>Date of Alteration</u>	<u>Number of Shares Allotted / (Cancelled or Redeemed)</u>	<u>Nature of Alteration</u>	<u>Issued Share Capital After Change S\$</u>	<u>Authorised Share Capital After Change S\$</u>
DBS Bank Philippines, Inc.				
August 31, 1998	11,963,480 Shares of Peso100 each	Issue of Shares in relation to acquisition of a 60% interest in DBS Bank Philippines, Inc. by DBS	2,621,348,000	N.A.
December 31, 1998	850,653 Shares of Peso100 each	Issue of Shares in relation to the merger of DBS Savings Bank into DBS Bank Philippines	2,706,413,300	N.A.
DBS Forex Centre Philippines, Inc.				
August 24, 1998	83,300 Shares of Peso100 each	Issue of Shares at incorporation	8,330,000	N.A.
DBS Securities Philippines, Inc.				
June 5, 1996	2,500,000 Shares of Peso10 each	Increase in authorised capital by Peso25,000,000 to support the expected increase in trading volume and to meet the Philippine Stock Exchange ("PSE") and Singapore Industry regulations ("SIR") Net Capital Rule	N.A.	50,000,000
February 3, 1998	20,000,000 Shares of Peso10 each	Increase in authorised capital by Peso200,000,000 to support the expected increase in trading volume and to meet the PSE and SIR Net Capital Rule	N.A.	250,000,000
	15,000,000 Shares of Peso10 each	Increase in issued capital by Peso150,000,000	200,000,000	N.A.

Thailand

<u>Date of Alteration</u>	<u>Number of Shares Allotted/ (Cancelled or Redeemed)</u>	<u>Nature of Alteration</u>	<u>Issued Share Capital After Change S\$</u>	<u>Authorised Share Capital After Change S\$</u>
DBS Thai Danu Bank Public Company Limited				
April 26, 1999	949,800,000 Shares of Baht10 each, and 200,000 Class A to H preference shares ("PS") of Baht10 each	Increase in authorised capital by Baht9,500,000,000	N.A.	15,000,000,000
June 2, 1999	550,000,000 Shares of Baht10 each	Rights issue	11,000,000,000	N.A.
June 3, 1999	50,000 Class A PS of Baht10 each	Issue of Class A PS together with non-detachable 50,000 perpetual Subordinated Debentures of Baht100,000 each	11,000,500,000	N.A.
	15,000 Class G PS of Baht10 each	Issue of Class G PS together with 15,000 convertible Subordinated Debentures of par value Baht100,000 each	11,000,650,000	N.A.
June 5, 2000	(10,000) each of Class B to F PS of Baht10 each, (35,000) Class G and (50,000) Class H PS of Baht10 each	Decrease in authorised capital by Baht1,350,000	N.A.	14,998,650,000
	4,150,000,000 Shares of Baht10 each, 20,000 each of Class B to F PS of Baht10 each, 20,000 Class H and 15,000 Class I PS of Baht10 each	Increase in authorised capital by Baht41,501,350,000	N.A.	56,500,000,000
June 27, 2000	600,000,000 Shares of Baht10 each	Rights issue with warrant at the rate of 1 : 1	17,000,650,000	N.A.
	20,000 each of Class B to D PS of Baht10 each, and 15,000 Class E PS of Baht10 each	Issue of PS together with 75,000 non-detachable convertible Subordinated Debentures of Baht100,000 each with warrant at the rate of 1 : 1	17,001,400,000	
October 11, 2000	1 Warrant has been exercised at Baht10	1 Warrant has been converted to 1 Right issue	17,001,400,010	N.A.
DBS Thai Danu Securities Limited				
January 4, 1999	10,000,000 Shares of Baht10 each	Issue of Shares fully paid to support operations	275,000,000	N.A.
March 31, 1999	(16,100,000) Shares of Baht10 each	Reduction in ordinary share capital to offset accumulated losses	114,000,000	N.A.
April 1, 1999	40,000,000 Shares of Baht10 each	Issue of Shares to support operations	514,000,000	N.A.

APPENDIX B

CONDITIONS OF OFFER

The Offer is subject to the following Conditions: —

- (1) **Minimum Acceptance Condition:** valid acceptances having been received (and not, where permitted, withdrawn) by the close of the Offer in respect of such number of Offer Shares which, when taken together with the number of OUB Shares owned, controlled or agreed to be acquired by DBSH or any of its concert parties (either before or during the Offer and pursuant to the Offer or otherwise), will result in DBSH and its concert parties holding such number of OUB Shares carrying more than 50 per cent. of the voting rights attributable to the issued share capital of OUB as of the close of the Offer (including any voting rights attributable to OUB Shares unconditionally issued or to be issued pursuant to the valid exercise of the OUB Options prior to the close of the Offer).

Accordingly, the Offer will not become or be capable of being declared unconditional as to acceptances until the close of the Offer, unless at any time prior to the close of the Offer the aggregate number of OUB Shares owned, controlled or agreed to be acquired by DBSH or any of its concert parties (either before or during the Offer and pursuant to the Offer or otherwise), when taken together with the number of OUB Shares represented by valid acceptances received pursuant to the Offer, exceeds 50 per cent. of the maximum potential issued share capital of OUB. For these purposes, the “**maximum potential issued share capital of OUB**” means the total number of OUB Shares which would be in issue had all the OUB Options been validly exercised as of the date of such declaration;

- (2) **Listing Approval:** the SGX-ST (a) having granted its in-principle approval for the listing and quotation of the New DBSH Shares on the Official List of the SGX-ST, (b) such approval remaining in full force and effect, there being no notice of any intention to revoke or not to renew such approval, and (c) all actions or obligations required under such approval to be taken or complied with prior to the close of the Offer having been taken and complied with;
- (3) **Shareholders’ Approval:** all resolutions as may be necessary or incidental to approve the Offer, the increase in the authorised share capital of DBSH and the issue of the New DBSH Shares pursuant to the Offer having been passed at a general meeting of DBSH shareholders (or any adjournment thereof);
- (4) **MAS Approval:** such approvals as may be required or appropriate from the Monetary Authority of Singapore for or in connection with the Offer and/or the acquisition of control of OUB or any member of the OUB Group by DBSH (a) having been obtained, (b) remaining in full force and effect, there being no notice of any intention to revoke or not to renew such approval, and (c) all actions or obligations required under such approval to be taken or complied with prior to the close of the Offer having been taken and complied with;
- (5) **Regulatory Approvals:**
- (a) all approvals, authorisations, clearances, confirmations, consents, exemptions, grants, licences, orders, permissions, recognitions and waivers (each, an “**Authorisation**”) as may be required or appropriate for or in connection with the Offer and/or the acquisition of control of OUB or any member of the OUB Group by DBSH and to carry on the business of OUB or of any member of the OUB Group from all relevant government, governmental, quasi-governmental, supranational, statutory, regulatory, administrative, fiscal or judicial agency, authority, body, court, commission, department, exchange, tribunal or entity in any jurisdiction (each, a “**Relevant Authority**”) (i) having been obtained, (ii) remaining in full force and effect, there being no notice of any intention to revoke or not to renew any such Authorisations, and (iii) all actions or

obligations required under any such Authorisations to be taken or complied with prior to the close of the Offer having been taken and complied with; and

- (b) all necessary or appropriate filings having been made and all appropriate waiting periods (including any extensions thereof) under any applicable legislation or regulation of any jurisdiction having expired, lapsed or been terminated, in each case for or in connection with the Offer and/or the acquisition of control of OUB or any member of the OUB Group by DBSH and to carry on the business of OUB or of any member of the OUB Group;
- (6) **No Injunctions:** no Relevant Authority having taken, instituted, implemented or threatened any action, proceeding, suit, investigation or inquiry, or made, proposed or enacted any statute, regulation or order or taken any other steps, and there not continuing to be in effect any statute, regulation or order, which would or might: —
- (a) make the Offer and/or the acquisition of control of OUB or any member of the OUB Group by DBSH void, illegal or unenforceable or otherwise restrict, restrain, prohibit or otherwise interfere with the implementation thereof, or impose additional conditions or obligations with respect thereto;
- (b) result in a delay in the ability of DBSH, or render DBSH unable, to acquire all or any OUB Shares or control of OUB or any member of the OUB Group;
- (c) require, prevent or delay the divestiture by any member of the OUB Group or by DBSH or any member of the DBSH Group of all or any part of their respective assets, businesses, property and undertakings, or impose any limitation on the ability of any of them to conduct their own businesses or own their assets or property;
- (d) impose any limitation on the ability of any member of the OUB Group or any member of the DBSH Group to acquire, hold or exercise effectively any rights of ownership of shares or securities convertible into shares in any member of the OUB Group or any member of the DBSH Group held or owned by it or on its behalf or to exercise management control over any member of the OUB Group or any member of the DBSH Group;
- (e) save pursuant to the Offer, require any member of the OUB Group or any member of the DBSH Group to offer to acquire any shares or other securities in any member of the OUB Group or any member of the DBSH Group owned by any third party; and/or
- (f) otherwise materially and adversely affect the business, assets, liabilities, profits or prospects of any member of the OUB Group, which may cause either the net assets or the operating profits of OUB or the OUB Group to be decreased by more than five per cent.

Each of Conditions 6(a), (b), (c), (d) and (e) may only be invoked by DBSH when the circumstances which give rise to the right to invoke the relevant Condition are of material significance to DBSH in the context of the Offer. Further, each of Conditions 6(a), (b), (c), (d), (e) and (f) may only be invoked by DBSH after prior consultation with the SIC;

- (7) **No Material Adverse Change:** since December 31, 2000: —
- (a) there having been no material adverse change in the assets, business, financial condition, profits, liabilities, prospects or results of operations of any member of the OUB Group; and/or
- (b) no litigation, arbitration, prosecution or other legal proceedings having been instituted, announced or threatened by or against or remaining outstanding against any member of the OUB Group which could have a material effect on that member of the OUB Group,

in each case so as to cause either the net assets or the operating profit of OUB or the OUB Group to be decreased by more than five per cent. Each of Conditions 7(a) and

(b) may only be invoked by DBSH when the circumstances which give rise to the right to invoke the relevant Condition are of material significance to DBSH in the context of the Offer. Further, each of Conditions 7(a) and (b) may only be invoked by DBSH after prior consultation with the SIC; and

- (8) **No Material Transaction:** no announcement, agreement, arrangement, memorandum of understanding and/or statement of intention (whether or not legally binding) relating to any Material Transaction (as defined below) having been released, entered into and/or completed or consummated prior to the close of the Offer.

For these purposes, a “**Material Transaction**” means a transaction involving any member of the OUB Group or to which any member of the OUB Group is a party (a) with a consideration or value (whether in cash or otherwise) equal to or greater than five per cent. of the audited net tangible asset value of the OUB Group as of December 31, 2000 and (b) which is outside the ordinary course of business of the OUB Group (whether such transaction (i) involves an acquisition, disposal, take-over offer, scheme of arrangement or reconstruction, merger, consolidation or other combination, dual-listed companies structure, joint venture, strategic alliance or otherwise or (ii) involves a single transaction or a number of related transactions and whether at one time or over a period of time).

This Condition (8) may only be invoked by DBSH when the circumstances which give rise to the right to invoke this Condition (8) are of material significance to DBSH in the context of the Offer. Further, this Condition (8) may only be invoked by DBSH after prior consultation with the SIC.

APPENDIX C

PROCEDURES FOR ACCEPTANCE

1. Depositors whose Securities Accounts are or will be credited with Offer Shares

- 1.1 Depositors whose Securities Accounts are credited with Offer Shares.** If you hold Offer Shares standing to the credit of your Securities Account, you are entitled to receive this Offer Document together with an FAA. If you wish to accept the Offer, you should complete and sign the FAA in accordance with this Offer Document and the instructions printed on the FAA (which instructions shall be deemed to form part of this Offer Document).

You should forward the completed FAA: —

- (1) by hand to **DBS Group Holdings Ltd, c/o The Central Depository (Pte) Limited, 20, Cecil Street, #07-02/05, Singapore Exchange, Singapore 049705;**
or
- (2) by post, in the enclosed pre-addressed envelope at your own risk, to **DBS Group Holdings Ltd, c/o The Central Depository (Pte) Limited, Robinson Road Post Office, P.O. Box 1984, Singapore 903934,**

in each case so as to arrive NOT LATER THAN 3.30 p.m. on the Closing Date.

If you have sold or transferred all your Offer Shares, you need not forward this Offer Document and the FAA to the purchaser or transferee as arrangements will be made by CDP for a separate Offer Document and FAA to be delivered to the purchaser or transferee. Purchasers of Offer Shares should note that CDP will, on behalf of DBSH, send a copy of this Offer Document and the FAA by ordinary post at their own risk to their respective addresses as they appear in the records of CDP.

CDP will, upon receipt on behalf of DBSH of the FAA and all other relevant documents, transfer the Offer Shares in respect of which you have accepted the Offer from your Securities Account to a "Suspense Account", where such Offer Shares will be held pending the Offer becoming or being declared unconditional in all respects and your receipt of the consideration for such Offer Shares.

You must insert in **Part A** of the FAA the number of Offer Shares in respect of which you wish to accept the Offer. Such number should not exceed the number of Offer Shares standing to the credit of the "Free Balance" of your Securities Account as at 5.00 p.m. on the date of receipt by CDP, on behalf of DBSH, of the FAA (the "**Date of Receipt**").

If:

- (1) the number of Offer Shares in respect of which you wish to accept the Offer, as inserted by you in Part A of the FAA, exceeds the number of Offer Shares standing to the credit of the "Free Balance" of your Securities Account as at 5.00 p.m. on the Date of Receipt (provided that the Date of Receipt is on or before the Closing Date); or
- (2) you have not inserted any number of Offer Shares in Part A of the FAA,

then you shall be deemed to have accepted the Offer in respect of all the Offer Shares standing to the credit of the "Free Balance" of your Securities Account as at 5.00 p.m. on the Date of Receipt.

- 1.2 Depositors whose Securities Accounts will be credited with Offer Shares.** If (1) you purchase Offer Shares on the SGX-ST and such Offer Shares are in the process of being credited to the "Free Balance" of your Securities Account and (2) you wish to accept the Offer, you must send to the address specified in paragraph 1.1 above: —
- (a) the relevant original "bought" contract statement(s), validly issued by a member company of the SGX-ST in your name, in respect of your purchase of such Offer Shares; and

(b) the FAA duly completed and signed.

You must insert in **Part B** of the FAA the number of Offer Shares in respect of which you wish to accept the Offer. Such number should not exceed the number of Offer Shares represented by the relevant original contract statement(s). If the FAA is received by CDP without the relevant original contract statement(s), **then you shall be deemed to have accepted the Offer in respect of all the Offer Shares standing to the credit of the "Free Balance" of your Securities Account as at 5.00 p.m. on the Date of Receipt.**

If: —

- (1) the number of Offer Shares in respect of which you wish to accept the Offer as inserted by you in Part B of the FAA exceeds the number of Offer Shares represented by the relevant original contract statement(s); or
- (2) you have not inserted any number of Offer Shares in Part B of the FAA,

then you shall be deemed to have accepted the Offer in respect of all the Offer Shares as represented by the relevant original contract statement(s).

Your acceptance as aforesaid will constitute your unconditional and irrevocable undertaking and agreement to procure that the "Free Balance" of your Securities Account will be credited with the relevant number of such Offer Shares within ten Market Days of the date of the relevant original contract statement(s). If by 5.00 p.m. on the tenth Market Day following the date of the relevant original contract statement(s), the "Free Balance" of your Securities Account is not credited with, or is credited with less than, the relevant number of Offer Shares as aforesaid, **then you shall be deemed to have accepted the Offer only in respect of such number of Offer Shares as may be standing to the credit of the "Free Balance" of your Securities Account as at 5.00 p.m. on the tenth Market Day following the date of the relevant original contract statement(s)**, provided that your acceptance of the Offer shall not in any event be deemed to exceed the number of Offer Shares inserted in Part B of the FAA or, if no number is inserted, the number of Offer Shares represented by the relevant original contract statement(s).

If upon receipt by CDP, on behalf of DBSH, of the FAA and the relevant original contract statement(s) and other relevant documents, it is established that the Offer Shares represented by the relevant original contract statement(s) will not be credited or are not in the process of being credited to your Securities Account (as, for example, where you sell or have sold such Offer Shares), then such an acceptance is liable to be rejected and neither CDP, Goldman Sachs nor DBSH accepts any responsibility or liability for the consequences of such a rejection.

1.3 Depositors whose Securities Accounts are and will be credited with Offer Shares. If you already have Offer Shares credited to your Securities Account, and have also purchased additional Offer Shares on the SGX-ST which are in the process of being credited to your Securities Account, you may accept the Offer in respect of both the Offer Shares standing to the credit of your Securities Account as well as the additional Offer Shares purchased which are in the process of being credited to your Securities Account. The provisions set out above shall apply *mutatis mutandis* to such acceptance(s) by you.

1.4 General. You should note that, for the purposes of the acceptances referred to above, you may send in the relevant original contract statement(s) in respect of Offer Shares purchased on the SGX-ST, provided that the "Free Balance" of your Securities Account is credited with the relevant number of Offer Shares within ten Market Days of the date of the relevant original contract statement(s).

For reasons of confidentiality, CDP will not entertain telephone enquiries relating to the number of Offer Shares credited to your Securities Account. You can verify the number of Offer Shares credited to your Securities Account by e-mail, if you have registered for the CDP e-mail service. Alternatively, you may call personally at CDP with your identity

card or passport to verify the number of Offer Shares credited to your Securities Account.

DBSH will be entitled to reject any acceptance which does not comply with the provisions and instructions contained herein and in the FAA or which is otherwise incomplete, incorrect or invalid in any respect. If you wish to accept the Offer, it is your responsibility to ensure that the FAA is properly completed in all respects. Any decision to reject the FAA on the ground that it has been incorrectly or incompletely signed, completed or submitted will be final and binding and none of CDP, Goldman Sachs nor DBSH accepts any responsibility or liability for the consequences of such a decision.

Except as specifically provided for in paragraphs 5 and 9 of the Offer Document, this Appendix C and Section 213(10) of the Companies Act, your acceptance of the Offer is irrevocable. An acknowledgement of receipt of the FAA will be given by CDP if it is submitted by hand to CDP. No acknowledgement will be given for submissions deposited into boxes located at CDP's premises.

All communications, notices, documents and remittances to be delivered or sent to you (as an accepting OUB shareholder) will be sent to you by ordinary post to your address as it appears in the records of CDP at your own risk.

In the event of the Offer becoming or being declared unconditional in accordance with its terms, payment will be sent to you (as an accepting OUB shareholder) by ordinary post to your address as it appears in the records of CDP at your own risk. CDP will send a notification letter by ordinary post to you, at your address as it appears in the records of CDP, at your own risk, stating the number of Offer Shares debited from your Securities Account and the number of New DBSH Shares credited into your Securities Account.

In the event of the Offer not becoming or not being declared unconditional in accordance with its terms, the relevant number of Offer Shares in respect of which you have accepted the Offer will be transferred to the "Free Balance" of your Securities Account as soon as possible but, in any event, not later than 14 days from the lapse of the Offer.

2. OUB shareholders who hold Offer Shares which are not deposited with CDP

If you have not deposited your Offer Shares with CDP, you are entitled to receive this Offer Document together with an FAT. If you wish to accept the Offer, you should complete and sign the accompanying FAT in accordance with this Offer Document and the instructions printed on the FAT (which instructions shall be deemed to form part of this Offer Document).

You should forward by hand or by post (in the enclosed pre-addressed envelope at your own risk): —

- (1) the completed FAT; and
- (2) the relevant share certificate(s) and/or other document(s) of title and/or other relevant documents required by DBSH,

to DBS Group Holdings Ltd c/o Lim Associates (Pte) Ltd, 10, Collyer Quay, #19-08, Ocean Building, Singapore 049315, so as to arrive NOT LATER THAN 3.30 p.m. on the Closing Date.

If your Offer Shares are represented by share certificate(s) which are not registered in your name, the relevant share certificate(s) and/or other document(s) of title and/or other relevant documents required by DBSH must be sent together with the FAT, accompanied by transfer form(s), duly executed by the person(s) in whose name(s) such share certificate(s) are registered in and stamped, with the particulars of transferee left blank (to be completed by DBSH or a person authorised by it).

DBSH will be entitled to reject any acceptance which does not comply with the provisions contained herein and in the FAT or (subject to the preceding paragraph) which is not accompanied by the relevant share certificate(s) and/or other

document(s) of title and/or other relevant document(s) required by DBSH, or which is otherwise not complete or valid in any respect. If you wish to accept the Offer, it is your responsibility to ensure that the FAT is properly completed in all respects. Any decision to reject the FAT on the grounds that it has been incorrectly or incompletely signed, completed or submitted will be final and binding and neither Lim Associates (Pte) Ltd, Goldman Sachs nor DBSH accepts any responsibility or liability for the consequences of such a decision.

Except as specifically provided for in paragraphs 5 and 9 of this Offer Document, this Appendix C and Section 213(10) of the Companies Act, your acceptance of the Offer is irrevocable. No acknowledgement of receipt of any FAT, share certificate(s) and/or any other document(s) including, without limitation, documents of title will be given.

All communications, notices, certificates, documents and remittances to be delivered or sent to you (as an accepting OUB shareholder) will be sent to your (or your designated agent or, in the case of joint accepting OUB shareholders who have not designated any agent, to the one first named in the Register of Members of OUB) by ordinary post to your address as it appears in the Register of Members of OUB at your own risk (or, for the purposes of remittances only, to such different name and address as you may specify in the FAT and at your own risk).

In the event of the Offer becoming or being declared unconditional in all respects in accordance with its terms, payment will be sent to you (as an accepting OUB shareholder) (or your designated agent or, in the case of joint accepting OUB shareholders who have not designated any agent, to the one first named in the Register of Members of OUB) by ordinary post to your address as it appears in the Register of Members of OUB at your own risk (or to such different name and address as your may specify in the FAT and at your own risk).

In the event of the Offer not becoming or not being declared unconditional in accordance with its terms, the FAT and other documents will be returned at your own risk by ordinary post within 14 days of the lapse of the Offer.

3. Other relevant information in respect of the procedures for acceptance

If you hold the share certificate(s) of some Offer Shares beneficially owned by you and have deposited the rest of the Offer Shares beneficially owned by you with CDP, you are required to complete an FAT for the Offer Shares in respect of which you hold the share certificate(s) and an FAA for the Offer Shares which are deposited with CDP, if you wish to accept the Offer in respect of all such Offer Shares. Both the FAA and the FAT must be completed and accompanied by the relevant documents and sent to DBSH in accordance with the respective procedures for acceptance set out in this Appendix C.

If you hold share certificate(s) in respect of Offer Shares beneficially owned by you and wish to accept the Offer, you should not deposit your share certificate(s) with CDP during the period commencing on the date of this Offer Document and ending on the Closing Date (both dates inclusive). If you deposit the share certificate(s) in respect of Offer Shares beneficially owned by you with CDP during this period, you may not have your Securities Account credited with the relevant number of Offer Shares in time for you to accept the Offer.

APPENDIX D

ADDITIONAL INFORMATION ON DBSH GROUP

1. Directors

The names and descriptions of all the directors of DBSH as of the Latest Practicable Date are as follows: —

<u>Name</u>	<u>Address</u>	<u>Description</u>
S. Dhanabalan	1E, Chatsworth Avenue, Singapore 249842.	Chairman
Philippe Paillart	11, Mount Pleasant Drive, Singapore 298382.	Vice Chairman and Chief Executive Officer
Jackson Peter Tai	8, Cuscaden Walk, #27-01, Four Seasons Park, Singapore 249692.	President and Chief Operating Officer, DBS Bank
Bernard Chen Tien Lap	22, Mayflower Place, Singapore 568703.	Director
Fock Siew Wah	335, Bukit Timah Road, #18-02, Wing On Life Garden, Singapore 259718.	Director
Gail D. Fosler	4104, Woodbine Street, Chevy Chase, MD 20815, United States of America.	Director
Robert Montgomery Howe	2858, Steiner, San Francisco, CA 94123, United States of America.	Director
Tommy Koh Thong-Bee . . .	18, Anderson Road, #12-02, Singapore 259977.	Director
Moses Lee Kim Poo	88, Wilkinson Road, Singapore 436738.	Director
Yeo Ning Hong	2A, Cluny Hill, Singapore 259651.	Director

2. Share Capital; Options

2.1 Share Capital. As of the Latest Practicable Date, DBSH had an authorised share capital of S\$3,000,000,000 consisting of: —

- (1) 2,000,000,000 DBSH Shares, of which 1,216,773,235 DBSH Shares have been issued and are fully paid-up;
- (2) 500,000,000 non-voting non-redeemable convertible preference shares of par value S\$1 each, of which 25,107,992 of such preference shares have been issued and are fully paid-up; and
- (3) 500,000,000 non-voting redeemable convertible preference shares of par value S\$1 each, of which 66,475,374 of such preference shares have been issued and are fully paid-up.

2.2 Options and Awards. As of the Latest Practicable Date, there are 23,743,534 outstanding options granted under the DBSH Share Option Scheme and the DBSH Share Option Plan to subscribe for 23,743,534 new DBSH Shares.

It is the current intention and practice of DBSH that awards granted under the DBSH Performance Share Plan and the DBSH Employee Share Plan are satisfied by the

delivery of DBSH Shares acquired through market purchases, although DBSH is entitled to issue new DBSH Shares in satisfaction of such awards.

3. Profit and Loss Accounts

A summary of the audited consolidated profit and loss accounts of the DBSH Group for the five years ended December 31, 1996, 1997, 1998, 1999 and 2000 is set out below. The following summary financial information should be read together with the audited financial statements of the DBSH Group for the relevant years and related notes thereto.

	Year ended December 31,				
	2000	1999	1998¹	1997¹	1996¹
	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)
Interest Income	4,896,910	4,607,872	4,931,259	3,178,454	2,378,992
Less: Interest expense	2,857,539	2,573,197	3,501,256	2,176,646	1,515,680
Net Interest Income	2,039,371	2,034,675	1,430,003	1,001,808	863,312
Fee and commission income	508,474	423,053	274,130	298,688	256,906
Dividends	82,866	31,297	37,032	86,679	77,324
Rental income	32,106	30,747	37,660	32,885	31,964
Other income	268,188	509,152	97,012	92,246	159,570
Income before operating expenses	2,931,005	3,028,924	1,875,837	1,512,306	1,389,076
Less: Staff costs	613,221	529,258	333,588	276,791	264,028
Other operating expenses	632,445	535,423	420,779	216,087	204,324
Total operating expenses	1,245,666	1,064,681	754,367	492,878	468,352
Operating Profit	1,685,339	1,964,243	1,121,470	1,019,428	920,724
Less: Provision for possible loan losses and diminution in value of other assets	53,644	1,063,224	996,428	495,514	84,580
	1,631,695	901,019	125,042	523,914	836,144
Add: Share of profits less losses of associated companies	43,132	140,372	(80,931)	—	—
Net profit before taxation	1,674,827	1,041,391	44,111	523,914	836,144
Less: taxation	308,746	345,150	64,390	87,817	166,051
Share of taxation of associated companies	6,396	34,313	7,314	—	—
Net profit after taxation	1,359,685	661,928	(27,593)	436,097	670,093
Minority interests	29,161	409,855	139,557	290	(642)
Net profit attributable to members	1,388,846	1,071,783	111,964	436,387	669,451
Earnings per ordinary share					
• Basic	113 cents	97 cents	10 cents	53.7 cents	83.8 cents
• Diluted	107 cents	87 cents	10 cents	Not stated	Not stated

¹ The financial statements of the DBSH Group for the years ended December 31, 1996, 1997, 1998 relate to those of DBS Bank and its subsidiaries. Following the restructuring of DBSH Bank to become a wholly-owned subsidiary of DBSH in 1999, the financial statements of the DBSH Group from the year ended December 31, 1999 relate to those of DBSH and its subsidiaries.

4. Statement of Assets and Liabilities

A summary of the audited consolidated balance sheets of the DBSH Group as of December 31, 1996, 1997, 1998, 1999 and 2000 is set out below. The following summary financial information should be read together with the audited financial statements of the DBSH Group for the relevant years and related notes thereto.

	As of December 31,				
	2000	1999	1998¹	1997¹	1996¹
	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)
SHARE CAPITAL AND RESERVES					
Share capital.....	1,307,249	1,324,828	1,564,977	1,238,815	1,346,589
RESERVES					
Share premium account.....	6,809	4,967	—	1,646,051	1,534,133
Other reserve.....	4,273,129	4,273,129	3,914,158	—	—
Capital redemption reserve...	28,410	—	—	—	—
Capital reserve.....	—	170,984	125,841	215,204	258,663
General reserve.....	1,755,105	1,634,921	1,377,290	1,274,750	1,163,497
Revenue reserve.....	3,124,048	3,466,969	2,829,256	2,822,295	2,596,167
	<u>9,187,501</u>	<u>9,550,970</u>	<u>8,246,545</u>	<u>5,958,300</u>	<u>5,552,460</u>
SHAREHOLDERS' FUNDS ...	10,494,750	10,875,798	9,811,522	7,197,115	6,899,049
MINORITY INTERESTS	(126,031)	(250,652)	(71,212)	49,322	47,952
SUBORDINATED TERM DEBTS	2,508,460	1,648,620	126,100	—	—
LIABILITIES					
Deposits and balances of banks	12,053,626	7,490,609	12,618,271	20,480,499	14,556,615
Deposits and other accounts of non-bank customers	80,720,470	82,268,309	73,858,292	33,557,006	30,599,890
Other debt securities in issue ..	654,757	536,329	349,028	223,056	175,500
Other borrowings.....	648,652	632,916	648,100	1,625,212	1,485,174
Bills payable.....	407,394	571,734	366,010	685,763	603,620
Other liabilities	3,143,704	2,008,721	2,130,113	1,149,525	1,115,757
Current taxation.....	407,675	509,879	108,144	94,793	178,543
Deferred taxation.....	18,420	14,763	11,666	36,264	27,370
Proposed dividends	296,200	157,919	81,358	52,747	48,165
	<u>111,228,077</u>	<u>106,464,945</u>	<u>100,037,392</u>	<u>65,151,302</u>	<u>55,737,635</u>
Life fund liabilities to policyholders.....	1,288,855	—	—	—	—
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS ..	<u>112,516,932</u>	<u>106,464,945</u>	<u>100,037,392</u>	<u>65,151,302</u>	<u>55,737,635</u>
MEMORANDUM ITEMS					
Contingent liabilities	8,674,419	8,553,957	8,684,790	8,646,570	7,846,201
Commitments	33,065,044	35,303,754	35,600,398	34,782,495	31,196,298
	<u>41,739,463</u>	<u>43,857,711</u>	<u>44,285,188</u>	<u>43,429,065</u>	<u>39,042,499</u>
Financial derivatives	<u>176,193,717</u>	<u>43,527,328</u>	<u>36,056,167</u>	<u>36,508,113</u>	<u>28,636,117</u>
ASSETS					
Cash, and balances and placements with central banks	5,145,019	6,943,841	8,720,463	1,533,188	1,758,394
Singapore Government securities and treasury bills	8,654,584	8,813,799	6,949,915	2,529,161	2,864,035
Trading securities	4,849,421	3,334,545	2,733,092	1,509,624	1,499,693
Balances, placements with, and loans and advances to banks	34,568,689	26,493,664	20,751,947	16,292,355	15,539,436
Bills receivable from non-bank customers	992,391	1,201,881	2,056,912	1,249,804	1,168,961

	As of December 31,				
	2000	1999	1998¹	1997¹	1996¹
	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)
Loans and advances to non-bank customers	51,031,379	53,167,650	54,158,482	38,884,874	29,843,694
Investment securities	341,291	964,640	315,559	438,460	501,074
Other assets	3,297,847	2,244,914	1,644,613	1,286,344	1,131,066
Associated companies	557,688	1,479,546	1,087,531	392,182	411,368
Fixed assets	<u>1,789,768</u>	<u>1,820,465</u>	<u>1,618,878</u>	<u>1,035,310</u>	<u>1,019,914</u>
	111,228,077	106,464,945	100,037,392	65,151,302	55,737,635
Life fund net assets attributable to policy holders	<u>1,288,855</u>	—	—	—	—
TOTAL ASSETS	<u><u>112,516,932</u></u>	<u><u>106,464,945</u></u>	<u><u>100,037,392</u></u>	<u><u>65,151,302</u></u>	<u><u>55,737,635</u></u>

¹ The financial statements of the DBSH Group for the years ended December 31, 1996, 1997 and 1998 relate to those of DBS Bank and its subsidiaries. Following the restructuring of DBS Bank to become a wholly-owned subsidiary of DBSH in 1999, the financial statements of the DBSH Group from the year ended December 31, 1999 relate to those of DBSH and its subsidiaries.

5. Material Changes in Financial Position

Save as disclosed in this Offer Document and save for information on DBSH that is publicly available (including that contained in the annual report and accounts of the DBSH Group for the financial year ended December 31, 2000), there has been no material change in the financial position of DBSH since December 31, 2000, being the date of the last balance sheet of DBSH laid before the shareholders of DBSH in general meeting.

6. Litigation

None of DBSH and any of its subsidiaries is engaged in any litigation, either as a plaintiff or defendant, which might materially and adversely affect the financial position or the business of the DBSH Group, taken as a whole. The Directors are not aware of any litigation, claims or proceedings pending or threatened against the DBSH Group or any facts likely to give rise to any such litigation, claims or proceedings which may have a material adverse effect on the financial position or business of the DBSH Group, taken as a whole.

7. Registered Office

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

APPENDIX E

ADDITIONAL INFORMATION ON OUB GROUP

1. Directors

The names, addresses and descriptions of all the directors of OUB, as disclosed by a search conducted at the ROC on the Latest Practicable Date, are as follows: —

<u>Name</u>	<u>Address</u>	<u>Description</u>
Lee Hee Seng	103, Gallop Park Road, Singapore 258997.	Chairman
Peter Seah Lim Huat	45 Binjai Park, Singapore 589845.	Vice Chairman and Chief Executive Officer
Tan Kok Quan	12, Bishopsgate, Singapore 249984.	Director
Professor Lim Pin	2, Jalan Harum, Singapore 268476.	Director
Dr Andrew Chew Guan Khuan	3, Jalan Tanah Puteh, Singapore 457329.	Director
Margaret Lien Wen Hsien	E Holland Park, Singapore 249472.	Director
Ngiam Tong Dow	4, Chestnut Avenue, Singapore 679490.	Director
Ng Boon Yew	24, Fernhill Crescent, Singapore 259178.	Director

2. Profit and Loss Accounts

A summary of the audited consolidated profit and loss accounts of the OUB Group for the five years ended December 31, 1996, 1997, 1998, 1999 and 2000 is set out below. The following summary financial information should be read together with the audited financial statements of the OUB Group for the relevant years and related notes thereto.

	Year ended December 31,				
	<u>2000</u> <u>(S\$'000)</u>	<u>1999</u> <u>(S\$'000)</u>	<u>1998</u> <u>(S\$'000)</u>	<u>1997</u> <u>(S\$'000)</u>	<u>1996</u> <u>(S\$'000)</u>
Interest income	2,339,123	1,979,337	2,687,194	2,475,835	1,940,866
Less: Interest expense	1,340,211	1,128,010	1,843,849	1,666,693	1,262,716
Net Interest Income	<u>998,912</u>	<u>851,327</u>	<u>843,345</u>	<u>809,142</u>	<u>678,150</u>
Fees and commissions	182,714	231,984	148,481	169,839	143,058
Dividends	6,032	4,355	6,926	15,697	16,431
Rental	4,905	3,755	3,826	4,303	4,396
Other income	<u>83,801</u>	<u>118,033</u>	<u>85,495</u>	<u>57,935</u>	<u>30,052</u>
Operating income	<u>1,276,364</u>	<u>1,209,454</u>	<u>1,088,073</u>	<u>1,056,916</u>	<u>872,087</u>
Less: Staff costs	263,851	227,631	208,933	211,418	—
Other operating expenses ..	<u>222,534</u>	<u>209,719</u>	<u>177,653</u>	<u>167,055</u>	<u>—</u>
Total operating expenses	<u>486,385</u>	<u>437,350</u>	<u>386,586</u>	<u>378,473</u>	<u>351,188</u>
Operating Profit	<u>789,979</u>	<u>772,104</u>	<u>701,487</u>	<u>678,443</u>	<u>520,899</u>
Less: Provision for possible loan losses and diminution in value of other assets	<u>123,324</u>	<u>211,218</u>	<u>471,663</u>	<u>316,963</u>	<u>83,212</u>

	Year ended December 31,				
	2000 (S\$'000)	1999 (S\$'000)	1998 (S\$'000)	1997 (S\$'000)	1996 (S\$'000)
Net profit before share of associated companies' results	666,655	560,886	229,824	361,480	437,687
Share of associated companies' results	53,375	45,274	12,901	—	—
Net profit before tax	720,030	606,160	242,725	361,480	437,687
Less: tax	158,926	130,096	64,844	97,308	118,564
Net profit after tax	561,104	476,064	177,881	264,172	319,123
Less: Minority interests	16,064	25,995	1,266	9,330	8,714
Net profit before extraordinary items	545,040	450,069	176,615	254,842	310,409
Extraordinary items	—	—	—	163	1,491
Net profit attributable to members	545,040	450,069	176,615	255,005	311,900
Transfer to:					
Unappropriated profit	516,319	424,635	Not Stated	Not Stated	Not Stated
Share of associated companies' reserves	28,721	25,434	Not Stated	Not Stated	Not Stated
	545,040	450,069	176,615	255,005	311,900
Earnings per ordinary share (cents)					
• Basic	54.90	45.81	18.09	32.79	Not Stated
• Diluted	54.65	45.57	18.08	Not Stated	Not Stated

3. Statement of Assets and Liabilities

A summary of the audited consolidated balance sheets of the OUB Group as of December 31, 1996, 1997, 1998, 1999 and 2000 is set out below. The following summary financial information should be read together with the audited financial statements of the OUB Group for the relevant years and related notes thereto.

	As of December 31,				
	2000 (S\$'000)	1999 (S\$'000)	1998 (S\$'000)	1997 (S\$'000)	1996 (S\$'000)
SHARE CAPITAL AND RESERVES					
Share capital	993,535	990,790	816,988	816,949	680,056
RESERVES					
Share premium	1,764,435	1,757,116	1,867,984	1,867,839	1,301,583
Capital	41,327	40,677	40,679	39,071	38,554
General	1,047,821	916,404	803,276	696,974	595,730
Unappropriated profit	1,035,408	789,040	593,635	620,925	572,402
Share of associated companies' reserves	277,992	226,908	183,939	—	—
Total reserves	4,166,983	3,730,145	3,489,513	3,224,809	2,508,269
TOTAL SHAREHOLDERS' FUNDS	5,160,518	4,720,935	4,306,501	4,041,758	3,188,325
MINORITY INTERESTS	139,898	126,137	100,553	100,979	92,547

	As of December 31,				
	2000 (S\$'000)	1999 (S\$'000)	1998 (S\$'000)	1997 (S\$'000)	1996 (S\$'000)
LIABILITIES					
Deposits					
Certificates of deposit issued	381,597	136,757	225,279	71,607	68,086
Deposits and balances of					
banks	12,518,001	8,175,258	11,592,137	10,730,110	10,994,074
Deposits of non-bank					
customers	26,899,471	24,564,360	25,790,596	22,775,608	18,078,542
Total deposits	39,799,069	32,876,375	37,608,012	33,577,325	29,140,702
Bills payable	52,281	106,148	93,613	83,021	92,175
Provision for tax	175,110	160,221	97,305	135,663	Not stated
Other liabilities	1,144,032	1,243,632	1,155,607	829,602	953,160
Proposed dividend	82,513	88,577	60,457	42,318	35,227
Debt securities	50,000	50,000	50,000	50,000	50,000
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS					
	46,603,421	39,372,025	43,472,048	38,860,666	33,552,136
OFF-BALANCE SHEET					
Contingent liabilities	2,501,298	2,343,587	2,363,257	2,695,662	Not stated
Financial instruments	15,424,096	13,369,361	12,512,022	16,831,938	Not stated
Commitments	16,524,885	13,192,066	12,327,176	14,269,526	Not stated
ASSETS					
Balances with central banks	800,866	729,996	610,117	1,138,705	Not stated
Cash, bullion and balances	248,371	281,571	188,998	278,316	Not stated
Certificates of deposit held	633,370	504,424	478,984	447,962	Not stated
Cash, gold and silver bullion and balances with bankers and agents	1,682,607	1,515,991	1,278,099	1,864,983	1,872,310
Singapore Government securities	3,502,454	3,411,550	2,885,533	1,976,166	1,538,601
Other government securities	204,060	198,573	239,129	155,101	101,951
Dealing securities	577,189	290,068	204,626	140,548	Not stated
Investment securities	869,028	209,608	156,630	276,116	Not stated
Other investments	1,446,217	499,676	361,256	416,664	335,590
Placement with and loans to banks	9,393,893	7,042,657	13,128,339	10,288,836	9,743,752
Bills receivable	474,090	213,909	195,117	337,472	254,680
Loans to non-bank customers	28,100,934	24,789,888	23,771,108	22,600,766	18,683,941
Total non-bank loans and bills	28,575,024	25,003,797	23,966,225	22,938,238	18,938,621
Other assets	776,434	743,159	725,625	663,342	519,158
Associated companies	612,848	586,261	524,909	241,623	226,208
Subsidiaries	—	—	—	—	—
Fixed assets	409,884	370,361	362,933	315,713	275,945
TOTAL ASSETS	46,603,421	39,372,025	43,472,048	38,860,666	33,552,136

4. Material Changes in Financial Position

Save as disclosed in this Offer Document and save for information on OUB which is publicly available (including that contained in the annual report and accounts of the OUB Group for the financial year ended December 31, 2000), to the best knowledge and belief of DBSH and its directors, there has been no material change in the financial position of OUB since December 31, 2000, being the date of the last balance sheet of OUB laid before the OUB shareholders in general meeting.

5. OUB Options

Based on the OUB 2000 Annual Report, there were 26,175,010 outstanding OUB Options to subscribe for 26,175,010 new OUB Shares at exercise prices ranging from

S\$1.89 to S\$8.68 and a weighted average exercise price of S\$7.01 as of December 31, 2000, as more particularly set out below: —

	Number of OUB Options	Exercise Price (S\$)	Expiry Date
1995 Replacement Options	1,384,250	5.28	October 1, 2005
1996 Options	56,630	5.31	September 30, 2001
1996 Replacement Options	2,487,121	5.31	September 30, 2006
1997 Options	55,495	5.04	October 5, 2002
1997 Replacement Options	2,325,384	5.04	October 5, 2007
1998 Options	15,040	1.89	September 30, 2003
1998 Replacement Options	2,226,923	1.89	September 30, 2008
1999 Options	8,029,167	7.88	September 19, 2009
2000 Options	9,595,000	8.68	August 31, 2010

6. Registered Office

The registered office of OUB is at 1, Raffles Place, OUB Centre, Singapore 048616.

APPENDIX F

FINANCIAL EFFECTS OF OFFER

1. Analysis

For illustrative purposes only, set out below is an analysis of the financial effects of the Offer on:—

- (1) the earnings per DBSH Share (“**EPS**”), before and after goodwill amortisation;
- (2) the return on equity (“**ROE**”) of the DBSH Group, before and after goodwill amortisation;
- (3) the return on tangible equity (“**ROTE**”) of the DBSH Group, before and after goodwill amortisation¹;
- (4) the net tangible asset value per one DBSH Share (“**NTA**”); and
- (5) the capital adequacy ratio (“**CAR**”) of the DBSH Group, both Tier 1 CAR and Total CAR.

2. Scenarios

The analysis considers the scenarios where the number of issued OUB Shares tendered in acceptance of the Offer represents:—

- (1) the minimum level of acceptances sufficient to make the Offer unconditional in respect of acceptances (“**Minimum Acceptance**”); and
- (2) all the issued OUB Shares (“**Full Acceptance**”).

3. Bases and Assumptions

3.1 Bases and Assumptions. The analysis has been prepared on the following bases and assumptions (and see further paragraph 3.4 below):—

- (1) based on the audited financial statements of (a) DBSH and the DBSH Group and (b) OUB and the OUB Group, in each case for the year ended December 31, 2000;
- (2) based on (a) the unaudited interim reports of Dao Heng and its subsidiaries (the “**Dao Heng Group**”) for the six-month periods ended December 31, 2000 and December 31, 1999 and (b) the audited financial statements of the Dao Heng Group for the year ended June 30, 2000;
- (3) assuming the Offer and the acquisition of an effective controlling interest of approximately 56.9 per cent. in Dao Heng had each been completed as of January 1, 2000;
- (4) assuming that (a) none of the outstanding OUB Options were exercised² and without taking into account the impact of the OUB Options Proposal and (b) none of the outstanding options or awards to subscribe for new DBSH Shares were exercised³;

¹ ROTE is computed by dividing EPS by NTA per one DBSH Share.

² Based on the OUB 2000 Annual Report, there were 26,175,010 outstanding OUB Options to subscribe for 26,175,010 new OUB Shares at exercise prices ranging from S\$1.89 to S\$8.68 and a weighted average exercise price of S\$7.01 as of December 31, 2000. In view of the relatively small number of outstanding OUB Options, there would be no material impact on the analysis had all such options been exercised.

³ As of the Latest Practicable Date, there are 23,743,534 outstanding options to subscribe for new DBSH Shares at exercise prices ranging from S\$7.29 to S\$22.33 and a weighted average exercise price of S\$16.66. In view of the relatively small number of outstanding DBSH options, there would be no material impact on the analysis had all such Options been exercised. It is the current intention and practice of DBSH that all awards in respect of DBSH Shares are satisfied by the delivery of DBSH shares acquired through market purchases, although DBSH is entitled to issue new DBSH Shares in satisfaction of such awards.

- (5) assuming that the goodwill arising from the acquisitions of OUB and Dao Heng is to be amortised over 20 years in accordance with the Revised Statement of Accounting Standard 22 of Singapore, *Business Combinations*;
- (6) **without having taken into account any synergies from the OUB acquisition;**
- (7) without taking into account the capital raising exercises completed by DBSH between December 31, 2000 and the Latest Practicable Date;
- (8) **without taking into account any synergies from the Dao Heng acquisition;**
- (9) assuming that the fair value of the identifiable assets and liabilities of OUB and Dao Heng is the net asset value as of December 31, 2000, as shown in (a) the OUB 2000 Annual Report, and (b) the unaudited interim report of the Dao Heng Group referred to in sub-paragraph (2) above, respectively; and
- (10) without taking into account any provisions or adjustments for funding costs and restructuring costs for the OUB acquisition and the Dao Heng acquisition.

3.2 Pro Forma Analysis. The objective of the *pro forma* analysis below is to present what the historical consolidated financial position of the DBSH Group might have been had the Offer and the Dao Heng acquisition been completed on January 1, 2000. The *pro forma* analysis below has been prepared for illustrative purposes only and does not purport to be indicative of the results and financial position of the DBSH Group that would have been attained had the Offer and the Dao Heng acquisition been completed on January 1, 2000.

3.3 Notice. In setting out the analysis below, no account has been taken of and no adjustments have been made in respect of, among other things:—

- (1) the differences in the accounting principles, policies and practices used in the preparation of the financial statements of the DBSH Group, the OUB Group and the Dao Heng Group; and
- (2) the differences in the financial year-end of the DBSH Group and the OUB Group (December 31) and of the Dao Heng Group (June 30).

Further, the analysis below has been prepared solely on the basis of publicly available information relating to OUB and the OUB Group and Dao Heng and the Dao Heng Group. Had account been taken of, and adjustments made to reflect, such differences and other information relating to OUB and the OUB Group or Dao Heng and the Dao Heng Group not otherwise publicly available, there can be no assurance that there would be no material differences to the financial effects analysis presented below.

3.4 Subsequent Events. After the financial year ended December 31, 2000:—

- (1) on January 29, 2001, the scheme for the transfer of the assets and liabilities of DBS Finance Ltd to DBS Bank was completed;
- (2) on February 13, 2001, DBS Bank announced a scheme for the proposed acquisition of approximately 60 per cent. of the issued share capital of Vickers Ballas Holdings Limited;
- (3) on March 25, 2001, DBS Capital Funding Corporation, a wholly-owned subsidiary of DBS Bank, issued hybrid Tier I securities in the form of US\$725 million 7.657% Non-Cumulative Guaranteed Preference Shares, Series A, and S\$100 million 5.35% Non-Cumulative Guaranteed Preference Shares, Series B;
- (4) on April 11, 2001, DBS Bank announced its intention to make a voluntary conditional offer for Dao Heng. On June 29, 2001, DBS Bank completed the acquisition of an effective controlling interest of approximately 56.9 per cent. in Dao Heng;
- (5) on May 10, 2001, DBS Bank issued upper Tier II debt in the form of US\$850 million 7.125% Subordinated Notes due in 2011;

- (6) on May 25, 2001, DBS Bank issued core Tier I securities in the form of S\$1.1 billion 6% Non-Cumulative Preference Shares; and
- (7) on June 20, 2001, DBS Securities Singapore Pte Ltd entered into a joint-venture with TD Waterhouse Group, Inc. to form a regional online financial services company.

4. EPS

On the bases and assumptions set out above, the following table illustrates the effects of the Offer on the EPS of the DBSH Group:—

	As of December 31, 2000	After Offer	
		Minimum Acceptance	Full Acceptance
EPS, pre-goodwill amortisation (S\$)	1.13	1.24	1.19
EPS, after goodwill amortisation (S\$)	1.13	1.06	0.98

5. ROE

On the bases and assumptions set out above, the following table illustrates the effects of the Offer on the ROE of the DBSH Group:—

	As of December 31, 2000	After Offer	
		Minimum Acceptance	Full Acceptance
ROE, pre-goodwill amortisation (%)	13.2%	13.2%	11.8%
ROE, after goodwill amortisation (%)	13.2%	11.3%	9.7%

6. ROTE

On the bases and assumptions set out above, the following table illustrates the effects of the Offer on the ROTE of the DBSH Group:—

	As of December 31, 2000	After Offer	
		Minimum Acceptance	Full Acceptance
ROTE, pre-goodwill amortisation (%)	13.2%	20.7%	19.4%
ROTE, after goodwill amortisation (%)	13.2%	17.7%	16.0%

7. NTA

On the bases and assumptions set out above, the following table illustrates the effects of the Offer on the NTA per DBSH Share:—

	As of December 31, 2000	After Offer	
		Minimum Acceptance	Full Acceptance
NTA per DBSH Share (S\$)	8.14	5.65	5.82

8. CAR

On the bases and assumptions set out above, the following table illustrates the effects of the Offer on the CAR of the DBSH Group:—

	As of December 31, 2000	After Offer	
		Minimum Acceptance	Full Acceptance
Tier 1 CAR (%)	14.4%	10.5%	10.1%
Total CAR (%)	18.9%	13.7%	13.2%

APPENDIX G

HOLDINGS OF AND DEALINGS IN OUB SHARES AND DBSH SHARES

1. Holdings in DBSH Shares as of the Latest Practicable Date¹

1.1 Substantial Shareholders

<u>Name</u>	<u>Number of DBSH Shares</u>		<u>Percentage of Direct Ownership</u>
	<u>Direct Interest</u>	<u>Deemed Interest</u>	
MND Holdings (Private) Limited . . .	204,075,807	—	16.8
Temasek Holdings (Private) Limited (“ Temasek ”)	184,932,180	7,143,338	15.2

1.2 Directors of DBSH Group Companies

<u>Name</u>	<u>Number of DBSH Shares</u>		<u>Percentage Ownership</u>	<u>DBSH Options²</u>
	<u>Direct Interest</u>	<u>Deemed Interest</u>		
S Dhanabalan	15,000	31,534 ³	0.0012 (n.m.)	—
Philippe Paillart	56,000	—	0.0046 (n.m.)	200,000
Jackson Peter Tai	11,250	—	0.0009 (n.m.)	185,000
Bernard Chen Tien Lap	4,000	—	0.0003 (n.m.)	—
Fock Siew Wah	50,000	—	0.0041 (n.m.)	—
Gail D. Fosler	3,400	—	0.0003 (n.m.)	—
Robert Montgomery Howe	30,260	—	0.0025 (n.m.)	—
Tommy Koh Thong-Bee	4,200	—	0.0003 (n.m.)	—
Yeo Ning Hong	10,000	—	0.0008 (n.m.)	—

1.3 Concert Parties

<u>Name</u>	<u>Number of DBSH Shares</u>
Goldman Sachs (Asia) L.L.C. (“ GS Asia ”)	828
Keppel Investment Management Ltd (“ KIML ”)	604,865
Keppel Securities Pte Ltd (“ KSPL ”)	36,000
PSA Corporation Ltd	136,500

2. Holdings in OUB Shares as of the Latest Practicable Date¹

2.1 DBSH Group Companies

<u>Name</u>	<u>Number of OUB Shares</u>
The Development Bank of Singapore Ltd (“ DBS Bank ”) ⁴	162,000
Insurance Corporation of Singapore Ltd (“ ICS ”)	2,294,011

2.2 Directors of DBSH Group Companies

<u>Name</u>	<u>Number of OUB Shares</u>
Cheong Siong Kee	1,050
Chong Tjee Teng, Nicholas	89,752
Fong Lian Ho	2,000
Gan Siok Loon	4,715
Han Teng Kwang	1,270
Ho Siew Mee, Susan	10,000
Kuo How Nam	16,075

<u>Name</u>	<u>Number of OUB Shares</u>
Lai Teck Poh	25,000
Lim Hwee Cheng ⁵	1,000
Lim Lay Hong	2,753
Lim Tok Kiak	2,000
Ong Siew Mooi	1,848
S Dhanabalan	2,887
Seet Adeline ⁵	10,000
Soh Kim Soon	50,000
Tan Keh Yan, Peter	5,456
Vilcassim Mohd Nawaz Jiffry	2,656
Wee Tew Lim	21,587

2.3 Concert Parties

<u>Name</u>	<u>Number of OUB Shares</u>
GS Asia	842
Kepfinance Investment Pte Ltd	6,670,818
Keppel Bank Growth Fund A ⁶	75,057
Keppel FELS Investment (HK) Ltd	920,000
Keppel Hitachi Zosen Limited	36,230
Keppel Investment Hong Kong Ltd	66,960
KIML	402,590
KSPL	150,000
Keppel Tat Lee Finance Limited ("KTF")	30,000
KI Investments (HK) Ltd	2,590,347
KTB Investment Ltd	60,000
PSA Corporation Ltd	114,889
Temasek	9,183,715

3. Dealings in DBSH Shares during the Relevant Period⁷

3.1 DBSH Group Companies

Nil.

3.2 Directors of DBSH Group Companies

Nil.

3.3 Concert Parties

<u>Name</u>	<u>Date (2001)</u>	<u>Nature of Transaction</u>	<u>Number of DBSH Shares</u>	<u>Transaction Price (S\$)</u>
GS Asia	Mar 27	Purchase ⁸	649	16.69
GS Asia	Mar 29	Sale ⁸	100,000	15.86
GS Asia	Apr 2	Sale ⁸	500	16.11
GS Asia	Apr 16	Sale ⁸	1,000	14.37
GS Asia	Apr 17	Purchase ⁸	1,000	14.30
GS Asia	May 2	Purchase ⁸	815	16.20
GS Asia	May 4	Purchase ⁸	75	15.50
GS Asia	May 9	Purchase ⁸	597	15.24
GS Asia	May 17	Purchase ⁸	2	8.50
GS Asia	June 7	Purchase ⁸	14,000	14.60
GS Asia	June 8	Sale ⁸	14,000	14.70
GS Asia	June 8	Purchase ⁸	815	14.75
GS Asia	June 11	Sale ⁸	2,000	15.12
GS Asia	June 19	Purchase ⁸	937	13.87

<u>Name</u>	<u>Date (2001)</u>	<u>Nature of Transaction</u>	<u>Number of DBSH Shares</u>	<u>Transaction Price (\$\$)</u>
GS Asia	June 21	Sale ⁸	500	13.62
KSPL	June 27	Purchase	4,000	13.00
KSPL	June 27	Sale	4,000	13.10
Vickers Ballas & Co. Pte Ltd ("VB & Co.")	June 25	Purchase	30,000	12.50
VB & Co.	June 25	Sale	30,000	12.80
GS Asia	June 26	Sale ⁸	1,000	13.00
GS Asia	June 27	Sale ⁸	1,000	13.10
GS Asia	June 28	Purchase ⁸	400	13.39
GS Asia	July 2	Purchase ⁸	27	13.60
GS Asia	July 3	Purchase ⁸	300	13.60

4. Dealings in OUB Shares during the Relevant Period⁷

4.1 DBSH Group Companies

<u>Name</u>	<u>Date (2001)</u>	<u>Nature of Transaction</u>	<u>Number of OUB Shares</u>	<u>Transaction Price (\$\$)</u>
DBS Bank	March 22	Sale	91,000	6.44
DBS Bank ⁹	March 22	Sale	287,000	6.44
DBS Bank	April 17	Purchase	33,000	6.23
DBS Bank	April 17	Purchase	525,000	6.23
DBS Bank	April 18	Purchase	24,000	6.24
DBS Bank ⁹	April 18	Purchase	390,000	6.24
DBS Bank	April 19	Purchase	39,000	6.60
DBS Bank ⁹	April 19	Purchase	597,000	6.60
ICS	April 19	Purchase	7,000	6.60
DBS Bank ⁹	April 26	Purchase	164,000	7.05
DBS Bank ⁹	April 30	Purchase	32,000	7.13
DBS Bank	May 2	Purchase	16,000	7.20
DBS Bank ⁹	May 2	Purchase	31,000	7.20
DBS Bank ⁹	May 4	Purchase	54,000	7.20
DBS Bank ⁹	May 23	Sale	175,000	7.20
DBS Bank ⁹	May 30	Sale	94,000	6.92
DBS Securities Singapore Pte Ltd ("DBSSS")	May 30	Purchase	94,000	6.92
DBSSS	May 30	Sale	94,000	6.92
DBS Bank ⁹	May 31	Sale	63,000	6.90
DBS Bank ⁹	June 13	Purchase	31,000	7.61
ICS	June 13	Sale	100,000	7.55
ICS	June 13	Sale	100,000	7.50
ICS	June 13	Sale	129,700	7.61
DBSSS	June 14	Purchase	10,000	8.00
DBSSS	June 14	Sale	10,000	8.00
DBS Bank ⁹	June 18	Sale	22,000	8.15
DBS Bank ⁹	June 21	Purchase	115,000	8.57
DBS Bank ⁹	June 21	Sale	20,000	8.58
DBS Bank	June 22	Purchase	50,000	8.76

4.2 Directors of DBSH Group Companies

<u>Name</u>	<u>Date (2001)</u>	<u>Nature of Transaction</u>	<u>Number of OUB Shares</u>	<u>Transaction Price (S\$)</u>
Soh Kim Soon	March 28	Purchase	10,000	6.40
Soh Kim Soon	March 29	Purchase	10,000	6.05
Soh Kim Soon	March 30	Sale	10,000	6.30
Chan Seck Chun	April 3	Purchase	1,000	6.25
Soh Kim Soon	April 26	Sale	10,000	7.00
Foh Chek Hoo ⁵	May 22	Purchase	10,000	6.90
Foh Chek Hoo ⁵	May 25	Sale	10,000	7.00
Gan Siok Loon	June 18	Sale	3,000	8.10
Soh Kim Soon	June 19	Sale	10,000	8.20
Chan Seck Chun	June 21	Sale	2,000	8.45
Chan Seck Chun	June 21	Sale	1,000	8.20
Foh Chek Hoo ⁵	June 22	Purchase	100,000	8.80
Foh Chek Hoo ⁵	June 22	Sale	50,000	8.90
Mun Cheong Fai	June 22	Sale	4,000	8.90
Soh Kim Soon	June 22	Sale	10,000	9.00
Tan Keh Yan, Peter	June 22	Purchase	3,000	8.80
Foh Chek Hoo ⁵	June 25	Sale	50,000	8.95

4.3 Concert Parties

<u>Name</u>	<u>Date (2001)</u>	<u>Nature of Transaction</u>	<u>Number of OUB Shares</u>	<u>Transaction Price (S\$)</u>
Singapore Airlines Ltd ..	March 22	Sale	57,000	6.43
Keppel FELS	March 28	Purchase	40,000	6.48
Esmaco Pte Ltd	April 4	Purchase	8,000	6.33
SingTel Investments Pte Ltd	April 5	Purchase	38,000	6.37
Singapore Aviation & General Insurance Company (Pte) Limited	April 18	Sale	19,000	6.23
KIML	April 12	Purchase ¹⁰	40,000	6.33
KIML	April 12	Purchase ¹⁰	18,000	6.33
KIML	April 12	Purchase ¹⁰	30,000	6.33
KIML	April 12	Purchase ¹⁰	30,000	6.33
KIML	April 12	Purchase ¹⁰	100,000	6.33
KIML	April 17	Purchase ¹⁰	10,000	6.24
KIML	April 17	Purchase ¹⁰	10,000	6.24
KIML	April 19	Sale ¹⁰	20,000	6.58
KIML	April 19	Sale ¹⁰	53,000	6.58
KIML	April 19	Sale ¹⁰	8,000	6.58
Keppel FELS	April 24	Purchase	20,000	6.69
GS Asia	April 27	Purchase ⁸	300,000	7.05
VB & Co.	May 8	Purchase	42,000	6.92
VB & Co.	May 8	Sale	32,000	6.90
GS Asia	May 8	Sale ⁸	100,000	6.95
GS Asia	May 8	Sale ⁸	100,000	6.88
GS Asia	May 9	Sale ⁸	100,000	6.85
VB & Co.	May 9	Sale	10,000	6.95
Fullerton Pte Ltd	May 14	Purchase	100,000	6.90
KIML	June 1	Purchase ¹⁰	5,775	6.95
KIML	June 1	Sale ¹⁰	5,775	6.95
KIML	June 12	Purchase ¹⁰	11,000	7.16
KIML	June 12	Purchase ¹⁰	25,000	7.16
VB & Co.	June 13	Purchase	170,000	7.59

<u>Name</u>	<u>Date (2001)</u>	<u>Nature of Transaction</u>	<u>Number of OUB Shares</u>	<u>Transaction Price (S\$)</u>
VB & Co.	June 13	Sale	80,000	7.60
GS Asia	June 13	Purchase ⁸	250,000	7.60
GS Asia	June 14	Sale ⁸	250,000	7.95
Keppel Tat Lee Bank Limited	June 14	Sale	33,595	7.86
VB & Co.	June 14	Sale	90,000	7.75
KIML	June 14	Sale ¹⁰	33,595	7.88
KIML	June 14	Sale ¹⁰	23,965	7.88
KIML	June 14	Sale ¹⁰	12,000	7.88
KIML	June 14	Sale ¹⁰	24,255	7.88
KIML	June 14	Sale ¹⁰	20,550	7.88
KIML	June 14	Sale ¹⁰	25,000	7.88
KIML	June 14	Sale ¹⁰	26,000	7.88
KIML	June 14	Sale ¹⁰	20,000	7.88
KIML	June 14	Sale ¹⁰	9,000	7.88
KIML	June 14	Sale ¹⁰	5,775	7.89
KIML	June 14	Sale ¹⁰	5,775	7.89
KIML	June 14	Sale ¹⁰	31,000	7.89
KIML	June 14	Sale ¹⁰	30,000	7.89
KIML	June 14	Sale ¹⁰	30,000	7.89
KIML	June 14	Sale ¹⁰	100,000	7.91
Keppel Insurance Pte Ltd	June 15	Sale	160,000	7.87
Keppel Insurance Pte Ltd	June 15	Sale	245,030	7.86
KIML	June 15	Sale ¹⁰	70,730	7.88
KIML	June 15	Sale ¹⁰	174,300	7.88
KIML	June 18	Sale ¹⁰	3,000	8.15
KIML	June 18	Sale ¹⁰	4,000	8.15
KIML	June 18	Sale ¹⁰	7,000	8.15
KIML	June 18	Sale ¹⁰	6,000	8.15
KTF	June 19	Sale	50,000	8.20
KSPL	June 20	Purchase	47,000	8.10
Temasek	June 20	Sale	200,000	8.14
GS Asia	June 21	Purchase ⁸	800	8.10
KSPL	June 21	Purchase	30,000	8.34
KSPL	June 21	Sale	30,000	8.40
KTF	June 21	Sale	100,000	8.36
Temasek	June 21	Sale	200,000	8.56
Cavendish Assets Ltd ..	June 22	Sale	20,550	7.86
KTF	June 22	Sale	156,075	8.79
Temasek	June 22	Sale	300,000	8.80
KSPL	June 22	Purchase	10,000	8.90
KSPL	June 22	Sale	10,000	9.00

¹ Holdings as a result of trading activities permitted by the SIC and not required to be publicly disclosed are excluded.

² Number of options granted under the DBSH Share Option Plan and the DBSH Share Option Scheme.

³ The deemed interest of S Dhanabalan arises through his interest in the DBSH Shares held by his wife.

⁴ Relates to OUB Shares managed on a discretionary basis by DBS Asset Management Limited on behalf of DBS Bank.

⁵ Spouse of a director of a subsidiary company of DBSH.

⁶ Keppel Bank Growth Fund A is a fund managed on a discretionary basis by KIML for the account of Keppel Investment Ltd and Keppel FELS Ltd.

⁷ Trading activities permitted by the SIC and not required to be publicly disclosed are excluded.

⁸ An account of an affiliated company which GS Asia has discretionary trading authority.

⁹ Relates to dealings in OUB Shares managed on a discretionary basis by DBS Asset Management Limited on behalf of DBS Bank.

¹⁰ Relates to dealings by KIML for its discretionary investment clients.

APPENDIX H

GENERAL INFORMATION

1. Disclosure of Interests

- 1.1 Offer Not Conditional on Payment to OUB Directors.** The Offer is not conditional upon OUB approving or consenting to any payment or other benefit being made or given to any director of OUB or any of its related corporations (as defined in the Companies Act) as compensation for loss of office or as consideration for, or in connection with, his retirement from office.
- 1.2 Agreement, etc. having any connection with or dependence upon Offer.** As of the Latest Practicable Date, there is no agreement, arrangement or understanding between DBSH or any person acting in concert with it in connection with the Offer and (1) any of the present or recent directors of OUB or (2) any of the present or recent shareholders of OUB having any connection with or dependence upon the Offer.
- 1.3 Transfer of Offer Shares.** It is the current intention of DBSH to direct that all Offer Shares tendered in acceptance of the Offer be held by DBS Bank so that, subject to the Offer becoming or being declared unconditional in all respects, OUB would become a subsidiary of DBS Bank. The number of OUB Shares held, owned or controlled by DBS Bank as of the Latest Practicable Date is disclosed in Appendix G. Save as disclosed, there is no agreement, arrangement or understanding as of the Latest Practicable Date whereby any of the Offer Shares acquired by DBSH pursuant to the Offer will or may be transferred to any other person.
- 1.4 Holding of OUB Shares and DBSH Shares.** As of the Latest Practicable Date: —
- (1) DBSH does not own or control, nor has it agreed to acquire, any OUB Shares;
 - (2) none of the Directors of DBSH owns or controls any OUB Shares or DBSH Shares, save as disclosed in Appendix G;
 - (3) no person acting in concert with DBSH in connection with the Offer owns or controls any OUB Shares or DBSH Shares, save as disclosed in Appendix G;
 - (4) none of DBSH and any person acting in concert with it in connection with the Offer has received any irrevocable undertaking from any other person to accept or reject the Offer;
 - (5) none of DBSH and any person acting in concert with it in connection with the Offer has dealt for value in any OUB Shares or DBSH Shares during the Relevant Period; and
 - (6) none of DBSH and any person acting in concert with it in connection with the Offer has entered into any arrangement or understanding with any other person relating to any OUB Shares or DBSH Shares which may be an inducement to deal or refrain from dealing in such securities.
- 1.5 Emoluments of DBSH Directors.** As of the Latest Practicable Date, there is no agreement, arrangement or understanding between DBSH or any party acting in concert with it in connection with the Offer and any Director of DBSH whereby the total emoluments received or to be received by such Director will be affected by the acquisition of OUB pursuant to the Offer.

2. General

- 2.1 Costs and Expenses.** All costs and expenses of or incidental to the preparation and circulation of the Offer Document, the FAAs and the FATs (other than professional fees and other costs incurred or to be incurred by OUB relating to the Offer or any revision thereof) and stamp duty and transfer fees resulting from acceptances of the Offer will be paid by DBSH.

2.2 No Material Change. As of the Latest Practicable Date, as far as the Directors of DBSH are aware, and save as disclosed in this Offer Document, there has been no material change in the information set out in Appendix A of this Offer Document.

2.3 Consents. Each of Goldman Sachs (as financial adviser to DBSH in connection with the Offer) and PricewaterhouseCoopers (as auditors of DBSH) has given and has not withdrawn its written consent to the issue of this Offer Document with the inclusion of its name and all references to its name in the form and context in which it appears in this Offer Document.

3. Market Quotations

The following table sets out the high, low and last transacted prices of the DBSH Shares and OUB Shares on the SGX-ST on a monthly basis from January 2001 to June 2001, and on a daily basis from July 2, 2001 to the Latest Practicable Date, as reported on Bloomberg L.P.: —

<u>DBSH Shares</u>	<u>High Closing Price (S\$)</u>	<u>Low Closing Price (S\$)</u>	<u>Last Transacted Price (S\$)</u>
2001			
Monthly Trades			
January	21.20	18.90	19.60
February	20.40	19.00	19.70
March	19.40	15.70	16.30
April	16.60	13.80	15.90
May	16.20	14.50	14.50
June	15.10	12.70	13.40

<u>Daily Trades</u>	<u>Intraday High (S\$)</u>	<u>Intraday Low (S\$)</u>	<u>Last Transacted Price (S\$)</u>
July 2	13.60	13.40	13.60
July 3	13.80	13.60	13.60
July 4	13.70	13.40	13.50
July 5	13.70	13.60	13.60
July 6	13.60	13.20	13.30
July 9	13.20	12.90	13.10
July 10	13.50	13.00	13.50
July 11	13.50	13.20	13.40
July 12	13.50	13.30	13.50
July 13	13.40	13.00	13.10

<u>OUB Shares</u>	<u>High Closing Price (S\$)</u>	<u>Low Closing Price (S\$)</u>	<u>Last Transacted Price (S\$)</u>
2001			
Monthly Trades			
January	8.15	7.20	8.05
February	8.20	7.90	8.20
March	7.85	6.00	6.30
April	7.10	6.15	7.10
May	7.35	6.80	6.95
June	9.45	6.95	9.45

<u>Daily Trades</u>	<u>Intraday High (S\$)</u>	<u>Intraday Low (S\$)</u>	<u>Last Transacted Price (S\$)</u>
July 2.....	9.80	9.60	9.70
July 3.....	9.70	9.50	9.60
July 4.....	9.55	9.35	9.40
July 5.....	9.50	9.35	9.50
July 6.....	9.45	9.35	9.35
July 9.....	9.45	9.25	9.35
July 10.....	9.55	9.35	9.45
July 11.....	9.45	9.35	9.35
July 12.....	9.45	9.35	9.35
July 13.....	9.45	9.35	9.35

The highest and lowest closing prices of DBSH Shares and OUB Shares on the SGX-ST during the six months immediately preceding the Latest Practicable Date and the respective date(s) on which they occur are as follows: —

- (1) highest market sale price: S\$20.80 per DBSH Share on January 15, 2001;
- (2) lowest market sale price: S\$12.70 per DBSH Share on June 25, 2001;
- (3) highest market sale price: S\$9.70 per OUB Share on July 2, 2001; and
- (4) lowest market sale price: S\$6.00 per OUB Share on March 29, 2001.

4. Documents for Inspection

Copies of the following documents may be inspected at the office of DBSH at 6, Shenton Way, DBS Building Tower 1, 39th Floor, Secretariat Department, Singapore 068809 during normal business hours for the period for which the Offer remains open for acceptance: —

- (1) the Memorandum and Articles of Association of DBSH;
- (2) the annual reports of DBSH for the two financial years ended December 31, 1999 and 2000;
- (3) the Offer Announcement;
- (4) the Circular dated July 20, 2001 to DBSH shareholders; and
- (5) the letters of consent of Goldman Sachs and PricewaterhouseCoopers referred to in paragraph 2.3 above.

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VOLUNTARY CONDITIONAL OFFER

by



GOLDMAN SACHS (SINGAPORE) PTE.
(Incorporated in the Republic of Singapore)

for and on behalf of

DBS

DBS GROUP HOLDINGS LTD
(Incorporated in the Republic of Singapore)

to acquire all the issued ordinary shares of
S\$1 each in the share capital of

OVERSEAS UNION BANK LIMITED
(Incorporated in the Republic of Singapore)

FOR INFORMATION ONLY

OFFER DOCUMENT DATED JULY 20, 2001

THIS OFFER DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt about this Offer, you should consult your stockbroker, bank manager, solicitor or other professional adviser immediately.

Goldman Sachs (Singapore) Pte. is acting for and on behalf of DBS Group Holdings Ltd and does not purport to advise the shareholders of Overseas Union Bank Limited ("OUB").

If you have sold or transferred all your OUB shares, you should at once hand this Offer Document and the accompanying Form of Acceptance and Transfer to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale for onward transmission to the purchaser or transferee. If you have sold or transferred all your OUB shares held through The Central Depository (Pte) Limited ("CDP"), you need not forward this Offer Document and the accompanying Form of Acceptance and Authorisation ("FAA") as arrangements will be made by CDP for a separate Offer Document and FAA to be delivered to the purchaser or transferee.

The views of the independent directors of OUB and the independent financial adviser of OUB on the Offer will be made available to you in due course. You may wish to consider their views before taking any decision on the Offer.

VOLUNTARY CONDITIONAL OFFER

by



GOLDMAN SACHS (SINGAPORE) PTE.

(Incorporated in the Republic of Singapore)

for and on behalf of

DBS

DBS GROUP HOLDINGS LTD

(Incorporated in the Republic of Singapore)

to acquire all the issued ordinary shares of S\$1 each in the share capital of

OVERSEAS UNION BANK LIMITED

(Incorporated in the Republic of Singapore)

ACCEPTANCES SHOULD BE RECEIVED BY THE CLOSE OF THE OFFER AT 3.30 P.M. ON AUGUST 10, 2001 OR SUCH LATER DATE(S) AS MAY BE ANNOUNCED FROM TIME TO TIME BY OR ON BEHALF OF DBSH.

The procedures for acceptance are set out on pages C-1 to C-4 of this Offer Document.

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