

DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

Financial Performance Summary For Year 2000

	1999	2000	Incr/ (Decr)
	S\$'m	S\$'m	%
Profit and Loss Account			
Net interest income	2,034.7	2,039.4	0.2
Fee and commission income	423.1	508.5	20.2
Dividends	31.3	82.9	164.8
Rental income	30.7	32.1	4.4
Other income	509.1	268.1	(47.3)
Income before operating expenses	3,028.9	2,931.0	(3.2)
Staff costs	(529.3)	(613.2)	15.9
Other operating expenses	(535.4)	(632.5)	18.1
Operating profit	1,964.2	1,685.3	(14.2)
Provisions	(1,063.2)	(53.6)	(95.0)
Associated companies	140.4	43.1	(69.3)
Net profit before tax	1,041.4	1,674.8	60.8
Taxation	(379.5)	(315.1)	(17.0)
Minority interests	409.9	29.1	(92.9)
Net profit attributable to members	1,071.8	1,388.8	29.6
	Dec 31 1999	Dec 31 2000	Incr/ (Decr)
Key Balance Sheet Data	S\$'m	S\$'m	%
Total assets	106,464.9	111,228.1	4.5
Customer loans	54,369.5	52,023.8	(4.3)
Customer deposits	82,268.3	80,720.5	(1.9)
Shareholders' funds	10,875.8	10,494.8	(3.5)

DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

Table 1

Group Key Financial Indicators

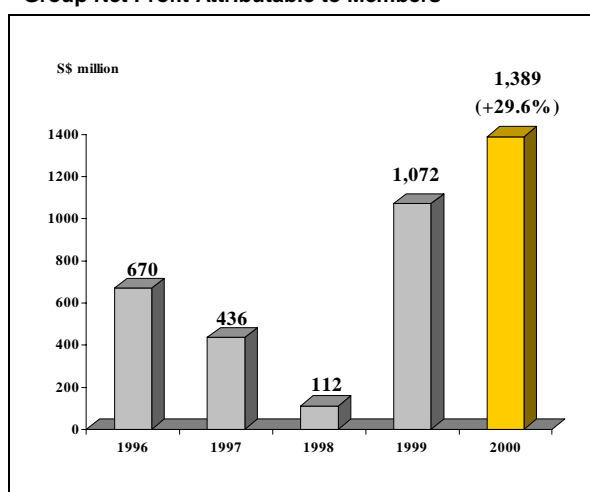
Ratios	1996	1997	1998	1999	2000
Return on Equity (%)	10.30	6.19	1.29	10.35	12.89
Return on Assets (%)	1.28	0.72	0.14	1.04	1.28
Earnings per Share - Basic (S\$)	0.77	0.52	0.10	0.97	1.13

Financial Indicators

Return on equity (ROE) increased to 12.89% compared to 10.35% in 1999, an improvement over the ROE achieved prior to the financial crisis in 1997/1998. Return on assets and earnings per share also registered increases to 1.28% and S\$1.13 respectively.

Exhibit 1

Group Net Profit Attributable to Members



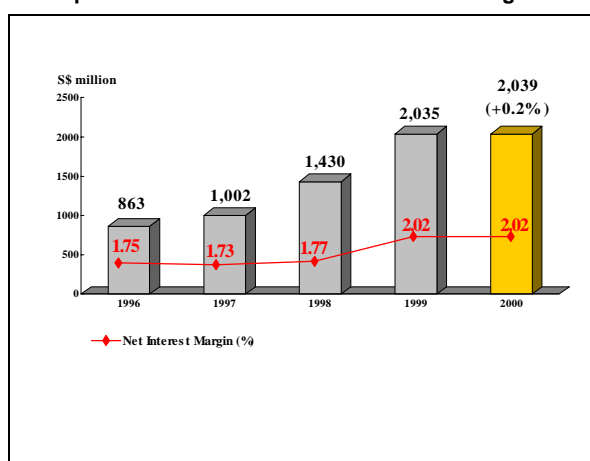
Profit and Loss

Net profit attributable to members in 2000 increased 29.6% to S\$1,388.8 million. The increase was mainly due to significant reduction in loan provisions resulting from active management of non-performing loans across the region.

At operating profit level, the decrease of 14.2% to S\$1,685.3 million in 2000 was attributable to lower other income and higher operating expenses. Other income in 1999 included the profit from sale of Singapore Petroleum Company shares (S\$117.1 million) and securitisation of DBS Tampines Centre (S\$57.5 million).

Exhibit 2

Group Net Interest Income and Net Interest Margin



Net Interest Income and Net Interest Margin

The marginal 0.2% increase in net interest income to S\$2,039.4 million was mainly due to intensified market competition resulting in lower volume of corporate loans and narrower interest margin for housing loans. Funding costs incurred for investment in Bank of the Philippine Islands (BPI) also reduced the increase in net interest income. Despite these factors, net interest margin (NIM) was maintained at 2.02%, the same level as 1999. Excluding the funding costs for investment in BPI, NIM would have been 2.09%.

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Table 2

Group Fee and Commission Income			
(\$ million)	1999	2000	Change
Investment Banking	84.7	97.9	13.2
Stockbroking	102.5	77.3	(25.2)
Trade-related	63.0	75.1	12.1
Fund Management	20.0	61.8	41.8
Deposit-related	32.5	60.3	27.8
Loan-related	38.2	50.8	12.6
Others	82.2	85.3	3.1
Total	423.1	508.5	85.4
Fee-to-Income Ratio (%)	14.0	17.3	

Fee and Commission Income

Fee and commission income increased 20.2% to S\$508.5 million, due mainly to higher fund management fees (S\$41.8 million), deposit-related fees (S\$27.8 million), trade and loan-related fees (S\$24.7 million), and investment banking income (S\$13.2 million). These increases were partially offset by lower stockbroking fees (S\$25.2 million). Fee and commission income contributed to 17.3% of the total operating income, up from 14.0% for 1999.

Dividend Income

Dividend income increased 164.8% to S\$82.9 million, contributed by receipt of special dividends of S\$49.6 million from NatSteel Limited in 2000.

Table 3

Group Other Income			
(\$ million)	1999	2000	Change
Net gains on trading in foreign exchange	90.1	119.0	28.9
Net gains on sale of trading securities and derivatives trading	185.5	55.4	(130.1)
Net gains on disposal of investment securities:			
▪ Sale of Singapore Petroleum Company shares	117.1	-	(117.1)
▪ Others	26.4	40.8	14.4
Net gains arising from divestment of DBS Tampines Centre	57.5	-	(57.5)
Net gains on disposal of fixed assets	1.1	9.2	8.1
Others	31.4	43.7	12.3
Total	509.1	268.1	(241.0)

Other Income

Other income declined 47.3% to S\$268.1 million, due to inclusion of profits received from sale of Singapore Petroleum Company shares (S\$117.1 million) and DBS Tampines Centre (S\$57.5 million) in 1999. Contribution from equity securities trading was modest compared to profits of S\$125.6 million in 1999.

DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

Table 4

Group Operating Expenses			
(\$ million)	1999	2000	Change
Staff costs	529.3	613.2	83.9
Occupancy expenses	138.5	147.4	8.9
Technology-related expenses	108.6	132.4	23.8
Professional and consultancy fees	62.8	72.5	9.7
Others	225.5	280.2	54.7
Total	1,064.7	1,245.7	181.0
Cost-to-Income Ratio (%)	35.2	42.5	

Table 5

Group Provisions			
(\$ million)	1999	2000	Change
DBS Thai Danu Bank	395.3	12.4	(382.9)
Regional Countries (RC)*	117.1	49.1	(68.0)
Singapore	131.4	(49.8)	(181.2)
Other Countries	60.2	18.0	(42.2)
Non-Loan Provisions	34.5	51.9	17.4
Specific Provisions	738.5	81.6	(656.9)
General Provisions - RC	(24.7)	(42.9)	(18.2)
General Provisions - Others	(23.6)	(14.5)	9.1
Total DBSH Group's Share	690.2	24.2	(666.0)
Minority Interests' Share	373.0	29.4	(343.6)
Total DBSH Group Provisions	1,063.2	53.6	(1,009.6)

* Refers to Malaysia, Indonesia, Thailand, Korea and the Philippines.

Operating Expenses

The 17.0% increase in operating expenses to S\$1,245.7 million was mainly due to higher staff costs of S\$83.9 million incurred for aligning staff remuneration to market and the hiring of additional staff to build a stronger and deeper senior management team. In addition, higher advertising expenses (S\$20.4 million), technology-related expenses (S\$23.8 million) and professional and consultancy fees (S\$9.7 million) were incurred for various Group initiatives. Approximately 20% of the operating expenses were incurred for investment-related (versus maintenance-related) expenses. The increase in operating expenses was also due to the inclusion of DBS Kwong On Bank (DKOB)'s operating expenses for a full year in 2000 (DKOB was consolidated from May 1, 1999). Excluding the impact of DKOB, operating expenses would have increased 12.4% year over year.

Provisions

Provisions declined substantially by 95.0% to S\$53.6 million, due mainly to lower provisions for DBS Thai Danu Bank (DTDB)'s loans (including the Minority Interests' share, the decrease in provision was S\$739.3 million). For loans to Singapore borrowers, there was a write-back of S\$49.8 million in 2000 compared to a provision charge of S\$131.4 million in 1999.

Minority Interests

The positive minority interest effect of S\$409.9 million in 1999 was due to additional provisions for DTDB's NPLs recognised in DBSH's consolidated financial statements.

DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

Table 6

Group Business Segments (2000)

(\$ million)	Consumer Banking	Investment Banking	Treasury and Markets	Central Operations	Total	DBS Thai Danu Bank	Grand Total
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	620	561	205	19	1,405	(16)	1,389
(% of total)	44.6	40.4	14.8	1.4	101.2	(1.2)	100.0
Total segment assets	26,651	30,386	30,903	19,300	107,240	3,988	111,228
Total segment liabilities	68,134	15,494	6,158	7,761	97,547	3,312	100,859
Capital expenditure	32	6	14	187	239	8	247
Depreciation	33	5	5	82	125	11	136

Table 7

Group Business Segments (1999)

(\$ million)	Consumer Banking	Investment Banking	Treasury and Markets	Central Operations	Total	DBS Thai Danu Bank	Grand Total
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
(% of total)	51.2	33.4	17.3	38.2	140.1	(40.1)	100.0
Total segment assets	25,958	33,509	21,151	21,074	101,692	4,773	106,465
Total segment liabilities	68,534	12,479	5,332	4,936	91,281	4,560	95,841
Capital expenditure	26	5	11	158	200	24	224
Depreciation	28	4	4	69	105	12	117

Business Segmental Analysis

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 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 transactions.

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

- **Consumer Banking**

Consumer Banking focuses on providing products and services to individual customers and small and medium enterprises. The segment's profit before tax increased by 6%, contributed by higher business volume. The increase was, however, partially offset by higher costs associated with new business initiatives undertaken.

- **Investment Banking**

Investment Banking caters to the business needs of large corporate customers and financial institutions. Profit before tax increased significantly by 56% due to a net write back of S\$46.0 million provisions compared to additional provisions of S\$248.0 million in 1999.

- **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 related trading is reflected in Consumer Banking and Investment Banking. Profit before tax increased by 11% reflecting expansion of business to cover more products in the treasury market.

- **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. Segment profits in 1999 included profits from securitisation of DBS Tampines Centre and equity trading, while significantly higher funding costs for strategic investments (for example, BPI) were incurred in 2000.

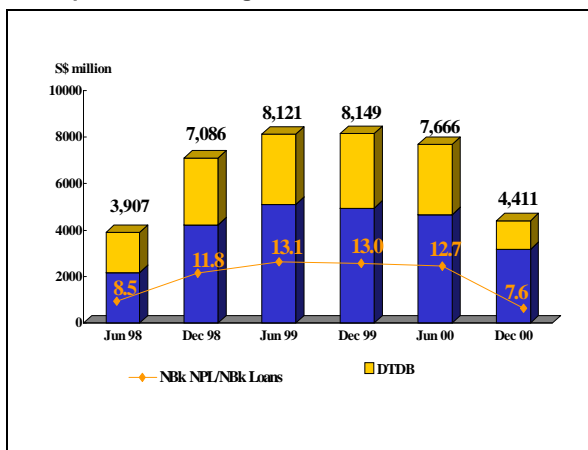
- **DBS Thai Danu ("DTDB")**

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 loss in 1999 comprised largely of provisions carried in DBSH Group's account for its exposure to DTDB's non-performing loans.

DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

Exhibit 3

Group Non-Performing Loans



Asset Quality

Non-performing loans (NPLs) decreased 45.9% to S\$4,410.5 million at end-December 2000. The decline in NPLs in 2000 was mainly due to the sale of S\$1,223.1 million of DTDB's NPLs. In addition, NPLs for Singapore, Indonesia and Hongkong also registered decreases of S\$689.7 million, S\$389.9 million and S\$310.4 million respectively.

Non-bank NPLs as a percentage of total non-bank loans stood at 7.6%, a sharp drop compared with 13.0% at end-December 1999, reflecting DBSH's aggressive management of its NPL portfolio across the region.

Of the total S\$4,410.5 million in NPLs, 80% were in the substandard category and 60% were secured by collateral.

Approximately 20% of the NPLs that had been classified as substandard were "performing" NPLs. These loans were classified due to weak financials although debt servicing was still current.

Exhibit 4

Group Non-Performing Loans – by Loan Grading

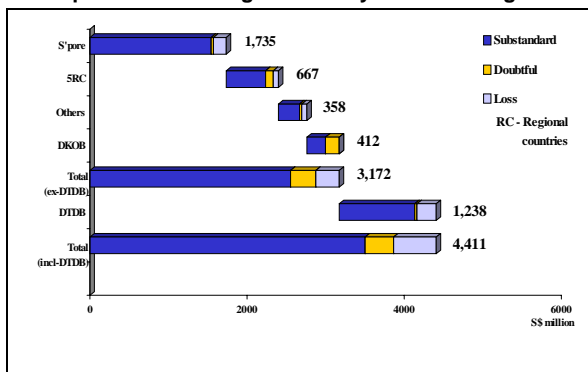
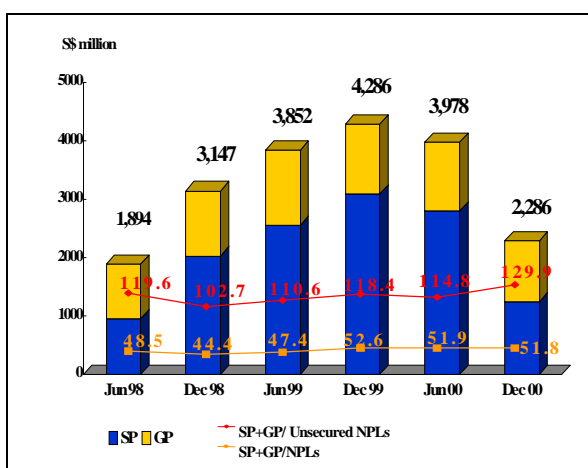


Exhibit 5

Group Cumulative Specific and General Provisions



Cumulative Specific and General Provisions

Total cumulative specific and general provisions at end-December 2000 amounted to 130% of unsecured NPLs, and 52% of total NPLs (or 61% of total NPLs of S\$3,723.6 million under US SEC guidelines).

Based on MAS guidelines, Group loan loss reserve coverage for DTDB's NPLs was 58%. Based on Bank of Thailand (BOT) guidelines, the existing loan provision in DTDB's books now exceed 100% of BOT's requirement.

DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

Table 8

Key Balance Sheet Items

(S\$ million)	1999	2000	Change
Total Assets	106,464.9	111,228.1	4,763.2
Customer Loans and Advances	54,369.5	52,023.8	(2,345.7)
Customer Deposits	82,268.3	80,720.5	(1,547.8)
Loans-to-Deposits Ratio (%)	66.1	64.5	

Balance Sheet

Total assets were up 4.5% to S\$111.2 billion. Customer loans fell 4.3% to S\$52.0 billion, mainly attributable to weak loan demand, the adoption of more stringent credit underwriting standards that link risk versus return, and the Group's strategy of shedding lower yielding assets from its balance sheet through the securitisation of loans. Customer deposits decreased 1.9%, attributable to a S\$3.1 billion decline in Singapore dollar deposits, reflecting the shift of funds from traditional deposit products (for example, fixed deposits) to other forms of investments such as unit trusts and single premium plans. Loan-to-deposit ratio was 64.5%, as compared to 66.1% for 1999.

Table 9

Capital

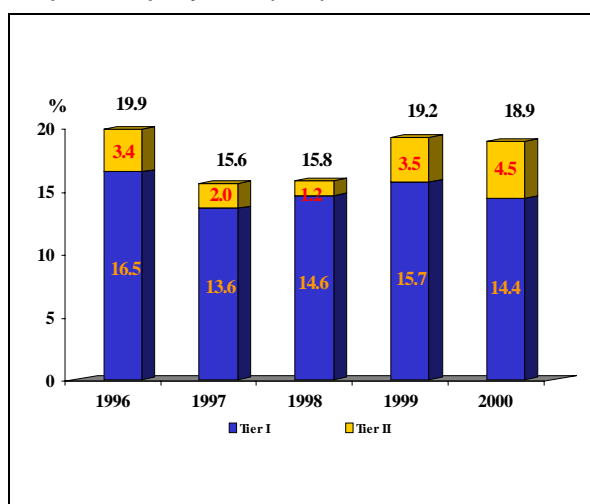
(S\$ million)	Dec 31 1999	Dec 31 2000
Tier I	10,463	10,200
Tier II	2,379	3,211
Total Capital	12,842	13,411
Risk Weighted Assets, including Market Risks	66,790	70,963

Capital Adequacy Ratio (CAR)

Combined Tier I and II CAR, measured according to the Bank of International Settlements (BIS) guidelines, remain strong at 18.9%, which is more than twice the minimum BIS requirement of 8%. Of the total, 14.4% is in the form of Tier I capital.

Exhibit 6

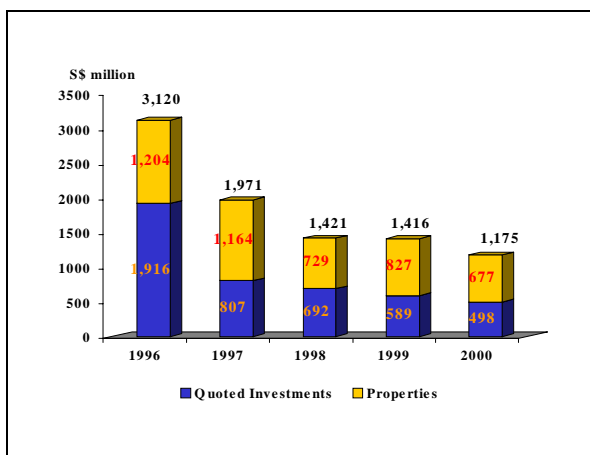
Capital Adequacy Ratio (CAR)



In April 2000 and August 1999, DBS Bank issued US\$500 million and US\$750 million of subordinated term debts, respectively, which qualified for Upper Tier II capital treatment.

Exhibit 7

Unrealised Valuation Surpluses



Unrealised Valuation Surpluses

Unrealised valuation surpluses in quoted investments and properties (not recognised in the accounts) amounted to S\$1.2 billion at end-December 2000.

DBS GROUP HOLDINGS LTD
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31

In S\$ million	Note	2000			1999		
		Full Year	Second Half	First Half	Full Year	Second Half	First Half
Interest income		4,897	2,487	2,410	4,608	2,348	2,260
Less: Interest expense		2,858	1,494	1,364	2,573	1,302	1,271
Net interest income	1	<u>2,039</u>	993	1,046	<u>2,035</u>	1,046	989
Fee and commission income	2	509	249	260	423	239	184
Dividends		83	57	26	31	15	16
Rental income		32	16	16	31	14	17
Other income	3	268	129	139	509	255	254
Income before operating expenses	13	<u>2,931</u>	1,443	<u>1,488</u>	<u>3,029</u>	<u>1,569</u>	<u>1,460</u>
Less: Staff costs		613	332	281	529	296	233
Other operating expenses		633	320	313	536	313	223
Total operating expenses	4	<u>1,246</u>	652	<u>594</u>	<u>1,065</u>	<u>609</u>	<u>456</u>
Operating profit		1,685	791	894	1,964	960	1,004
Less: Provision for possible loan losses and diminution in value of other assets		54	(10)	64	1,063	727	336
		<u>1,632</u>	802	<u>830</u>	<u>901</u>	<u>233</u>	<u>668</u>
Add: Share of profits less losses of associated companies		43	21	22	140	101	39
Net profit before taxation		<u>1,675</u>	823	<u>852</u>	<u>1,041</u>	<u>334</u>	<u>707</u>
Less: Taxation	5	309	153	156	345	189	156
Share of taxation of associated companies		6	2	4	34	26	8
Net profit after taxation		<u>1,360</u>	668	<u>692</u>	<u>662</u>	<u>119</u>	<u>543</u>
Minority interests	6	29	17	12	410	298	112
Net profit attributable to members	12	<u>1,389</u>	<u>685</u>	<u>704</u>	<u>1,072</u>	<u>417</u>	<u>655</u>
Earnings per ordinary share							
- Basic		113 Cents			97 Cents		
- Fully diluted		107 Cents			87 Cents		

(see related notes on pages 3 to 19)

Note: Some of the figures in this Appendix may not add up to the relevant totals due to rounding.

DBS GROUP HOLDINGS LTD
CONSOLIDATED BALANCE SHEET AS AT

In S\$'million	Note	2000	2000	1999		Note	2000	2000	1999
		Dec 31	Jun 30	Dec 31			Dec 31	Jun 30	Dec 31
SHARE CAPITAL AND RESERVES					ASSETS				
Share capital		1,307	1,335	1,325	Cash, and balances and placements with central banks		5,145	4,597	6,944
RESERVES					Singapore Government securities and treasury bills		8,655	8,860	8,814
Share premium account		7	185	5	Trading securities		4,849	3,521	3,335
Other reserve		4,273	4,273	4,273	Balances, placements with, and loans and advances to banks		34,569	32,862	26,494
Capital redemption reserve		29	-	-	Bills receivable from non-bank customers	9	992	1,144	1,202
Capital reserve		-	-	171	Loans and advances to non-bank customers	9	51,031	51,285	53,168
General reserve		1,755	1,637	1,635	Investment securities		341	326	965
Revenue reserve		3,124	3,290	3,467	Other assets		3,298	2,547	2,245
		9,188	9,385	9,551	Associated companies		558	615	1,479
SHAREHOLDERS' FUNDS					Fixed assets		1,790	1,796	1,820
		10,495	10,720	10,876	Life fund liabilities to policyholders	12	111,228	107,552	106,465
MINORITY INTERESTS					Life fund assets attributable to policyholders		1,289	1,053	-
		(126)	(127)	(251)	TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		112,517	108,605	106,465
SUBORDINATED TERM DEBTS					TOTAL ASSETS		112,517	108,605	106,465
	7	2,508	2,735	1,649					
LIABILITIES									
Deposits and balances of banks		12,054	9,130	7,491					
Deposits and other accounts of non-bank customers	8	80,720	80,400	82,268					
Other debt securities in issue		655	475	536					
Other borrowings		649	620	633					
Bills payable		407	393	572					
Other liabilities		3,144	2,250	2,009					
Current taxation		408	804	510					
Deferred taxation		18	13	15					
Dividends payable		296	139	158					
		111,228	107,552	106,465					
Life fund liabilities to policyholders		1,289	1,053	-					
MEMORANDUM ITEMS									
Contingent liabilities		8,674	11,075	8,554					
Commitments		33,065	35,814	35,304					
		41,739	46,889	43,858					
Financial derivatives		176,194	76,914	43,527					

(see related notes on pages 3 to 19)

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**1 Net Interest Income and Margin**

DBS Group Holdings Ltd (DBSH)'s net interest income for 2nd Half 2000 was S\$53 million lower than 1st Half 2000. The net interest margin was 1.97% compared to 2.07% in 1st Half 2000. The lower net interest margin was attributable to intensified competition resulting in margin being squeezed for housing loans and funding costs incurred for investment in Bank of the Philippine Islands. The flatter yield curve prevailing in 2000, particularly in the 2nd Half of the year had also reduced gapping opportunities.

For 2000:

In S\$'million	Year 2000			Second Half 2000			First Half 2000		
	Average balance	Interest	Average rate (%)	Average balance	Interest	Average rate@ (%)	Average balance	Interest	Average rate@ (%)
Interest bearing assets	101,020	4,897	4.85	101,009	2,487	4.92	101,026	2,410	4.77
Non-interest bearing assets	6,732	-	-	6,412			7,058	-	-
Total assets	107,752			107,421			108,084		
Interest bearing liabilities	94,038	2,858	3.04	93,908	1,494	3.18	94,169	1,364	2.90
Non-interest bearing liabilities	2,842	-	-	2,979			2,702	-	-
Total liabilities	96,880			96,887			96,871		
Net interest income		2,039			993			1,046	
Net interest income as a % of average interest bearing assets			2.02			1.97			2.07

@ Annualised

For 1999:

In S\$'million	Year 1999			Second Half 1999			First Half 1999		
	Average balance	Interest	Average rate (%)	Average balance	Interest	Average rate@ (%)	Average balance	Interest	Average rate@ (%)
Interest bearing assets	100,827	4,608	4.57	102,563	2,348	4.58	99,089	2,260	4.56
Non-interest bearing assets	5,792	-	-	6,241	-	-	5,339	-	-
Total assets	106,619			108,804			104,428		
Interest bearing liabilities	94,203	2,573	2.73	95,649	1,302	2.72	92,757	1,271	2.74
Non-interest bearing liabilities	2,315	-	-	2,472	-	-	2,158	-	-
Total liabilities	96,518			98,121			94,915		
Net interest income		2,035			1,046			989	
Net interest income as a % of average interest bearing assets			2.02			2.04			2.00

@ Annualised

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, 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.

2 Fee and Commission Income

Fee and commission income comprises the following:

In S\$'million	Year	2000		Year	1999	
		Second Half	First Half		Second Half	First Half
Investment banking	98	56	42	85	54	31
Stockbroking	78	31	47	102	48	54
Trade-related	75	37	38	63	35	28
Fund management	62	22	40	20	13	7
Deposit-related	60	37	23	33	18	15
Loan-related	51	27	24	38	24	14
Credit card	33	18	15	25	14	11
Guarantees	26	12	14	28	15	13
Others	26	9	17	29	18	11
Total	509	249	260	423	239	184

3 Other Income

Other income comprises the following:

In S\$'million	Year	2000		Year	1999	
		Second Half	First Half		Second Half	First Half
Net gains on trading in foreign exchange	119	67	52	90	49	41
Net gains on sale of trading securities and derivatives trading	55	-	55	186	98	88
Net gains on disposal of investment securities:						
- Sale of DBS Land shares	3	-	3	-	-	-
- Sale of Singapore Petroleum Company shares	-	-	-	117	-	117
- Others	38	33	5	26	26	-
Net gains on disposal of fixed assets	9	5	4	59*	57*	2
Other income	44	24	20	31	25	6
Total	268	129	139	509	255	254

* Included net gains on divestment of DBS Tampines Centre (\$58 million)

In 1999, DBSH adopted equity accounting for investments in associated companies. As a result, the net gain on disposal of DBS Land shares in 2000 was equal to the difference between the sale proceeds and the net tangible asset value of DBS Land shares, after deducting related expenses incurred.

4 Other Operating Expenses

Other operating expenses include the following:

In S\$'million	2000			1999		
	Year	Second Half	First Half	Year	Second Half	First Half
Staff costs	613	332	281	529	296	233
Occupancy expenses	148	75	73	138	77	61
Technology-related expenses	132	69	63	109	60	49
Professional and consultancy fees	73	35	38	63	47	16
Others	280	141	139	226	129	97
Total	1,246	652	594	1,065	609	456

- 5 DBSH Group taxation expense for 2nd Half 2000 was approximately the same level as 1st Half 2000. The effective tax rate was 18.8% and 36.4% for 2000 and 1999 respectively. The 2000 effective tax rate was lower than the statutory income tax rate of 25.5% as profit arising from the Asian Currency Unit offshore transactions is subject to tax at a concessionary rate of 10%. The higher effective tax rate in 1999 over the statutory corporate income tax rate in Singapore was mainly due to additional provisions for DBS Thai Danu Bank ("DTDB") in 1999. These additional provisions were recognised in DBSH's consolidated financial statements but not in DTDB's financial statements. These additional provisions were, for the most part, not deductible for Singapore income tax purposes but resulted in lower pre-tax profits on a consolidated basis for accounting purposes.
- 6 DBSH Group had a positive minority interest effect of S\$29 million and S\$410 million in 2000 and 1999 respectively. As described in paragraph 5 above, this effect reflected the share attributable to minority shareholders of losses incurred by DTDB (including the additional provisions taken up at DBSH level).
- 7 The subordinated term debts of S\$2,508 million included two notes totalling S\$2,166 million issued by DBS Bank. S\$1,300 million was accounted for by the US\$750 million 7 7/8% Subordinated Notes due 2009 issued on August 10, 1999. The balance S\$866 million was attributable to US\$500 million 7 7/8% Subordinated Notes due 2010 issued on April 15, 2000.

8 Deposits and Other Accounts of Non-Bank Customers

At December 31, 2000, total customer deposits of DBSH Group amounted to S\$80,720 million.

In S\$'million	Dec 31 2000	Distribution %	Jun 30 2000	Distribution %	Dec 31 1999	Distribution %
Analysed by Currency						
Singapore dollar	55,533	68.8	55,974	69.6	58,665	71.3
US dollar	14,573	18.0	12,860	16.0	12,364	15.0
Thai Baht	2,864	3.5	3,287	4.1	4,007	4.9
Japanese Yen	307	0.4	1,000	1.2	357	0.4
Hong Kong dollar	4,414	5.5	4,132	5.2	3,923	4.8
Others	3,029	3.8	3,147	3.9	2,953	3.6
Total	80,720	100.0	80,400	100.0	82,268	100.0
Analysed by Type						
Savings account (include S\$ autosave)	38,057	47.2	37,467	46.6	40,593	49.3
Current account	8,099	10.0	7,612	9.5	6,269	7.6
Fixed deposits	34,005	42.1	34,003	42.3	34,992	42.5
Other deposits	559	0.7	1,318	1.6	414	0.6
Total	80,720	100.0	80,400	100.0	82,268	100.0
Analysed by Maturity						
Repayable on demand	46,178	57.2	45,174	56.2	46,885	57.0
Due within 1 year	34,038	42.2	34,932	43.4	35,154	42.7
Due over 1 year but within 3 years	500	0.6	294	0.4	230	0.3
Due over 3 years but within 5 years	4	#	-	-	-	-
Due over 5 years	-	-	-	-	-	-
Total	80,720	100.0	80,400	100.0	82,268	100.0

#: Insignificant

9 Loans to, and Bills Receivable from Non-Bank Customers

At December 31, 2000, total customer loans, including bills receivable of DBSH Group, amounted to S\$52,023 million.

In S\$'million	Dec 31 2000	Jun 30 2000	Dec 31 1999
Gross	54,166	56,219	58,438
Less :			
Specific provisions	1,141	2,669	2,924
General provisions	1,002	1,121	1,144
Net	52,023	52,429	54,370
Including:			
Bills receivable	992	1,144	1,202
Loans	51,031	51,285	53,168
	52,023	52,429	54,370

In S\$'million	Dec 31 2000	Distribution %	Jun 30 2000	Distribution %	Dec 31 1999	Distribution %
Industry Breakdown						
Manufacturing	5,797	10.7	5,639	10.0	5,881	10.1
Building and Construction	8,726	16.1	9,500	16.9	9,607	16.4
Housing Loans	16,304	30.1	16,192	28.8	16,589	28.4
General Commerce	3,701	6.8	4,071	7.3	4,123	7.1
Transportation, Storage and Communications	3,487	6.4	3,227	5.7	3,471	5.9
Financial Institutions, Investment and Holding Companies	4,143	7.7	4,670	8.3	5,043	8.6
Professionals and Private Individuals (except Housing Loans)	6,317	11.7	6,014	10.7	5,749	9.8
Others	5,691	10.5	6,906	12.3	7,976	13.7
Total	54,166	100.0	56,219	100.0	58,438	100.0

In S\$'million	Dec 31 2000	Distribution %	Jun 30 2000	Distribution %	Dec 31 1999	Distribution %
Analysed by Currency and Fixed/ Variable Rates						
Fixed rate						
Singapore dollar	11,331	91.7	10,790	97.2	10,869	97.5
US dollar	10	#	6	#	7	0.1
Thai Baht	775	6.3	113	1.0	118	1.1
Japanese Yen	-	-	-	-	-	-
Hong Kong dollar	155	1.3	131	1.2	94	0.8
Others	86	0.7	67	0.6	63	0.5
Sub-total	12,357	100.0	11,107	100.0	11,151	100.0
Variable rate						
Singapore dollar	24,745	59.2	25,967	57.6	27,716	58.6
US dollar	8,248	19.7	8,056	17.8	8,640	18.3
Thai Baht	1,814	4.3	3,915	8.7	4,093	8.7
Japanese Yen	659	1.6	858	1.9	901	1.9
Hong Kong dollar	5,284	12.6	4,779	10.6	4,644	9.8
Others	1,059	2.6	1,537	3.4	1,293	2.7
Sub-total	41,809	100.0	45,112	100.0	47,286	100.0
Total	54,166		56,219		58,438	
Analysed by Maturity						
Repayable on demand	4,714	8.7	4,642	8.3	5,163	8.8
Due within 1 year	16,429	30.4	16,151	28.7	16,531	28.3
Due over 1 year but within 3 years	9,771	18.0	11,088	19.7	12,326	21.1
Due over 3 years but within 5 years	5,751	10.6	5,521	9.8	5,632	9.6
Due over 5 years	17,501	32.3	18,817	33.5	18,786	32.2
Total	54,166	100.0	56,219	100.0	58,438	100.0
Analysed by Segment @						
Singapore	40,895	75.5	41,712	74.2	43,676	74.7
Other ASEAN	3,753	6.9	5,358	9.5	5,583	9.6
Other Asia Pacific	7,705	14.2	6,940	12.4	6,932	11.9
Rest of the World	1,813	3.4	2,209	3.9	2,247	3.8
Total	54,166	100.0	56,219	100.0	58,438	100.0

: Insignificant

@ : Based on the location of the bank, branch, or office booking the loan.

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 been effectively converted to variable rate loans via interest rate swaps.

10 Exposures to Malaysia, Indonesia, Thailand, Korea, 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's exposure in the Regional Countries amounting to S\$7,126 million (1999: S\$9,114 million), and in Hong Kong and China amounting to S\$8,003 million (1999: S\$7,453 million).

In S\$'million	Dec 31 2000		Jun 30 2000		Dec 31 1999	
	Assets	NPLs	Assets	NPLs	Assets	NPLs
Malaysia	815	304	791	388	780	412
Indonesia	487	176	729	417	892	566
Thailand (excluding DTDB)	356	49	464	182	592	234
Korea	1,044	51	1,020	60	753	76
The Philippines	1,354	87	1,412	97	1,203	77
	4,056	667	4,416	1,144	4,219	1,365
DTDB	3,070	1,238	4,753	3,000	4,895	3,207
Total Regional NPLs	7,126	1,905	9,169	4,144	9,114	4,571
Hong Kong	6,906	541	6,183	776	6,345	852
China	1,097	153	1,106	158	1,108	124
Total	15,129	2,599	16,457	5,078	16,566	5,547

(a) 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:

In S\$ million Assets in	Loans and debt securities			Investments	Total	Less: Loans to/Investments in Financial Subsidiaries/Overseas Branches	Net Exposure	
	Bank	Central Banks & Govt. securities	Non-Bank ^a				Amount	As a % of Total Assets
	(a)	(b)	(c)	(d)	(e)= (a+b+c+d)	(f)	(g)=(e-f)	(h)
Malaysia	664	34	645	48	1,391	576	815	0.8
Indonesia	205	47	301	37	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

(a) 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:

In S\$' million Assets in	Loans and debt securities			Investments	Total	Less: Loans to/Investments in Financial Subsidiaries/Overseas Branches	Net Exposure	
	Bank	Central Banks & Govt. securities	Non-Bank ^a				Amount	As a % of Total Assets
	(a)	(b)	(c)	(d)	(e)= (a+b+c+d)	(f)	(g)=(e-f)	(h)
Malaysia	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%

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

11 Non-Performing Loans and Provisions

At December 31, 2000, DBSH Group's total non-performing loans amounted to S\$4,411 million (1999: S\$8,149 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\$4,411 million:

- S\$3,508 million (80%) [1999: S\$4,952 million (61%)] were in the substandard category; and
- S\$2,651 million (60%) [1999: S\$4,530 million (56%)] were secured by collateral.

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

DBSH, in consultation with the Monetary Authority of Singapore, made special general provisions on the performing loans to Regional Countries over and above the normal specific and general provisions. Total cumulative specific and general provisions for regional exposure amounted to S\$1,197 million at December 31, 2000 (1999: S\$2,871 million).

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

In S\$'million	Regional Countries		Singapore	Other Countries	Total
	DTDB ^(a)	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	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%

Details of DBSH Group's NPLs and provisions at June 30, 2000 were as follows:

In S\$'million	Regional Countries		Singapore	Other Countries	Total
	DTDB ^(a)	Others			
2000					
Non- Performing Loans (NPLs)	2,999.5	1,144.0	2,451.7	1,070.6	7,665.8
- Substandard	1,234.6	824.6	2,171.1	712.4	4,942.7
- Doubtful	96.2	114.7	43.4	324.8	579.1
- Loss	1,668.7	204.7	237.2	33.4	2,144.1
NPLs as a % of:					
- Total loans in the respective countries	62.9%	20.0%	5.2%	3.2%	8.4%
- Group total assets	2.8%	1.1%	2.3%	1.0%	7.1%
Non-bank NPLs as a % of non-bank loans in the respective countries	68.7%	42.0%	5.7%	10.6%	12.7%
Total Cumulative Provisions	1,831.6	794.2	876.0	476.7	3,978.4
- Specific provisions	1,693.3	427.0	405.7	278.5	2,804.4
- General provisions	138.3	367.2	470.3	198.2	1,174.0
Total Cumulative Provisions as a % of:					
- Total loans in the respective countries	38.4%	13.9%	1.8%	1.4%	4.4%
- Group total assets	1.7%	0.8%	0.8%	0.4%	3.7%
- NPLs in the respective countries	61%	69%	36%	45%	52%
- Unsecured NPLs in the respective countries	126%	101%	106%	121%	115%

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

In S\$ million	Regional Countries		Singapore	Other Countries	Total
	DTDB ^(a)	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%	22.8%	4.9%	4.2%	9.3%
- Group total assets	3.0%	1.3%	2.3%	1.1%	7.7%
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%

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

11.1 Industry Analysis of Non-Performing Loans

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

In S\$'million	Dec 31 2000	Distribution %	Jun 30 2000	Distribution %	Dec 31 1999	Distribution %
Manufacturing	917.0	20.8	1,785.8	23.3	1,940.1	23.8
Building and Construction	877.5	19.9	1,767.3	23.1	1,846.1	22.6
Housing Loans	254.4	5.8	470.2	6.1	510.6	6.3
General Commerce	847.4	19.2	1,444.8	18.8	1,594.8	19.6
Transportation, Storage and Communications	233.6	5.3	337.0	4.4	332.1	4.1
Financial Institutions, Investment and Holding Companies	433.0	9.8	681.6	8.9	670.6	8.2
Professionals and Private Individuals (except Housing Loans)	284.9	6.5	366.1	4.8	355.4	4.4
Others	562.7	12.7	813.0	10.6	899.3	11.0
Total	4,410.5	100.0	7,665.8	100.0	8,149.0	100.0

11.2 Accrual, Past Due and Restructured Loans

In an effort to provide information which can be readily compared to international banks, the non-performing loan analysis has been provided on a basis which is consistent with requirements of the United States (US) Securities and Exchange Commission (SEC) disclosure. Whilst this analysis is comparable with US practices, it does, to some extent, differ from practices employed in Singapore. In particular:

- (a) US banks typically stop accruing interest when loans are overdue 90 days or more, or when recovery appears doubtful. DBSH continues to recognise interest but at the same time makes full provision for the interest outstanding. The addition of interest continues until such time as recovery is considered unlikely. Whilst this practice does not affect net income, in comparison with US practice, it has the effect of increasing the reported level of non-performing loans and provisions.
- (b) Singapore banks may write off problem loans more slowly than is the practice in other jurisdictions, including the US. As a result, DBSH may report a somewhat higher level of loans than if it had followed US practice as well as a higher level of non-performing and classified loans. Net income, however, is unaffected.

The table which follows presents an analysis of problem loans in accordance with SEC guidelines. The DBSH credit risk management procedures are based on MAS Notice 612 loan gradings. The information included, which is not derived from those procedures, is presented to enable users to compare DBSH with other international institutions. This information is not required under the Singapore Companies Act.

In S\$' million	Dec 31 2000	Dec 31 1999
Singapore		
Non accrual loans	1,402.6	1,858.8
Non – Restructured	897.0	1,471.1
Restructured	505.6	387.7
Regional Countries		
Non accrual loans	1,784.3	4,172.9
Non – Restructured	697.8	3,665.7
Restructured	1,086.5	507.2
Other Countries		
Non accrual loans	536.7	769.7
Non – Restructured	416.8	695.4
Restructured	119.9	74.3
	3,723.6	6,801.4
Loans not included above which are accruing, but classified as troubled debt restructuring	-	7.3
Total	3,723.6	6,808.7

NB: There are no non-accruing loans which are contractually past due 90 days or more with regard to principal or interest payments. These loans are classified as NPLs under MAS guidelines for which the practice is not to recognise interest income until received.

12 SEGMENTAL ANALYSIS

Geographical Segmental Analysis (Secondary segment information)

DBSH Group operates in four main geographical areas:

- **Singapore**, the home country of DBSH, which includes all the areas of operations in the primary business segments.
- **“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 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	Total assets (b)	Distribution %	Income before operating expenses	Distribution %	Net profit attributable to members	Distribution %
December 31 2000						
Singapore (a)	89,888	80.8	2,406	82.1	1,207	86.9
Other ASEAN (a)	4,491	4.0	124	4.2	5	0.4
Other Asia Pacific	11,715	10.6	345	11.8	136	9.8
Rest of the World	5,134	4.6	56	1.9	41	2.9
Total	111,228	100.0	2,931	100.0	1,389	100.0
June 30 2000						
Singapore (a)	86,053	80.0	1,199	80.5	604	85.8
Other ASEAN (a)	5,171	4.8	93	6.3	10	1.4
Other Asia Pacific	11,192	10.4	165	11.1	66	9.4
Rest of the World	5,136	4.8	31	2.1	24	3.4
Total	107,552	100.0	1,488	100.0	704	100.0
December 31 1999						
Singapore (a)	86,241	81.0	2,600	85.8	1,116	104.1
Other ASEAN (a)	5,860	5.5	142	4.7	(106) (c)	(9.9)
Other Asia Pacific	9,333	8.8	242	8.0	63	5.9
Rest of the World	5,031	4.7	45	1.5	(1)	(0.1)
Total	106,465	100.0	3,029	100.0	1,072	100.0

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

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

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