

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

To: All Shareholders

The Board of Directors of DBS Group Holdings Ltd (DBSH) announces the following:

1. **AUDITED RESULTS FOR THE YEAR ENDED DECEMBER 31 2001**

| | DBSH | | | DBSH GROUP | | |
|--|------------------|----------------|-----------------|------------------|------------------|-----------------|
| | 2000 | 2001 | Incr/ (Decr) | 2000 | 2001 | Incr/ (Decr) |
| | S\$'000 | S\$'000 | % | S\$'000 | S\$'000 | % |
| Interest income | 19,169 | 18,868 | (1.6) | 4,896,910 | 5,271,026 | 7.6 |
| Less: Interest expense | - | - | - | 2,857,539 | 3,014,183 | 5.5 |
| Net interest income | 19,169 | 18,868 | (1.6) | 2,039,371 | 2,256,843 | 10.7 |
| Fee and commission income | - | - | - | 508,474 | 639,170 | 25.7 |
| Dividends | 2,886,434* | 67,550* | (97.7) | 82,866 | 26,952 | (67.5) |
| Rental income | - | - | - | 32,106 | 36,173 | 12.7 |
| Other income | - | 80,644 | NM | 268,188 | 585,907 | 118.5 |
| Income before operating expenses | 2,905,603 | 167,062 | (94.3) | 2,931,005 | 3,545,045 | 20.9 |
| Less: Staff costs | - | - | - | 613,221 | 865,494 | 41.1 |
| Other operating expenses | 729 | 1,455 | 99.6 | 632,445 | 875,969 | 38.5 |
| Goodwill amortisation | - | - | - | - | 131,414 | NM |
| Total operating expenses | 729 | 1,455 | 99.6 | 1,245,666 | 1,872,877 | 50.4 |
| Operating profit | 2,904,874 | 165,607 | (94.3) | 1,685,339 | 1,672,168 | (0.8) |
| Less: Provision for possible loan losses and diminution in value of other assets | - | 10 | NM | 53,644 | 378,855 | 606.2 |
| | 2,904,874 | 165,597 | (94.3) | 1,631,695 | 1,293,313 | (20.7) |
| Add: Share of profits less losses | | | | | | |
| - of associated companies | - | - | - | 43,132 | 67,091 | 55.5 |
| - of joint venture companies | - | - | - | - | 2,968 | NM |
| Net profit before taxation | 2,904,874 | 165,597 | (94.3) | 1,674,827 | 1,363,372 | (18.6) |
| Less: Taxation (based on liability method) | 707,105 | 21,732 | (96.9) | 308,746 | 256,704 | (16.9) |
| Share of taxation of | | | | | | |
| - associated companies | - | - | - | 6,396 | 15,530 | 142.8 |
| - joint venture companies | - | - | - | - | 544 | NM |
| Net profit after taxation | 2,197,769 | 143,865 | (93.5) | 1,359,685 | 1,090,594 | (19.8) |
| Less : Minority interests | | | | | | |
| - equity | - | - | - | (29,161) | 61,299 | NM |
| - non-equity | - | - | - | - | 30,171 | NM |
| Net profit attributable to members | 2,197,769 | 143,865 | (93.5) | 1,388,846 | 999,124 | (28.1) |

NM: Not Meaningful

* This refers to dividends paid by DBS Bank and The Insurance Corporation of Singapore Ltd (ICS). Both DBS Bank and ICS (up till 31/7/01) 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.

2. SELECTED BALANCE SHEET DATA

| | DBSH | | | DBSH GROUP | | |
|--|-----------|-----------|--------|-------------|-------------|--------|
| | Dec 31 | Dec 31 | Incr/ | Dec 31 | Dec 31 | Incr/ |
| | 2000 | 2001 | (Decr) | 2000 | 2001 | (Decr) |
| | S\$'000 | S\$'000 | % | S\$'000 | S\$'000 | % |
| (a) ASSETS | | | | | | |
| Total assets | 3,697,153 | 5,600,060 | 51.5 | 111,208,077 | 151,294,260 | 36.0 |
| Customer loans and advances including bills receivable | - | - | - | 52,023,770 | 68,208,004 | 31.1 |
| (b) LIABILITIES | | | | | | |
| Deposits and other accounts of customers | - | - | - | 80,720,470 | 106,771,303 | 32.3 |
| Deposits and balances of banks and agents | - | - | - | 12,053,626 | 8,445,671 | (29.9) |
| Subordinated term debts | | | | | | |
| - due within one year | - | - | - | 43,635 | 24,754 | (43.3) |
| - due after one year | - | - | - | 2,464,825 | 6,122,351 | 148.4 |
| Borrowings and debt securities | | | | | | |
| - due within one year | - | - | - | 577,085 | 2,156,198 | 273.6 |
| - due after one year | - | - | - | 726,324 | 2,186,549 | 201.0 |
| (c) CAPITAL AND RESERVES | | | | | | |
| Paid-up preference share capital | 91,588 | 91,581 | (#) | 91,588 | 91,581 | (#) |
| Issued and paid-up ordinary share capital | 1,215,661 | 1,446,826 | 19.0 | 1,215,661 | 1,446,826 | 19.0 |
| Ordinary shareholders' funds | 3,305,209 | 5,492,799 | 66.2 | 9,899,449 | 12,933,879 | 30.7 |
| Total (ordinary and preference) shareholders' funds | 3,396,797 | 5,584,380 | 64.4 | 10,494,750 | 13,529,147 | 28.9 |

Insignificant

3. COMMENTS ON RESULTS / BALANCE SHEET ITEMS

- (a) At December 31, 2001, DBS Bank through DBS Diamond Holdings Ltd (DDH) had effective holding of 71.6% in Dao Heng Bank Group Limited (DHG). DHG's contribution was included in DBSH Group's Profit & Loss Statement from July 1, 2001. DBS Bank holds 59.5% of DBS Vickers Securities Holdings Pte Ltd (DBSV) and the financial statements were consolidated from September 12, 2001. In preparing the consolidated financial statements, DBSH Group determines parent and minority interests based on present ownership interests.
- (b) DBSH Group's operating profit for Year 2001 decreased by 0.8% to S\$1,672.2 million compared to the prior year. Net profit attributable to members (NPAM) decreased 28.1% to S\$999.1 million largely due to higher loan provision. When measured on a cash basis, operating profit increased 7.0% to S\$1,803.6 million while NPAM decreased by 18.6% to S\$1,130.5 million.
- (c) Net interest income increased by 10.7% to S\$2,256.8 million for Year 2001 largely due to the acquisition of DHG. Excluding acquisitions of DHG and DBSV, net interest income was S\$1,930.7 million, a decrease of 5.3% from Year 2000. Loan demand was weak and intense competition in the residential mortgage market reduced interest earned on mortgages. For the year, net interest margin decreased to 1.87% as compared to 2.02% for Year 2000. A very liquid balance sheet, mortgage repricing and the carrying cost of funding acquisitions all led to a lower net interest margin.

- (d) Fee and commission income increased 25.7% to S\$639.2 million, largely the result of the acquisitions of DHG and DBSV. DHG accounted for S\$107.7 million of the S\$130.7 million increase, mainly from trade finance and credit card fees. Excluding contribution from DBSV, stockbroking income would have shown a steeper decline to 54.1%. The lower investment banking and stockbroking fees reflect the weak stock market and capital market condition prevailing for most of 2001. Dividend income decreased by 67.5% to S\$27.0 million. In Year 2000, a special dividend of S\$49.6 million was received from NatSteel Limited. Other income increased substantially by 118.5% to S\$585.9 million, due to higher net gains on foreign exchange (S\$110.8 million), securities and derivatives activities (S\$71.1 million) and profits from sales of shares in ICS (S\$120.1 million) and Keppel Capital (S\$60.6 million). These increases were partially offset by losses from trading equity investments (S\$59.4 million). Non-interest income to operating income ratio increased from 30.4% to 36.3% for Year 2001.
- (e) Operating expenses, excluding goodwill amortisation, increased 39.8% to S\$1,741.5 million. The increase was mainly due to higher staff costs of S\$120.8 million and the consolidation of DHG (S\$218.4 million) and DBSV (S\$37.6 million). The increase in staff costs was contributed by salary increments and the full year effect of staff recruited in Year 2000. In addition, severance payment of S\$12.8 million was incurred in August 2001 for the staff rightsizing exercise carried out at DBS Bank. Technology-related expenses increased by S\$47.6 million accounted for by the various business initiatives undertaken by the Group. Restructuring & integration costs of S\$40.4 million were incurred for integrating the operations and processes of DHG (S\$18.7 million), DBS Kwong On Bank (S\$4.9 million) and DBSV (S\$16.8 million). Excluding DHG's and DBSV's operating expenses, restructuring & integration costs and goodwill amortisation, operating expenses showed a smaller increase of 16.0%. The Group's cost-to-income ratio (excluding goodwill amortisation) was 49.1%, higher than 42.5% in 2000, partially accounted for by the cost structures of new acquisitions.
- (f) Provisions increased to S\$378.9 million. The increase was mainly due to higher specific provision for loans (S\$331.6 million) and properties held by the Group (S\$88.6 million), driven largely by uncertain economic conditions. In addition, general provision was released against exposure in Indonesia, Philippines and Thailand resulting from continuing progress in loan workouts.
- (g) At end-December 2001, the consolidation of DHG contributed to the increase in DBSH Group assets. Total assets were up 36.0% to S\$151.3 billion. Customer loans increased by 31.1% to S\$68.2 billion while customer deposits increased by 32.3% to S\$106.8 billion. Excluding DHG, customer loans decreased marginally by S\$0.8 billion while customer deposits increased by S\$4.1 billion. The loan-to-deposit ratio was 63.9%, as compared to 64.5% for Year 2000 reflecting a relatively liquid balance sheet with muted credit demand.
- (h) Shareholders' funds increased 28.9% to S\$13,529.1 million. Total CAR of DBSH Group, measured according to the Bank of International Settlements (BIS) guidelines was 17.4%, which is more than twice the minimum BIS requirement of 8.0%. The Tier I CAR ratio was 12.2% after deducting goodwill of S\$5.2 billion in connection with the acquisitions of DHG and DBSV. However, the minority interest in DHG and DBSV were excluded from the capital adequacy computations.

Subordinated term debts and preference shares were issued in Year 2001 as part of the capital raising efforts to support the acquisitions strategy of the Group. In March 2001, DBS Bank through DBS Capital Funding Corporation (100% owned), issued US\$725 million and S\$100 million subordinated term debts, which qualified for Tier I capital treatment. This was followed by the issuance of Tier II US\$850 million subordinated term debt and Tier I S\$1,100 million preference shares in May 2001 by DBS Bank. To further strengthen the CAR, DBS Bank had synthetically securitized S\$2.8 billion notional amount of corporate loans. The synthetic collateralized loan obligation allows DBS Bank to reduce the credit risk on the reference portfolio of corporate loans thereby reducing its risk-weighted assets.

For DHG, there are Put and Call arrangements in place in respect of the shares currently held by the minority. These options are European options, which are exercisable by giving a notice within a period of seven business days following December 31, 2002. Should these options be exercised, on a proforma basis at December 31, 2001, without taking into account earnings in the intervening period, the Tier I and total CAR would be 8.5% and 14.1% respectively.

4. OTHER INFORMATION

| | DBSH | | | DBSH GROUP | | |
|---|------|--------|-----------------|------------|---------|-----------------|
| | 2000 | 2001 | Incr/ (Decr) | 2000 | 2001 | Incr/ (Decr) |
| | | | % | | | % |
| (a) The following items have been included in “Fee and commission income” (S\$'000): | | | | | | |
| - Trade finance fees | - | - | - | 75,126 | 109,560 | 45.8 |
| - Deposit-related fees | - | - | - | 60,342 | 93,547 | 55.0 |
| - Credit card fees | - | - | - | 33,340 | 82,351 | 147.0 |
| - Loan-related fees | - | - | - | 50,809 | 80,770 | 59.0 |
| - Investment banking fees | - | - | - | 97,861 | 78,267 | (20.0) |
| - Stockbroking fees | - | - | - | 77,286 | 72,715 | (5.9) |
| - Fund management fees | - | - | - | 61,732 | 71,771 | 16.3 |
| - Guarantee fees | - | - | - | 25,886 | 29,128 | 12.5 |
| - Others | - | - | - | 26,092 | 21,061 | (19.3) |
| (b) The following items have been included in “Other income” (S\$'000): | | | | | | |
| - Gains (less losses) on foreign exchange | - | - | - | 118,994 | 229,825 | 93.1 |
| - Gains (less losses) on securities and derivatives | - | (4) | NM | 55,416 | 172,761 | 211.8 |
| - Gains (less losses) on disposal of investment securities | - | 80,648 | NM | 40,823 | 130,443 | 219.5 |
| - Gains (less losses) on disposal of fixed assets | - | - | - | 9,167 | 21,583 | 135.4 |
| - Other income | - | - | - | 43,788 | 31,295 | (28.5) |
| (c) The following items have been included in “Other operating expenses” (S\$'000): | | | | | | |
| - Maintenance and hire of fixed assets, including buildings | - | - | - | 71,315 | 118,561 | 66.2 |
| - Rental of premises | - | - | - | 55,025 | 81,154 | 47.5 |
| - Depreciation | - | - | - | 135,996 | 168,705 | 24.1 |
| - Restructuring/integration costs | - | - | - | - | 40,445 | NM |

| | DBSH | | | DBSH GROUP | | |
|---|-----------|---------|-----------------|------------|---------|-----------------|
| | 2000 | 2001 | Incr/ (Decr) | 2000 | 2001 | Incr/ (Decr) |
| | | | % | | | % |
| (d) Net profit as a percentage of weighted average total (ordinary and preference) shareholders' funds (%) | 78.32** | 3.88 | (95.0) | 12.89 | 8.90 | (31.0) |
| (e) Net profit as a percentage of average total assets (%) | 74.60** | 3.09 | (95.9) | 1.28 | 0.76 | (40.6) |
| (f) Earnings per ordinary share (S\$) | | | | | | |
| (i) Based on existing ordinary share capital | 1.80 | 0.10 | (94.4) | 1.13 | 0.78 | (31.0) |
| (ii) Fully diluted | 1.69 | * | NM | 1.07 | 0.74 | (30.8) |
| (g) Net tangible asset backing per ordinary share (S\$) | | | | | | |
| (i) Based on existing ordinary share capital | 2.72 | 3.78 | 39.0 | 8.14 | 5.38 | (33.9) |
| (ii) Assuming non-voting convertible preference shares (CPS) and non-voting redeemable CPS are converted to ordinary shares | 2.60 | 3.63 | 39.6 | 8.03 | 5.46 | (32.0) |
| (h) Net profit attributable to members for (S\$'000) | | | | | | |
| (i) First half year | 790,497 | 12,361 | (98.4) | 703,973 | 629,467 | (10.6) |
| (ii) Second half year | 1,407,272 | 131,504 | (90.7) | 684,873 | 369,657 | (46.0) |

NM: Not Meaningful

* Effect is anti-dilutive

** DBSH received aggregate dividends amounting to S\$2,886.4 million from its wholly-owned subsidiaries in Year 2000. Such dividends constitute a significant proportion of DBSH's average weighted shareholders' funds. Please see footnote indicated with an asterisk on Page 1.

(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 2001 and Dec 31 2001</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>Jun 30 2001</u> | <u>Dec 31 2001</u> |
| Issue of ordinary shares | 229,870,856 | - | - |
| Conversion of non-voting CPS | 1,891 | 25,107,992 | 25,106,101 |
| Conversion of non-voting redeemable CPS | - | 66,475,374 | 66,475,374 |
| Exercise of Executive Share Options | 222,682 | 23,808,532 | 24,421,714 |

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\$3,032,817), 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\$174,776,534). Details of proposed dividends in respect of the financial year ended December 31 are as follows:

| | 2000 | | 2001 | |
|---|------|-------------|------|-------------|
| | % | S\$ | % | S\$ |
| <u>DBSH Non-voting CPS</u> | | | | |
| - Interim dividend of 14 cents less 24.5% tax (2000: 14 cents less 25.5% tax) | 14 | 3,477,877 | 14 | 2,653,915 |
| - Final dividend of 16 cents (2000: 16 cents) less 24.5% tax | 16 | 3,033,045 | 16 | 3,032,817 |
| | 30 | 6,510,922 | 30 | 5,686,732 |
| <u>DBSH Non-voting redeemable CPS</u> | | | | |
| - Interim dividend of 14 cents less 24.5% tax (2000: 14 cents less 25.5% tax) | 14 | 9,896,545 | 14 | 7,026,447 |
| - Final dividend of 16 cents (2000: 16 cents) less 24.5% tax | 16 | 8,030,225 | 16 | 8,030,225 |
| | 30 | 17,926,770 | 30 | 15,056,672 |
| <u>DBSH Ordinary share</u> | | | | |
| - Interim dividend of 14 cents less 24.5% tax (2000: 14 cents less 25.5% tax) | 14 | 125,860,732 | 14 | 128,614,619 |
| - Final dividend of 16 cents (2000: 16 cents) less 24.5% tax | 16 | 146,976,235 | 16 | 174,776,534 |
| - Special dividend of nil cents (2000: 15 cents) less 24.5% tax | 15 | 137,790,219 | - | - |
| | 45 | 410,627,186 | 30 | 303,391,153 |

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 7, 2002, 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 April 29, 2002, the dividends will be paid on May 20, 2002.

6. SUBSEQUENT EVENTS

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

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

7. 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 April 29, 2002, the Share Transfer Books and Register of Members of the Company for ordinary shares will be closed from May 8, 2002 to May 9, 2002 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 7, 2002 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**

**February 18, 2002
SINGAPORE**