

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

To: All Shareholders

1. **AUDITED RESULTS FOR THE YEAR ENDED DECEMBER 31 2000**

The Board of Directors of DBS Group Holdings Ltd (DBSH) announces that the audited results of DBSH and DBSH and its subsidiaries (“DBSH Group”) for the financial year ended December 31 2000, respectively, are as follows:

	<u>DBSH</u>			<u>DBSH GROUP</u>		
	<u>2000</u>	<u>1999</u> +	<u>Incr/ (Decr)</u>	<u>2000</u>	<u>1999</u>	<u>Incr/ (Decr)</u>
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Interest income	19,169	71	NM	4,896,910	4,607,872	6.3
Less: Interest expense	-	-	-	2,857,539	2,573,197	11.1
Net interest income	<u>19,169</u>	<u>71</u>	<u>NM</u>	<u>2,039,371</u>	<u>2,034,675</u>	<u>0.2</u>
Fee and commission income	-	-	-	508,474	423,053	20.2
Dividends	2,886,434	* 993,108	* 190.6	82,866	31,297	164.8
Rental income	-	-	-	32,106	30,747	4.4
Other income	-	-	-	268,188	509,152	(47.3)
Income before operating expenses	<u>2,905,603</u>	<u>993,179</u>	<u>192.6</u>	<u>2,931,005</u>	<u>3,028,924</u>	<u>(3.2)</u>
Less: Staff costs	-	-	-	613,221	529,258	15.9
Other operating expenses	729	253	188.1	632,445	535,423	18.1
Total operating expenses	<u>729</u>	<u>253</u>	<u>188.1</u>	<u>1,245,666</u>	<u>1,064,681</u>	<u>17.0</u>
Operating profit	<u>2,904,874</u>	<u>992,926</u>	<u>192.6</u>	<u>1,685,339</u>	<u>1,964,243</u>	<u>(14.2)</u>
Less: Provision for possible loan losses and diminution in value of other assets	-	-	-	53,644	1,063,224	(95.0)
	<u>2,904,874</u>	<u>992,926</u>	<u>192.6</u>	<u>1,631,695</u>	<u>901,019</u>	<u>81.1</u>
Add: Share of profits less losses of associated companies	-	-	-	43,132	140,372	(69.3)
Net profit before taxation	<u>2,904,874</u>	<u>992,926</u>	<u>192.6</u>	<u>1,674,827</u>	<u>1,041,391</u>	<u>60.8</u>
Less: Taxation (based on liability method)	707,105	128,196	451.6	308,746	345,150	(10.5)
Less: Share of taxation of associated companies	-	-	-	6,396	34,313	(81.4)
Net profit after taxation	<u>2,197,769</u>	<u>864,730</u>	<u>154.2</u>	<u>1,359,685</u>	<u>661,928</u>	<u>105.4</u>
Minority interests	-	-	-	29,161	409,855	(92.9)
Net profit attributable to members	<u>2,197,769</u>	<u>864,730</u>	<u>154.2</u>	<u>1,388,846</u>	<u>1,071,783</u>	<u>29.6</u>

NM: Not Meaningful

+ Relates to the period from March 9, 1999 (date of incorporation) to December 31, 1999.

* This refers to dividends paid by DBS Bank and The Insurance Corporation of Singapore Ltd (ICS). Both DBS Bank and ICS are wholly-owned subsidiaries of DBSH. Year 2000's dividend comprised of taxable gross dividend of S\$2,705.2 million and tax-exempt dividend of S\$129.1 million from DBS Bank, and taxable gross dividend of S\$52.1 million from ICS. Year 1999's dividend comprised of taxable gross dividend of S\$493.1 million and tax-exempt dividend of S\$500.0 million from DBS Bank.

2. SELECTED BALANCE SHEET DATA

	<u>DBSH</u>			<u>DBSH GROUP</u>		
	<u>Dec 31 2000</u> S\$'000	<u>Dec 31 1999</u> S\$'000	<u>Incr/ (Decr)</u> %	<u>Dec 31 2000</u> S\$'000	<u>Dec 31 1999</u> S\$'000	<u>Incr/ (Decr)</u> %
(a) ASSETS						
Total assets	3,697,153	2,194,796	68.5	111,228,077	106,464,945	4.5
Customer loans and advances including bills receivable	-	-	-	52,023,770	54,369,531	(4.3)
(b) LIABILITIES						
Deposits and other accounts of customers	-	-	-	80,720,470	82,268,309	(1.9)
Deposits and balances of banks and agents	-	-	-	12,053,626	7,490,609	60.9
Subordinated term debts	-	-	-	2,508,460	1,648,620	52.2
Borrowings and debt securities						
- due within one year	-	-	-	577,085	507,274	13.8
- due after one year	-	-	-	726,324	661,971	9.7
(c) CAPITAL AND RESERVES						
Paid-up preference share capital	91,588	146,983	(37.7)	91,588	146,983	(37.7)
Issued and paid-up ordinary share capital	1,215,661	1,177,845	3.2	1,215,661	1,177,845	3.2
Ordinary shareholders' funds	3,305,209	1,889,623	74.9	9,899,449	9,920,610	(0.2)
Total (ordinary and preference) shareholders' funds	3,396,797	2,036,606	66.8	10,494,750	10,875,798	(3.5)

3. COMMENTS ON RESULTS / BALANCE SHEET ITEMS

- (a) 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 and securitisation of DBS Tampines Centre.
- (b) 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 for 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%.
- (c) Fee and commission income increased 20.2% to S\$508.5 million due mainly to higher fund management fees, deposit-related fees, trade and loan-related fees and investment banking income. These increases were partially offset by lower stockbroking fees. Fee and commission income contributed to 17.3% of the total operating income, up from 14.0% for 1999. 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. Other income declined 47.3% to S\$268.1 million, due to inclusion of profits received from the 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 (S\$125.6 million) in 1999.
- (d) Operating expenses increased 17.0% to S\$1,245.7 million in 2000. The increase was accounted mainly by higher staff costs 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, technology-related expenses, and professional and consultancy fees 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.
- (e) In 2000, provisions declined substantially by 95.0% to S\$53.6 million, due mainly to lower provisions for DBS Thai

Danu Bank'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 with a provision charge of S\$131.4 million in 1999.

- (f) Total assets increased 4.5% to S\$111,228.1 million in 2000. Customer loans fell 4.3% to S\$52,023.8 million, 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 at 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.
- (g) Shareholders' funds decreased 3.5% to S\$10,494.8 million mainly due to the redemption of S\$600.0 million non-voting redeemable preference shares, and goodwill written off of S\$836.1 million (that arose from 20% investment in BPI during the year). Combined Tier I and Tier II Capital Adequacy Ratio, measured according to 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. 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.

4. OTHER INFORMATION

	<u>DBSH</u>			<u>DBSH GROUP</u>		
	<u>2000</u>	<u>1999</u> +	<u>Incr/</u> <u>(Decr)</u>	<u>2000</u>	<u>1999</u>	<u>Incr/</u> <u>(Decr)</u>
			%			%
(a) The following items have been included in " Fee and commission income " (\$'000):						
- Investment banking fees	-	-	-	97,861	84,747	15.5
- Stockbroking fees	-	-	-	77,286	102,453	(24.6)
- Trade-related fees	-	-	-	75,126	63,044	19.2
- Fund management fees	-	-	-	61,732	19,959	209.3
- Deposit-related fees	-	-	-	60,342	32,494	85.7
- Loan-related fees	-	-	-	50,809	38,223	32.9
- Credit card fees	-	-	-	33,340	25,043	33.1
- Guarantee fees	-	-	-	25,886	27,907	(7.2)
- Others	-	-	-	26,092	29,183	(10.6)
(b) The following items have been included in " Other income " (\$'000):						
- Gains (less losses) on trading in foreign exchange	-	-	-	118,994	90,132	32.0
- Gains (less losses) on sale of trading securities and derivatives trading	-	-	-	55,416	185,534	(70.1)
- Gains (less losses) on disposal of investment securities	-	-	-	40,823	143,468	(71.5)
- Gains (less losses) on disposal of fixed assets	-	-	-	9,167	58,564	(84.3)
- Other income	-	-	-	43,788	31,454	39.2
(c) The following items have been included in " Other operating expenses " (\$'000):						
- Maintenance and hire of fixed assets, including buildings	-	-	-	71,315	61,971	15.1
- Rental of premises	-	-	-	55,025	53,810	2.3
- Depreciation	-	-	-	135,996	116,701	16.5
- Restructuring costs	-	-	-	-	26,177	(100.0)

	<u>DBSH</u>			<u>DBSH GROUP</u>		
	<u>2000</u>	<u>1999</u> +	<u>Incr/</u> <u>(Decr)</u> %	<u>2000</u>	<u>1999</u>	<u>Incr/</u> <u>(Decr)</u> %
(d) Net profit as a percentage of weighted average total (ordinary and preference) shareholders' funds (%)	78.32	105.30	(25.6)	12.89	10.35	24.5
(e) Net profit as a percentage of average total assets (%)	74.60	78.80	(5.3)	1.28	1.04	23.1
(f) Earnings per ordinary share (S\$)						
(i) Based on existing ordinary share capital	1.80	2.12	(15.1)	1.13	0.97	16.5
(ii) Fully diluted	1.69	1.85	(8.6)	1.07	0.87	23.0
(g) Net tangible asset backing per ordinary share (S\$)						
(i) Based on existing ordinary share capital	2.72	1.60	70.0	8.14	8.42	(3.3)
(ii) Assuming non-voting convertible preference shares (CPS) and non-voting redeemable CPS are converted to ordinary shares	2.60	1.54	68.8	8.03	8.21	(2.2)
(h) Net profit attributable to members for (S\$'000)						
(i) First half year	790,497	-	NM	703,973	654,955	7.5
(ii) Second half year	1,407,272	864,730	62.7	684,873	416,828	64.3

NM: Not Meaningful

(i) Details of issue of new ordinary shares of S\$1.00 each are as follows:

<u>Particulars</u>	<u>Number of new ordinary shares issued between Jul 1 2000 and Dec 31 2000</u>	<u>Number of new ordinary shares that would have been issued upon the conversion/exercise of all outstanding non-voting CPS/ non-voting redeemable CPS/Share Options</u>	
		<u>Dec 31 2000</u>	<u>Jun 30 2000</u>
		Conversion of non-voting CPS #	8,234,098
Conversion of non-voting redeemable CPS #	-	66,475,374 @	94,885,374
Exercise of Executive Share Options	861,290	11,351,528	11,098,264

Approval from shareholders was received on May 13, 2000 for a reduction in the issued non-voting CPS capital. This was effected by the cancellation of 94,885,374 issued non-voting CPS of par value S\$1.00 each and applying the sum of S\$94,885,374 arising from the reduction, to pay up in full 94,885,374 new non-voting redeemable CPS at an issue price of S\$1.00 per share.

@ On August 18, 2000, DBSH redeemed 28,410,000 non-voting redeemable CPS of par value S\$1.00 each for S\$600.0 million.

5. **DIVIDEND**

The Directors are recommending a gross Final Preferential Dividend of 16 cents per DBSH non-voting CPS less 24.5% Singapore income tax (S\$3,033,616), per DBSH non-voting redeemable CPS less 24.5% Singapore income tax (S\$8,030,225), and per ordinary share less 24.5% Singapore income tax (S\$146,851,882). In addition, the Directors recommend a gross Special Dividend of 15 cents per ordinary share less 24.5% Singapore income tax (S\$137,673,639). Details of proposed dividends in respect of the financial year ended December 31 are as follows:

	<u>DBSH</u>			
	<u>2000</u>		<u>1999</u>	
	%	S\$	%	S\$
<u>DBSH Non-voting CPS</u>				
- Interim dividend of 14 cents (1999: 9 cents) less 25.5% tax	14	3,477,877	9	14,969,341
- Final dividend of 16 cents less 24.5% tax (1999: 16 cents less 25.5% tax)	16	3,033,616	16	15,285,615
	<u>30</u>	<u>6,511,493</u>	<u>25</u>	<u>30,254,956</u>
<u>DBSH Non-voting redeemable CPS</u>				
- Interim dividend of 14 cents (1999: Nil cents) less 25.5% tax	14	9,896,545	-	-
- Final dividend of 16 cents less 24.5% tax (1999: Nil cents)	16	8,030,225	-	-
	<u>30</u>	<u>17,926,770</u>	<u>-</u>	<u>-</u>
<u>DBSH Ordinary share</u>				
- Interim dividend of 14 cents (1999: 9 cents) less 25.5% tax	14	125,860,732	9	65,592,791
- Final dividend of 16 cents less 24.5% tax (1999: 16 cents less 25.5% tax)	16	146,851,882	16	143,796,101
- Special dividend of 15 cents less 24.5% tax	15	137,673,639	-	-
	<u>45</u>	<u>410,386,253</u>	<u>25</u>	<u>209,388,892</u>

The proposed Preferential Dividend payout may be smaller if the DBSH non-voting CPS and non-voting redeemable CPS are converted into ordinary shares pursuant to paragraph 4(i) on or before May 18, 2001, while the Final Dividend payout on ordinary shares may be greater if additional ordinary shares are issued pursuant to paragraph 4(i) on or before the same date. Subject to shareholders' approval at the Annual General Meeting to be held on May 12, 2001, the dividends will be paid on May 31, 2001.

6. **CLOSURE OF BOOKS**

Notice is hereby given that, subject to shareholders' approval of the payment of the aforementioned dividends at the Annual General Meeting to be held on May 12, 2001, the Share Transfer Books and Register of Members of the Company for ordinary shares will be closed from May 21, 2001 to May 22, 2001, both dates inclusive. Duly completed transfers received by the Company's Registrar, Lim Associates (Pte) Ltd of 10 Collyer Quay #19-08 Ocean Building, Singapore 049315 up to 5.00 pm on May 18, 2001 will be registered to determine shareholders' entitlement to the proposed final preferential dividend and ordinary dividend. In respect of ordinary shares in the securities accounts with The Central Depository (Pte) Limited (CDP), the final dividend will be paid by DBSH to CDP which will in turn distribute the dividend entitlements to shareholders.

BY ORDER OF THE BOARD

**HENG LEE CHENG (MS)
GROUP SECRETARY**

**MARCH 5, 2001
SINGAPORE**