

**DBSH Group Operating Profit
Climbs 75% To S\$1.96 Billion**

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*Net Profit Jumps 857%
To S\$1.07 Billion*

* * *

Acquisitions, Net Interest, Proprietary Trading and
Investment Banking Income All Contribute

FOR RELEASE MONDAY, MARCH 6, 2000, 5:00 P.M.

SINGAPORE, MAR. 6 -- DBS Group Holdings ("DBSH") today reported an increase in total operating profit to S\$1.96 billion for the year ended Dec. 31, a 75% increase over 1998.

Net profit for the period jumped to S\$1.07 billion for 1999, an increase of 857% over the S\$112 million reported for the year-earlier period.

The Company said acquisitions of POSBank in Singapore and Kwong On Bank ("KOB") in Hong Kong each contributed to total operating profit, as did increases in net interest income, proprietary trading profits and income from stockbroking and investment banking.

Net interest income was up 42% for the year, to S\$2.03 billion, reflecting higher net interest margins which climbed to 2.02% from the 1.77% a year ago, and contribution from acquisitions. Fee and commission income saw a similar increase, to S\$423 million from the S\$274 million reported for the 1998 fiscal year, up 54%.

Exceptional profits totaled S\$175 million, resulting from the sale of the Company's shareholdings in Singapore Petroleum Company ("SPC") (S\$117 million) and from the securitised sale of DBS Tampines Centre (S\$58 million). The sales of the SPC stake and DBS Tampines Centre were made as part of the Company's plans to focus on core banking and financial services.

John T. Olds, CEO, said, "The improved performance reflects the early returns of a more competitive company, and DBS' ability to capitalize on the recovery of Asian economies."

"Unquestionably, Asia is recovering, and we are benefiting from that recovery throughout the region. The Group has weathered the storm, and transformation to a more competitive institution is underway. There will be challenges ahead but, with a more diverse and experienced management team, we believe the Group is well-positioned for the future," said Olds.

In today's announcement, DBSH said it had increased provisions to S\$1,063 million compared to the S\$996 million reported a year earlier.

Total cumulative specific and general provisions at year-end 1999 amounted to 118% of unsecured non-performing loans ("NPLs") and 53% of total NPLs, compared to 103% and 44% recorded in 1998.

For DBS, total Group NPLs at year-end were S\$8.1 billion, and non-bank NPLs amounted to S\$7,614 million, representing 13% of total non-bank loans, which was down slightly from the 13.1% registered in the first half of 1999. Total Group NPLs increased 15% over 1998's S\$7.1 billion, largely due to the consolidation of NPLs at Kwong On Bank in Hong Kong. Excluding KOB's impact, the increase in NPLs would have been 5% for the year.

Of the total 1999 provisions, S\$763.4 million in specific provisions were related to 52%-owned DBS Thai Danu Bank in Thailand ("DTDB"). In 1998, these DTDB provisions were S\$240.9 million. DBSH' share of the total DTDB provisions were S\$395.3 million in 1999, compared to S\$121.1 million a year earlier.

On Jan. 21, DTDB reported a Baht 12.9 billion loss for 1999, but said material progress had been made during 1999 in the restructuring of NPLs. Based on current Bank of Thailand guidelines for classifying NPLs, DTDB NPLs stood at Baht 42.2 billion at year-end 1999, or 41% of total loans, down nearly 33% from a year ago.

Previously, DTDB has said that 35 of its branches in Thailand would be consolidated into a 60-branch network, and headcount reduced by approximately 700 during the first half of 2000 to help bolster DTDB's competitive position.

Olds said the Group is encouraged by the improving economy in Thailand and the active restructuring of NPLs underway at DTDB. But the Group remains cautious about the scope of restructuring required in the banking sector as well as the implementation of legislative and regulatory changes in both banking and industrial sectors.

“Our goals for DTDB are changing from a focus on the past to a focus on the future,” Olds said. “Although there are signs that NPLs have peaked, we believe it is prudent for us to continue to build loan-loss reserves in overseas locations at this time. Going forward, the outlook for both the domestic and regional economies is improving, and barring unforeseen circumstances, we expect provisioning to abate in 2000.”

“We are maintaining our conservative approach to the classification of DTDB’s non-performing loans and have increased loan-loss provisions to 60% of NPLs. We want there to be no question that we are doing everything within our control to insulate DBSH shareholders,” said Olds.

For 1999, the Group registered a 10.35% return on equity, compared to 1.29% reported in 1998. Excluding the consolidation of DTDB, POSBank and KOB, Group return on equity would have been 13.15% for 1999.

Return on total assets was 1.04%, versus 0.14% for 1998.

Unrealized valuation surpluses in quoted investments and properties increased by S\$800 million to S\$2.2 billion. This unrealized valuation surplus includes S\$805 million related to the Group’s share of reserves in associated listed companies now included in Group shareholders’ funds following a change to equity accounting in 1999.

For the year, total assets increased by S\$6.4 billion to S\$106.5 billion, a 6.4% increase, reflecting in part the consolidation of KOB from May 1, 1999 onwards. Group customer deposits increased 11.4% for the year, from S\$73.9 billion to S\$82.3 billion, while customer loans declined by S\$1.8 billion, or 3.3% for the year.

The Group’s total Capital Adequacy Ratio (“CAR”) increased to 19.2% at year-end, more than twice the minimum Bank for International Settlements (“BIS”) requirement. The increase reflected additional qualifying Tier II capital resulting from the issuance of US\$750 million in subordinated debt in August 1999 and profit generated during the year. For the year, Tier I capital increased from S\$9.6 billion at year-end 1998

to S\$10.5 billion at year-end 1999. Tier II capital rose from S\$0.8 billion at year-end 1998 to S\$2.4 billion at year-end 1999.

In releasing its results today, DBSH Board of Directors said it will recommend to shareholders an increase in the dividend payout on DBSH ordinary shares and non-voting convertible preference shares equivalent to 25% (gross) for 1999, compared to last year's 18% (gross).

The proposed final dividend for 1999 of 16%, together with the interim 9% dividends already paid, bring the total net dividend payout to S\$238.5 million, compared with S\$140.8 million in 1998. The dividend increase reflects improved results and a focus on generating higher returns for shareholders.

Results released today do not include DBSH's purchase of a 19.7% stake in the merger of The Bank of the Philippine Islands ("BPI") and Far East Bank & Trust Company, announced in December. Following completion of that merger in the first half of 2000, the Company plans to equity account for the investment.

"We are looking forward to working closely with BPI management to develop strategic linkages between BPI and DBSH, two market leaders in Southeast Asia."

"The two firms comprise a distribution network of over 800 banking locations and 1,800 ATMs in Singapore and the Philippines. We want to take advantage of the Group's market position in Singapore and extend our reach in the region to further enhance returns and shareholder value," Olds said.

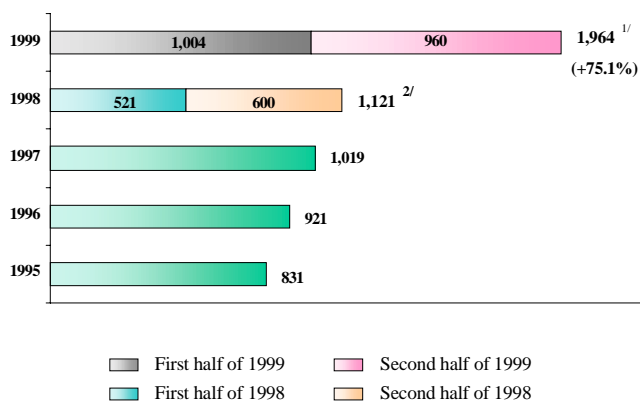
Full details regarding DBSH 1999 results can be found at www.dbs.com.sg

DBSH Group Performance for 1999

Section I : Financial Highlights (DBSH Group)

1.1 Operating Profit

S\$ millions

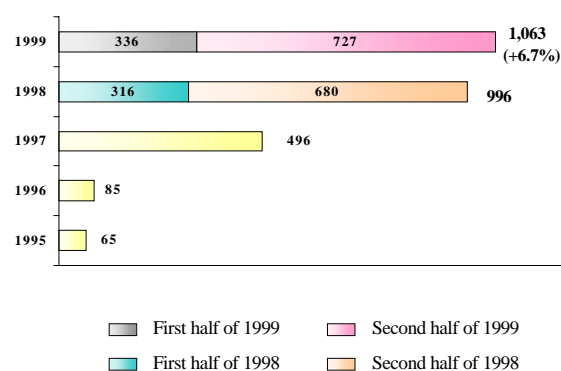


^{1/} Includes S\$117m profit from sale of shares in Singapore Petroleum Company Ltd (SPC), and S\$58m profit from sale of DBS Tampines Centre.

^{2/} Equity accounting for investments in associated companies was adopted with effect from financial year 1999. To facilitate comparison, the 1998 performance has been similarly adjusted.

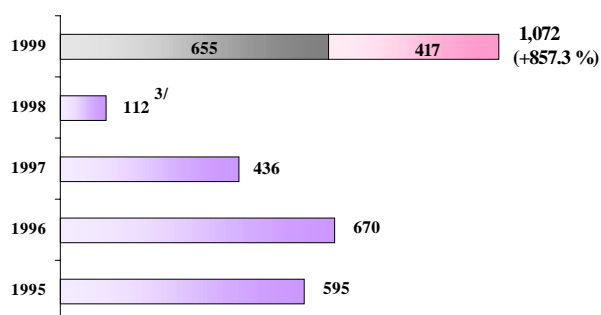
1.2 Provisions

S\$ millions



1.3 Net Profit Attributable to Members

S\$ millions



^{3/} Adjusted for equity accounting for associated companies. 2H98 was a S\$51m loss.

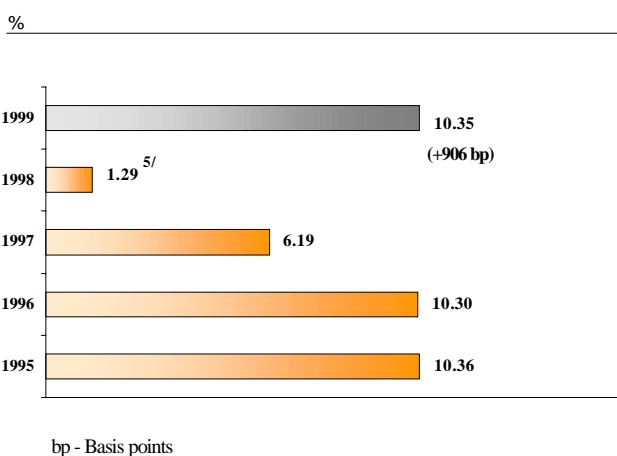
1.4 Unrealised Valuation Surpluses

S\$ millions



^{4/} This figure includes S\$0.8 billion relating to the Group's share of reserves in listed associated companies which is now included in Group shareholders' funds following the implementation of equity accounting with effect from January 1999.

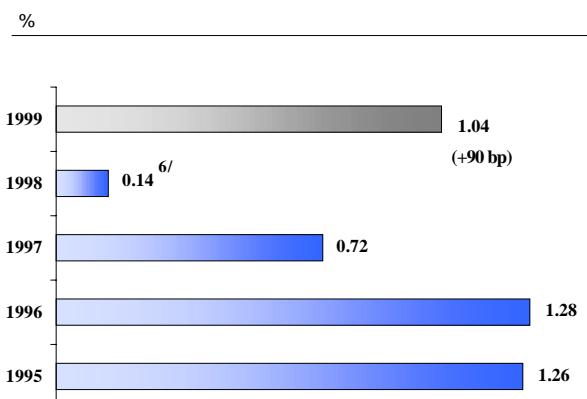
1.5 Return on Average Total Shareholders' Funds (ROE)



^{5/} Adjusted for equity accounting for associated companies.

Excluding consolidation of DBS Thai Danu Bank, POSBank and Kwong On Bank, ROE would have been 13.15 percent for 1999.

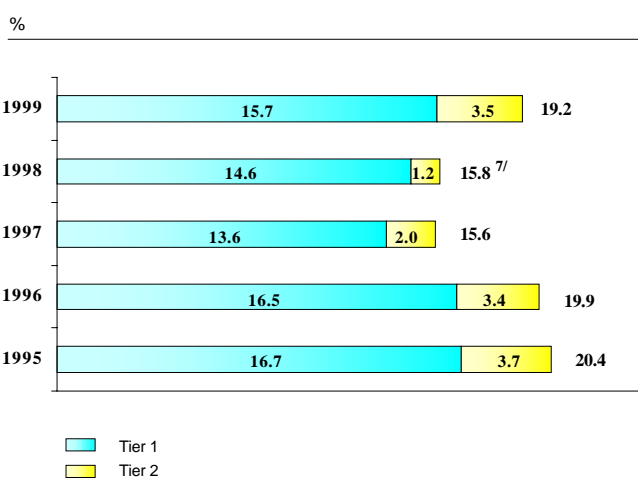
1.6 Return on Average Total Assets (ROA)



^{6/} Adjusted for equity accounting for associated companies.

Excluding consolidation of DBS Thai Danu Bank, POSBank and Kwong On Bank, ROA would have been 1.86 percent for 1999.

1.7 Capital Adequacy Ratio (CAR)



^{7/} Adjusted for equity accounting for associated companies.

In 1999, DBS Bank issued US\$750 million of subordinated term debt qualifying as Tier 2 capital. Together with profit retained for the year, the total Capital Adequacy Ratio (CAR) of the Group, measured according to the Bank for International Settlements (BIS) guidelines, at end-December 1999 rose to 19.2%, more than twice the minimum BIS requirement.

The overall CAR is managed with a view to providing flexibility for business expansion as well as optimizing return on equity over the medium term.

31 December 1999

Tier 1 Capital	S\$ 10,463 million
Tier 2 Capital	S\$ 2,379 million
Total Capital	<u>S\$ 12,842 million</u>
Risk weighted assets (including market risks)	<u>S\$ 66,790 million</u>
<u>Capital Adequacy Ratio</u>	
Tier 1	15.7%
Total (Tiers 1 & 2)	19.2%

Section II : Performance Summary

1 A summary of DBSH Group's performance appears in Table 1 below.

Table 1 : Summary of DBSH Group's Performance

	First Half 1999	Second Half 1999	1999	1998	Incr/ (Decr)	Incr/ (Decr) excluding POSBank, DTDB & KOB
<u>Profit and Loss Account</u>	S\$'m	S\$'m	S\$'m	S\$'m	%	%
Net interest income	988.7	1,046.0	2,034.7	1,430.0	42.3	14.5
Fee and commission income	184.6	238.5	423.1	274.1	54.3	51.7
Dividends	16.3	15.0	31.3	37.0	(15.5)	6.5
Rental income	16.8	13.9	30.7	37.7	(18.4)	(18.3)
Other income	253.9	255.2	509.2	97.0	424.8	392.8
Income before Operating expenses	1,460.3	1,568.6	3,028.9	1,875.8	61.5	42.2
Less : Operating expenses	456.0	608.7	1,064.7	754.4	41.1	23.4
Operating profit	1,004.4	959.9	1,964.2	1,121.5	75.1	51.1
Less : Total provisions	335.8	727.4	1,063.2	996.4	6.7	(58.2)
Add : Share of profits less losses of associated companies	38.8	101.6	140.4	(80.9)	NM	NM
Net profit before tax	707.4	334.0	1,041.4	44.1	2,260.8	379.2
Net profit attributable to members	655.0	416.8	1,071.8	112.0	857.3	488.5
			31 December 1999	31 December 1998	Incr/ (Decr)	Incr/ (Decr) excluding POSBank, DTDB & KOB
<u>Key Balance Sheet Data</u>			S\$'m	S\$'m	%	%
Total assets			106,464.9	100,037.4	6.4	(0.7)
Customer loans			54,369.5	56,215.4	(3.3)	(7.3)
Customer deposits			82,268.3	73,858.3	11.4	6.5
Shareholders' funds			10,875.8	9,811.5	10.8	9.5

NM: Not Meaningful

- 2 Group operating profit rose by 75.1% to S\$1,964.2 million in 1999. The growth was attributable mainly to:
- (a) the acquisitions of POSBank in 1998 and KOB in May 1999;
 - (b) higher net interest income due to higher net interest margins (1999: 2.02%; 1998: 1.77%) arising from more efficient asset and liability management;
 - (c) proprietary trading profits on shares due to better stock market conditions;
 - (d) exceptional profits from the sale of Singapore Petroleum Company shares (S\$117.1 million) and DBS Tampines Centre (S\$57.5 million) in 1999 in line with DBS' program to divest non-core assets and focus on banking and financial services; and
 - (e) higher stockbroking and investment banking income.

Excluding the impact of DTDB (which was consolidated from March 1998), POSBank and KOB, Group operating profit would have increased by approximately 51.1% year over year.

- 3 Total provisions made in 1999 amounted to S\$1,063.2 million compared with S\$996.4 million in 1998. Of the total provisions in 1999, S\$763.4 million of specific provisions were in respect of DTDB (1998: S\$240.9 million). DBS' share of the total provisions for DTDB amounted to S\$395.3 million in 1999 (1998: S\$121.1 million). Excluding DTDB, DBS' share of the total provisions in 1999 was S\$294.8 million, or a decline of S\$456.5 million compared to S\$751.3 million in 1998. This decline was contributed mainly by general provisions which were no longer required in 1999 due to declines in the loan base and regional exposures (S\$48.4 million), compared to additional provisions in 1998 (S\$169.4 million), and declines in specific provisions for loans to a) Regional Countries (S\$198.9 million), and b) Singapore and other countries (S\$148.2 million), partially offset by increases in specific provisions for investments and other assets (S\$108.4 million). Details of provisions made by period appear in Table 2 below.

Table 2 : Total Provisions of DBSH Group

	2H99	1H99	1999	2H98	1H98	1998
	S\$m	S\$m	S\$m	S\$m	S\$m	S\$m
(a) Loans to Regional Countries						
- specific provisions	588.3	297.9	886.2	414.4	180.1	594.5
- general provisions	(25.0)	0.3	(24.7)	47.1	110.7	157.8
	563.3	298.2	861.5	461.5	290.8	752.3
(b) Loans in Singapore and other countries						
- specific provisions	133.8	57.8	191.6	282.3	57.5	339.8
- general provisions	(26.3)	2.6	(23.7)	6.4	5.1	11.6
	107.5	60.4	167.9	288.7	62.6	351.4
(c) Specific provisions for diminution in value of other assets	56.6	(22.8)	33.8	(69.4)	(37.9)	(107.3)
Total provisions	727.4	335.8	1,063.2	680.8	315.5	996.4
DBS' share (incl DTDB)	461.1	229.1	690.2	557.6	314.8	872.4
DBS' share (excl DTDB)	185.8	109.0	294.8	437.0	314.3	751.3

Regional countries are Malaysia, Indonesia, Thailand, Korea and the Philippines.

- 4 The total investment cost of DBS' 87.26% effective interest in KOB amounted to HK\$3,011.6 million (S\$645.4 million)^{8/}. After taking in the additional provisions to be made by KOB in accordance with DBS' policies, DBS' share of the adjusted net tangible asset value of KOB was HK\$3,575.7 million (S\$766.3 million). As a matter of prudence, the excess of the net tangible asset value over the investment cost amounting to HK\$564.1 million (S\$120.9 million) was set aside as a general provision reserve to provide for the potential contingent payment for KOB shares^{8/} or additional provisions for loan losses which may arise on or prior to 30 June 2000.
- 5 KOB's results were consolidated from May 1999. Following the acquisition, Singapore's loan grading and provisioning standards, including the introduction of qualitative guidelines, were adopted by KOB. As a result of more stringent loan grading standards, KOB's NPLs increased from HK\$2,478.9 million (S\$543.3 million) at end-June 1999 to HK\$3,347.6 million (S\$717.4 million) at end-December 1999. Cumulative specific and general provisions for KOB at end-December 1999 amounted to HK\$1,410.8 million (S\$302.3 million) or 135.4% of unsecured NPLs.
- 6 Group net profit attributable to members registered a 857.3% increase from S\$112.0 million in 1998 to S\$1,071.8 million in 1999. Excluding the consolidation of DTDB, POSBank and KOB, net profit would have been S\$1,205.4 million in 1999, compared to 1998's S\$204.8 million.

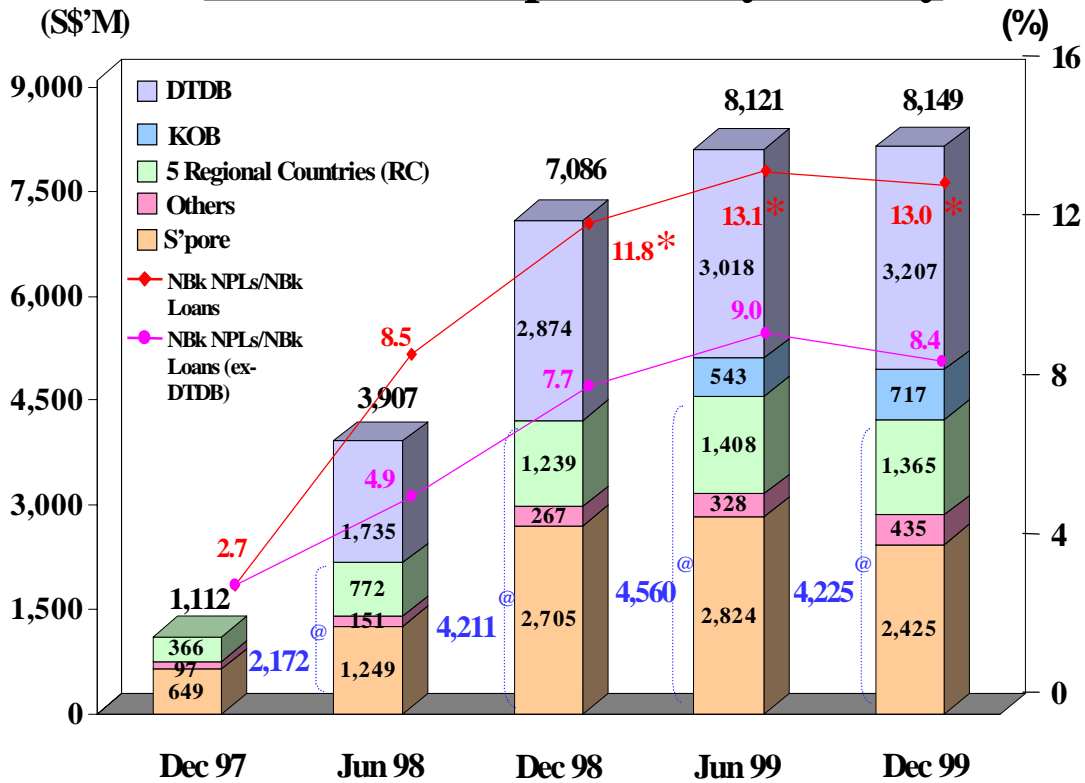
^{8/} This excludes the potential contingent payment on 269,146,120 KOB shares where the consideration for the acquisition was HK\$9.00 per share recorded on the date of purchase plus a contingent unit. The value of the contingent unit ranges from 0 to HK\$2.50 per share, depending on the loss ratio of KOB's assets as at 30 June 2000.

7 Group NPLs increased from S\$7.1 billion at end-December 1998 to S\$8.1 billion at end-December 1999. The increase of S\$1.1 billion was mainly attributable to the consolidation of KOB (S\$0.7 billion) as well as an increase in DTDB's NPLs (S\$0.3 billion). S\$4.5 billion (56%) of the total Group NPLs were secured by collateral.

Details of NPLs and provisions appear in the charts that follow.

7.1 Of the S\$8,149.0 million in NPLs, non-bank NPLs amounted to S\$7,614.0 million, representing 13.0% of total non-bank loans, compared to 13.1% at end-June 1999.

Chart 1 : Group NPLs - By Country



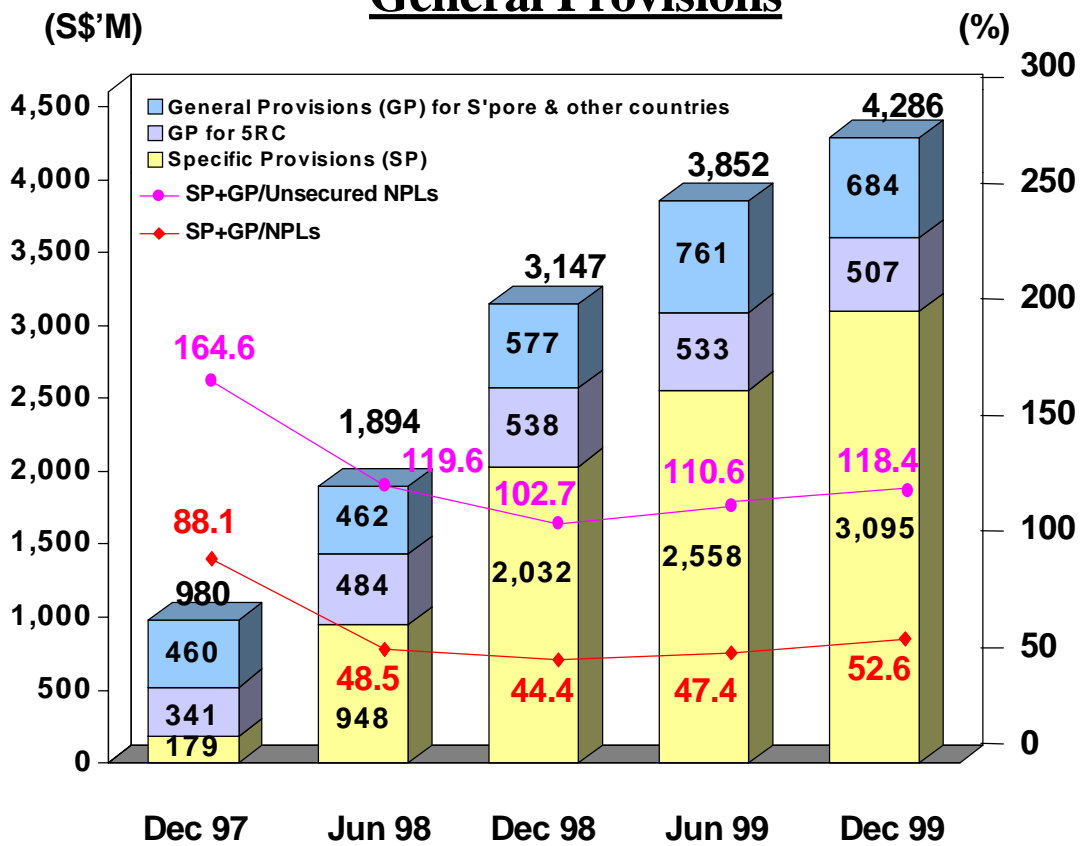
5 Regional Countries comprise Indonesia, Thailand, Malaysia, Korea and the Philippines.

* Include POSBank's loans since Nov 98 and KOB's loans since May 99.

@ Group NPLs excluding DTDB and KOB.

7.2 Group NPLs at end-December 1999, measured in accordance with MAS guidelines, amounted to S\$8,149.0 million (as compared to S\$6,801.4 million if measured under US SEC guidelines – the difference of S\$1,347.6 million being loans which are performing but classified as NPLs under MAS guidelines due to assessed weakness in the borrowers’ financial strength). Total cumulative specific and general provisions at end-December 1999 amounted to 52.6% of total NPLs (63.0% under US SEC guidelines), or 118.4% of unsecured NPLs.

Chart 2 : Group Cumulative Specific and General Provisions



- 7.3 A significant portion (61%) of the Group NPLs are classified “substandard”, a less serious condition than “doubtful” or “loss”. (Excluding DTDB, 76% of total NPLs were in the substandard category.)

Chart 3: Group NPLs - By Loan Grade at end-December 1999

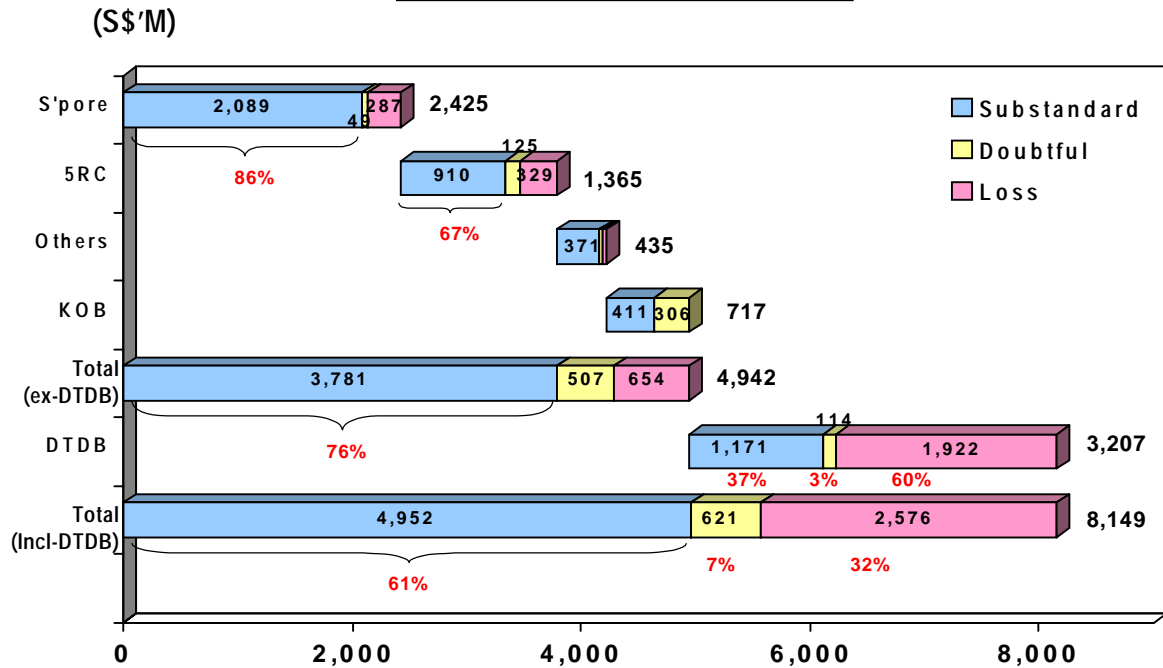


Table 3 : Percent of Group NPLs – By Loan Grade

	End-December 1999			End-June 1999			End-December 1998		
	Sub-standard	Doubt-ful	Loss	Sub-standard	Doubt-ful	Loss	Sub-standard	Doubt-ful	Loss
S'pore	86%	2%	12%	88%	1%	11%	88%	1%	11%
5RCs	67%	9%	24%	74%	9%	17%	70%	10%	20%
Others	85%	6%	9%	82%	6%	12%	77%	15%	8%
KOB	57%	43%	-	60%	40%	-	-	-	-
Total (ex-DTDB)	76%	10%	14%	81%	8%	11%	82%	5%	13%
DTDB	37%	3%	60%	16%	10%	74%	12%	26%	62%
Total (incl-DTDB)	61%	7%	32%	57%	9%	34%	54%	13%	33%
Total absolute NPLs	S\$4,952m	S\$621m	S\$2,576m	S\$4,595m	S\$710m	S\$2,816m	S\$3,799m	S\$951m	S\$2,336m
	S\$8,149m			S\$8,121m			S\$7,086m		

- 8 Group total assets increased by S\$6.4 billion or 6.4% to S\$106.5 billion at end-December 1999 while Group customer loans declined by S\$1.8 billion or 3.3% to S\$54.4 billion. Group customer deposits increased by S\$8.4 billion or 11.4% to S\$82.3 billion at year-end. Shareholders' funds rose by 10.8% to S\$10.9 billion during 1999.

(The accompanying Annex shows the detailed breakdown of selected key items.)

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

In S\$'million	Note	1999			1998		
		Full Year	Second Half	First Half	Full Year	Second Half	First Half
Interest income		4,608	2,348	2,260	4,931	2,838	2,093
Less: Interest expense		2,573	1,302	1,271	3,501	1,965	1,536
Net interest income	1	2,035	1,046	989	1,430	873	557
Fee and commission income	2	423	239	184	274	141	133
Dividends		31	15	16	37	13	24
Rental income		31	14	17	38	21	17
Other income	3	509	255	254	97	32	65
Income before operating expenses	14	3,029	1,569	1,460	1,876	1,080	796
Less: Staff costs		529	296	233	334	198	136
Other operating expenses	4	536	313	223	421	282	139
Total operating expenses		1,065	609	456	754	480	275
Operating profit		1,964	960	1,004	1,121	600	521
Less: Provision for possible loan losses and diminution in value of other assets		1,063	727	336	996	680	316
		901	233	668	125	(80)	205
Add: Share of profits less losses of associated companies	5	140	101	39	(81)	(98)	17
Net profit before taxation		1,041	334	707	44	(178)	222
Less: Taxation	6	345	189	156	64	20	44
Share of taxation of associated companies	5,6	34	26	8	7	(8)	15
Net profit after taxation		662	119	543	(27)	(190)	163
Less: Minority interests	7	(410)	(298)	(112)	(139)	(139)	#
Net profit attributable to members	14	1,072	417	655	112	(51)	163
Earnings per ordinary share							
- Basic		97 Cents			10 Cents		
- Fully diluted		87 Cents			10 Cents		
(adjusted for bonus issue in 1999)							

(see related notes on pages 3 to 20)

#: Insignificant

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

DBS GROUP HOLDINGS LTD
CONSOLIDATED BALANCE SHEET AS AT

	1999			1998			
	31 Dec	30 Jun	31 Dec	31 Dec	30 Jun	31 Dec	
Note	(\$'m)	(\$'m)	(\$'m)	Note	(\$'m)	(\$'m)	
SHARE CAPITAL AND RESERVES				ASSETS			
Share capital	1,325	1,209	1,565	Cash, and balances and placements with central banks	6,944	7,696	8,720
RESERVES				Singapore Government securities and treasury bills	8,814	7,657	6,950
Share premium account	5	-	-	Trading securities	3,335	3,005	2,733
Other reserve	4,273	4,380	3,914	Balances, placements with, and loans and advances to banks	26,494	29,442	20,752
Capital reserve	171	129	126	Bills receivable from non-bank customers	10,11	1,202	1,089
General reserve	1,635	1,378	1,377	Loans and advances to non-bank customers	10,11	53,168	56,673
Revenue reserve	3,467	3,410	2,829	Investment securities		965	328
	<u>9,551</u>	<u>9,297</u>	<u>8,247</u>	Other assets		2,245	2,514
SHAREHOLDERS' FUNDS	10,876	10,506	9,812	Associated companies		1,479	1,100
MINORITY INTERESTS	(251)	45	(71)	Fixed assets		1,820	1,890
SUBORDINATED TERM DEBTS	8	1,649	129				
LIABILITIES							
Deposits and balances of banks	7,491	12,783	12,618				
Deposits and other accounts of non-bank customers	9	82,268	83,115				
Other debt securities in issue	536	586	349				
Other borrowings	633	912	648				
Bills payable	572	552	366				
Other liabilities	2,009	2,422	2,130				
Current taxation	510	179	108				
Deferred taxation	15	3	12				
Dividends payable	158	162	81				
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	106,465	111,394	100,037	TOTAL ASSETS	14	106,465	111,394
MEMORANDUM ITEMS							
Contingent liabilities	8,554	10,025	8,685				
Commitments	35,304	34,816	35,600				
	<u>43,858</u>	<u>44,841</u>	<u>44,285</u>				
Financial derivatives	43,527	43,420	36,056				

(see related notes on pages 3 to 20)

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

DBSH Group's net interest income in 1999 grew by 42.3% to S\$2,034.7 million (1998: S\$1,430.0 million). This increase was mainly due to more efficient asset and liability management and wider spreads between DBS Bank's prime rate and posted deposit rates, as well as the full year impact of the consolidation of POSBank and the consolidation of Kwong On Bank (KOB) from 1 May 1999. Excluding the impact of POSBank, KOB and DBS Thai Danu Bank (DTDB - which was consolidated from March 1998), net interest income would have increased by 14.5%.

For 1999:

In S\$'million	Full 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

For 1998:

In S\$'million	Full Year 1998			Second Half 1998			First Half 1998		
	Average balance	Interest	Average rate (%)	Average balance	Interest	Average rate (%)	Average balance	Interest	Average rate (%)
Interest bearing assets	80,660	4,931	6.11	95,523	2,838	5.94	65,797	2,093	6.36
Non-interest bearing assets	4,525	-	-	5,377	-	-	3,673	-	-
Total assets	85,185			100,900			69,470		
Interest bearing liabilities	73,985	3,501	4.73	87,884	1,965	4.47	60,086	1,536	5.11
Non-interest bearing liabilities	2,288	-	-	2,784	-	-	1,792	-	-
Total liabilities	76,273			90,668			61,878		
Net interest income		1,430			873			557	
Net interest income as a % of average interest bearing assets			1.77			1.83			1.69

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.

2 Fee and Commission Income

Fee and commission income comprises the following:

In S\$'million	1999			1998		
	Full Year	Second Half	First Half	Full Year	Second Half	First Half
Stockbroking	102	48	54	49	25	24
Investment banking	85	54	31	42	14	28
Trade-related	63	35	28	51	28	23
Loan-related	38	24	14	29	17	13
Services charges	32	18	15	20	12	8
Guarantees	28	15	13	27	15	12
Credit card	25	14	11	22	11	11
Fund management	20	13	7	10	5	5
Others	29	18	11	23	14	9
Total	423	239	184	274	141	133

3 Other Income

Other income comprises the following:

In S\$'million	1999			1998		
	Full Year	Second Half	First Half	Full Year	Second Half	First Half
Net gains on trading in foreign exchange	90	49	41	94	42	52
Net gains on sale of trading securities and derivatives trading	186	98	88	(6)	(14)	8
Net gains on disposal of investment securities:						
- Sale of Singapore Petroleum Company shares	117	-	117	-	-	-
- Others	26	26	-	1	1	-
Net gains on disposal of fixed assets:						
- Divestment of DBS Tampines Centre	58	58	-	-	-	-
- Others	1	(1)	2	#	(1)	1
Other income	31	25	6	8	4	4
Total	509	255	254	97	32	65

#: Insignificant

Included in net gains on sale of trading securities and derivatives trading is accretion of premium relating to call options on covered warrants amounting to S\$27,860,000 (1998: S\$Nil), calculated on a straight-line basis over the life of the options, as well as premium realised of S\$5,359,000 upon exercise of the covered warrants by the warrant holders during the year. The unamortised premium at 31 December 1999 amounted to S\$11,361,000.

4 Other Operating Expenses

Other operating expenses include amounts incurred in the maintenance and service of buildings owned by DBSH's subsidiary companies, general administration and other expenses.

Other operating expenses include the following:

In S\$'million	1999			1998		
	Full Year	Second Half	First Half	Full Year	Second Half	First Half
Depreciation of fixed assets	117	61	56	88	55	33
Maintenance and hire of fixed assets including buildings	62	37	25	37	23	14
Rental of premises	54	28	26	38	21	17
Restructuring costs ^(a)	26	26	-	74	74	-

(a) 1999 refers to restructuring costs of DTDB while 1998 includes restructuring costs of POSBank, DTDB and DBS Asset Management Ltd.

Apart from the above, the increase in other operating expenses in 1999 was due to consultancy fees paid for various initiatives undertaken during the year.

- 5 The DBSH Group has adopted equity accounting for its investments in associated companies with effect from financial year 1999 (Comparative 1998 figures have been adjusted to reflect this change). DBS Land Limited, a 30.3% associated company of DBSH Group, contributed to the bulk of the higher contributions in 1999 compared to losses in 1998.
- 6 The taxation charge on the profit for the year is higher than that derived by applying the statutory income tax rate of 26% to the 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 was partially offset by profit arising from the Asian Currency Unit offshore transactions which is taxed at a concessionary rate of 10%.
- 7 The minority interests' share of losses refer mainly to DTDB in both 1999 and 1998.
- 8 Out of the total subordinated term debts of S\$1,649 million, S\$1,250 million was accounted for by the USD750 million 7 7/8% Subordinated Notes due 2009 issued by DBS Bank on 10 August 1999.

9 Deposits and Other Accounts of Non-Bank Customers

At 31 December 1999, total customer deposits of DBSH Group amounted to S\$82,268 million of which POSBank and KOB accounted for S\$30,044 million and S\$4,837 million, respectively.

In S\$'million	31 Dec 1999	Distribution %	30 Jun 1999	Distribution %	31 Dec 1998	Distribution %
Analysed by Currency						
Singapore dollar	58,665	71.3	58,032	69.8	55,253	74.8
US dollar	12,364	15.0	12,575	15.1	11,025	14.9
Thai Baht	4,007	4.9	4,518	5.4	4,985	6.7
Japanese Yen	357	0.4	1,118	1.4	281	0.4
Hong Kong dollar	3,923	4.8	3,902	4.7	157	0.2
Others	2,953	3.6	2,970	3.6	2,157	3.0
Total	82,268	100.0	83,115	100.0	73,858	100.0
Analysed by Type						
Savings account (include S\$ autosave)	40,593	49.3	41,264	49.6	36,876	49.9
Current account	6,269	7.6	5,940	7.1	4,617	6.3
Fixed deposits	34,992	42.5	34,064	41.0	31,831	43.1
Other deposits	414	0.6	1,847	2.3	535	0.7
Total	82,268	100.0	83,115	100.0	73,858	100.0
Analysed by Maturity						
Repayable on demand	46,885	57.0	46,339	55.7	40,958	55.5
Due within 1 year	35,154	42.7	36,450	43.9	32,634	44.2
Due over 1 year but within 3 years	230	0.3	301	0.4	266	0.3
Due over 3 years but within 5 years	-		10	#	-	-
Due over 5 years	-		15	#	-	-
Total	82,268	100.0	83,115	100.0	73,858	100.0

#: Insignificant

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

At 31 December 1999, total customer loans, including bills receivable of DBSH Group, amounted to S\$54,369 million of which POSBank and KOB accounted for S\$11,588 million and S\$3,632 million, respectively.

In S\$'million	31 Dec 1999	30 Jun 1999	31 Dec 1998
Gross	58,438	61,404	59,195
Less :			
Specific provisions	2,924	2,408	1,908
General provisions	1,145	1,234	1,072
Net	54,369	57,762	56,215
Including:			
Bills receivable	1,202	1,089	2,057
Loans	53,167	56,673	54,158
	54,369	57,762	56,215

In S\$'million	31 Dec 1999	Distribution %	30 Jun 1999	Distribution %	31 Dec 1998	Distribution %
Industry Breakdown						
Manufacturing	5,881	10.1	7,181	11.7	6,711	11.3
Building and Construction	9,607	16.4	9,406	15.3	8,867	15.0
Housing Loans	16,589	28.4	16,661	27.1	14,518	24.5
General Commerce	4,123	7.1	4,226	6.9	3,664	6.2
Transportation, Storage and Communications	3,471	5.9	3,842	6.3	3,908	6.6
Financial Institutions, Investment and Holding Companies	5,043	8.6	6,419	10.5	7,217	12.2
Professionals and Private Individuals (except Housing Loans)	5,749	9.8	5,337	8.7	5,071	8.6
Others	7,976	13.7	8,332	13.5	9,239	15.6
Total	58,438	100.0	61,404	100.0	59,195	100.0

In S\$'million	31 Dec 1999	Distribution %	30 Jun 1999	Distribution %	31 Dec 1998	Distribution %
Analysed by Currency and Fixed/ Variable Rates						
Fixed rate						
Singapore dollar	10,869	97.5	10,266	98.4	11,216	92.2
US dollar	7	0.1	#	#	73	0.6
Thai Baht	118	1.1	38	0.4	842	6.9
Japanese Yen	-	-	-	-	-	-
Hong Kong dollar	94	0.8	93	0.9	11	0.1
Others	63	0.5	37	0.3	24	0.2
Sub-total	11,151	100.0	10,434	100.0	12,166	100.0
Variable rate						
Singapore dollar	27,716	58.6	29,748	58.4	30,362	64.6
US dollar	8,640	18.3	9,716	19.1	9,003	19.1
Thai Baht	4,093	8.7	4,431	8.7	2,820	6.0
Japanese Yen	901	1.9	947	1.9	2,156	4.6
Hong Kong dollar	4,644	9.8	4,804	9.4	1,165	2.5
Others	1,293	2.7	1,324	2.5	1,523	3.2
Sub-total	47,286	100.0	50,970	100.0	47,029	100.0
Total	58,438		61,404		59,195	
Analysed by Maturity						
Repayable on demand	5,163	8.8	5,542	9.0	4,622	7.8
Due within 1 year	16,531	28.3	18,691	30.4	19,690	33.3
Due over 1 year but within 3 years	12,326	21.1	11,761	19.2	11,557	19.5
Due over 3 years but within 5 years	5,632	9.6	8,167	13.3	9,636	16.3
Due over 5 years	18,786	32.2	17,243	28.1	13,690	23.1
Total	58,438	100.0	61,404	100.0	59,195	100.0
Analysed by Segment @						
Singapore	43,676	74.7	45,827	74.6	46,154	78.0
Other ASEAN	5,583	9.6	6,057	9.9	6,222	10.5
Other Asia Pacific	6,932	11.9	7,260	11.8	4,408	7.4
Rest of the World	2,247	3.8	2,260	3.7	2,411	4.1
Total	58,438	100.0	61,404	100.0	59,195	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.

- 11 At 31 December 1999, total cumulative specific and general provisions for loan losses amounted to S\$4,069 million. Details are as follows:

In S\$'million	Specific	General	Total	Interest-in-suspense
Balance at 1 January 1999	1,907	1,072	2,979	63
On acquisition of business undertakings and subsidiary companies	171	131	302	-
Utilisation / transfers during the year	(199)	(1)	(200)	(16)
Charge to profit and loss account	1,047	(57)	990	-
Interest suspended during the year	(2)	-	(2)	39
Balance at 31 December 1999	2,924	1,145	4,069	86

12 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 which have experienced economic difficulties.

For purposes of this disclosure, exposures to Malaysia, Indonesia, Thailand, Korea and the Philippines, Hong Kong and China have been included. Of these, exposure to the first five were disclosed in the 1997 and 1998 financial statements as these were considered regional countries which were most affected by the economic difficulties. Exposures to Hong Kong and China have been included in 1999 due principally to the acquisition of Kwong On Bank, which increased the Group's exposure.

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 31 December 1999, DBSH Group had assets, both cross-border and local, in the Regional Countries, amounting to S\$9,114 million or 8.6% of DBSH Group total assets (1998: S\$9,832 million or 9.9% of DBSH Group total assets), and in Hong Kong and China amounting to S\$7,453 million (1998: S\$3,505 million). The increase in exposure in Hong Kong was due to the acquisition of Kwong On Bank in May 1999.

In S\$'million	<u>31 Dec 1999</u>		<u>DBSH Group</u> <u>30 Jun 1999</u>		<u>31 Dec 1998</u>	
	Assets	NPLs	Assets	NPLs	Assets	NPLs
Malaysia	780	412	917	402	894	284
Indonesia	892	566	902	525	840	467
Thailand (excluding DTDB)	592	234	755	322	895	348
Korea	753	76	764	26	700	11
The Philippines	1,203	77	615	132	553	129
	4,219	1,365	3,952	1,407	3,882	1,239
DTDB	4,895	3,207	5,303	3,018	5,950	2,874
Total Regional NPLs	9,114	4,571	9,255	4,425	9,832	4,114
Hong Kong	6,345	852	6,413	667	2,293	120
China	1,108	124	1,272	79	1,212	54
Total	16,566	5,547	16,939	5,172	13,337	4,288

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

13 Non-Performing Loans and Provisions

Loans are classified as “Substandard”, “Doubtful” or “Loss” in accordance with guidelines issued by The Monetary Authority of Singapore when:

- a) the borrower’s financial condition is weak or is in a negative net worth position; or
- b) principal or interest payments have been in arrears for three months or more (including overdraft accounts continuously in arrears for three months); or
- c) the borrower has requested rescheduling of loan repayments.

Loans are restructured when the original contractual terms have been modified to provide for concessions relating to interest or principal payments for reasons related to the financial difficulties of borrowers. The restructuring may include the transfer of assets from the borrower to the DBSH Group to satisfy part of the outstanding loan balance, modification of the loan terms or both.

Restructured loans (TDR) are classified as non performing loans (“Substandard”). TDR may be upgraded to performing status when:

- a) there has been a sustained period of repayment for a minimum of 12 months; and
- b) there is evidence of improvement in the borrower’s financial condition and debt servicing ability; and
- c) there is reasonable assurance that the repayment of the loan under its modified terms will occur in accordance with the revised repayment schedule.

At 31 December 1999, DBSH Group’s total non-performing loans amounted to 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\$ 8,149.0 million:

- S\$4,951.5 million (61%) [1998: S\$3,799.1 million (54%)] were in the substandard category; and
- S\$4,529.8 million (56%) [1998: S\$4,021.8 million (57%)] were secured by collateral.

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

DBSH Group, 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. In 1999, S\$24.7 million (1998: S\$Nil) regional general provisions were released to the profit and loss account due to a decline in exposure in contrast to 1998 where S\$157.8 million of additional provisions were recorded. Total cumulative specific and general

provisions for regional exposure amounted to S\$2,871.1 million at 31 December 1999 (1998: S\$2,105.1 million).

Details of DBSH Group's NPLs and provisions as at 31 December 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%	7.6%
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 as at 30 June 1999 were as follows:

In S\$'million	Regional Countries		Singapore	Other Countries	Total
	DTDB ^(a)	Others			
1999					
Non- Performing Loans (NPLs)	3,017.6	1,408.0	2,823.9	871.7	8,121.1
- Substandard	481.0	1,039.2	2,483.8	591.4	4,595.4
- Doubtful	308.4	128.2	34.9	238.5	710.0
- Loss	2,228.2	240.6	305.2	41.7	2,815.7
NPLs as a % of:-					
- Total loans in the respective countries	57.5%	26.4%	5.4%	2.6%	8.5%
- Group total assets	2.7%	1.3%	2.5%	0.8%	7.3%
Non-bank NPLs as a % of non-bank loans in the respective countries	60.1%	44.1%	6.4%	9.1%	13.1%
Total Cumulative Provisions	1,432.5	996.1	927.5	496.4	3,852.5
- Specific provisions	1,353.3	542.4	429.8	232.8	2,558.3
- General provisions	79.2	453.8	497.7	263.6	1,294.2
Total Cumulative Provisions as a % of:-					
- Total loans in the respective countries	27.3%	18.6%	1.8%	1.5%	4.0%
- Group total assets	1.3%	0.9%	0.8%	0.4%	3.5%
- NPLs in the respective countries	47%	71%	33%	57%	47%
- Unsecured NPLs in the respective countries	107%	106%	109%	139%	111%

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

In S\$'million	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
- 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	50.3	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) Includes special general provisions for regional exposures and additional specific provisions for DBS Thai Danu Bank Public Company Limited (DTDB)'s loans which are booked in Singapore.

13.1 Industry Analysis of Non-Performing Loans

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

In S\$'million	31 Dec 1999	30 Jun 1999	31 Dec 1998
Manufacturing	1,940.1	1,911.8	1,698.5
Building and Construction	1,846.1	2,046.1	1,739.5
Housing Loans	510.6	525.8	579.0
General Commerce	1,594.8	1,334.0	1,100.7
Transportation, Storage and Communications	332.1	328.1	319.0
Financial Institutions, Investment and Holding Companies	670.6	615.6	679.1
Professionals and Private Individuals (except Housing Loans)	355.4	492.4	317.1
Others	899.3	867.3	653.1
Total	8,149.0	8,121.1	7,086.0

13.2 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 provisions 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	31 Dec 1999	31 Dec 1998
Singapore		
Non accrual loans	1,858.8	1,788.8
Non – Restructured	1,471.1	1,515.7
Restructured	387.7	273.1
Regional Countries		
Non accrual loans	4,172.9	4,086.9
Non – Restructured	3,665.7	4,056.8
Restructured	507.2	30.1
Other Countries		
Non accrual loans	769.7	267.2
Non – Restructured	695.4	265.8
Restructured	74.3	1.4
	6,801.4	6,142.9
Loans not included above which are accruing, but classified troubled debt restructuring	7.3	-
Total	6,808.7	6,142.9

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.

14 Segment Analysis

The geographical analysis that appears below is based on the location of the bank, branch or office booking the assets or reporting the results. Analyses of the total assets, income before operating expenses and net profit attributable to members are grouped into the following geographical areas:

- Singapore
- Other ASEAN
- Other Asia Pacific
- Rest of the World

Operations in Singapore accounted for the bulk of DBSH Group's total assets, net income and after-tax profit.

In S\$ million	Total assets	Distribution %	Income before operating expenses	Distribution %	Net profit attributable to members	Distribution %
31 December 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)	(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
30 June 1999						
Singapore ^(a)	89,057	79.9	1,272	87.1	631	96.3
Other ASEAN ^(a)	6,853	6.2	77	5.3	(11)	(1.7)
Other Asia Pacific	11,081	9.9	87	6.0	29	4.4
Rest of the World	4,403	4.0	24	1.6	6	1.0
Total	111,394	100.0	1,460	100.0	655	100.0
31 December 1998						
Singapore ^(a)	83,143	83.1	1,589	84.7	65	58.0
Other ASEAN ^(a)	7,103	7.1	123	6.6	(17)	(15.2)
Other Asia Pacific	5,512	5.5	115	6.1	39	34.8
Rest of the World	4,279	4.3	49	2.6	25	22.4
Total	100,037	100.0	1,876	100.0	112	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.