

The Directors herewith submit their report to the Members together with the audited consolidated financial statements of DBS Group Holdings Ltd ("DBSH") for the financial year ended December 31, 2001, which have been prepared in accordance with the provisions of the Companies Act and Statements of Accounting Standard.

BOARD OF DIRECTORS

The Directors in office at the date of this report are:

S Dhanabalan	–	Chairman
Philippe Paillart	–	Vice Chairman & Chief Executive Officer (Appointed on January 22, 2001)
Jackson Tai	–	(Appointed on May 13, 2001)
Bernard Chen Tien Lap		
Fock Siew Wah		
Gail D. Fosler (Ms)		
Robert Montgomery Howe		
Tommy Koh Thong-Bee		
Moses Lee Kim Poo		
Yeo Ning Hong		

In accordance with Article 95 of DBSH's Articles of Association, Mr S Dhanabalan, Mr Robert Montgomery Howe and Mr Moses Lee Kim Poo will retire and, being eligible, will offer themselves for re-election pursuant to Article 96.

In accordance with Article 101 of DBSH's Articles of Association, Mr Jackson Tai will retire and, being eligible, will offer himself for re-election pursuant to Article 101.

BOARD COMMITTEES

The Board has appointed a number of committees consisting of certain Directors. The following are the principal committees:

EXECUTIVE COMMITTEE

The Executive Committee operates as a general management committee under the direct authority of the Board. The members of the Executive Committee are Mr S Dhanabalan (Chairman), Mr Fock Siew Wah, Mr Bernard Chen Tien Lap, Mr Philippe Paillart and Mr Jackson Tai.

AUDIT COMMITTEE

The Audit Committee at the date of this report comprises non-executive directors Mr Bernard Chen Tien Lap (Chairman), Mr Moses Lee Kim Poo and Professor Tommy Koh Thong-Bee. The Audit Committee carried out its functions in accordance with Section 201B(5) of the Companies Act. It meets regularly with DBS' financial and internal audit management and external auditor to review the financial statements of DBSH and DBSH and its subsidiary companies ("DBSH Group"), the nature and scope of audit reviews and the effectiveness of internal control and compliance procedures.

The Committee has received the requisite information from PricewaterhouseCoopers (PwC) evidencing its independence. Having satisfied itself that there is no conflict of interest, the Committee has recommended to the Board that PwC be re-appointed as auditors for the ensuing financial year. The reappointment is subject to further appropriate approvals being obtained.

NOMINATING COMMITTEE

The Nominating Committee was established on September 3, 1999 pursuant to Article 80 of the Articles of Association of DBSH. At the date of this report, it comprises Professor Tommy Koh Thong-Bee (Chairman), Mr S Dhanabalan, Mr Bernard Chen Tien Lap, Mr Robert Montgomery Howe and Dr Yeo Ning Hong.

The functions of the Nominating Committee are, inter alia, to identify candidates and review all nominations for Directorships, memberships of the Executive Committee, the Compensation Committee and the Audit Committee, and senior management of DBSH.

COMPENSATION COMMITTEE

The Compensation Committee at the date of this report comprises non-executive directors Mr S Dhanabalan (Chairman), Mr Fock Siew Wah, Mr Robert Montgomery Howe and Dr Yeo Ning Hong. The Compensation Committee was established to review and approve the remuneration, including the grant of share options and performance shares to executives of the DBSH Group, including the executive directors of DBS Bank, and to oversee management development and succession planning in DBS Bank.

BOARD RISK MANAGEMENT COMMITTEE

The Board Risk Management Committee at the date of this report comprises non-executive directors Mr Fock Siew Wah (Chairman), Mr Bernard Chen Tien Lap, Mr Robert Montgomery Howe and Professor Tommy Koh Thong-Bee. The Committee meets regularly to review the policies and standards for the risk governance and risk management of DBSH Group.

PRINCIPAL ACTIVITIES

The principal activities of DBSH Group consist of the business of investment holding, banking and financing, the provision of mortgage financing, lease and hire purchase financing, corporate advisory services, nominee and trustee services, funds management services, stockbroking, primary dealership in Singapore Government securities, merchant banking, factoring, credit card and venture capital operations, and other financial services. There have been no significant changes in the nature of these activities during the financial year.

RESTRUCTURING OF DBSH GROUP**DBSF Limited (previously known as "DBS Finance Limited")**

On January 29, 2001, DBS Finance Limited ("DBS Finance"), a wholly-owned subsidiary company of DBS Bank, integrated its operations into DBS Bank pursuant to the Scheme of Arrangement and Amalgamation under Sections 210 and 212 of the Companies Act, Chapter 50 ("Scheme").

The following events took place:

- All of DBS Finance's business assets, liabilities, rights and obligations (except for certain excluded assets) were transferred to DBS Bank at the respective book values of the assets and liabilities at January 29, 2001.
- DBS Finance has ceased to operate as a finance company with effect from January 29, 2001 and will remain inactive except for the holding of investment in a subsidiary company.

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

DBS Factors Pte Ltd

During the financial year, DBS Bank completed the process of transferring the business undertakings of DBS Factors Pte Ltd, a wholly-owned subsidiary company of DBS Bank, to DBS Bank. Following the transfer, DBS Factors Pte Ltd is now inactive.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES**(a) Acquisition of and additional interest in subsidiaries****(i) Dao Heng Bank Group Limited ("DHG")**

On September 3, 2001, DBS Bank through DBS Diamond Holdings Ltd ("DDH"), a subsidiary company of DBS Bank, completed the acquisition of a 71.6% effective interest in the issued share capital of Dao Heng Bank Group Limited ("DHG"), a banking group incorporated in Bermuda, for a consideration of HK\$30,568 million (S\$7,123.9 million). The share of net attributable tangible assets of DHG at the date of acquisition was S\$2,011.3 million. The issued share capital of the remaining 28.4% of DDH are held by third parties.

Associated with this acquisition are certain put and call option arrangements which, if exercised, will allow the DBSH Group to acquire the remaining 28.4% of the issued share capital of DDH within 7 business days following December 31, 2002. In the consolidated financial statements of DBSH Group at December 31, 2001, these options have been accounted for as derivative contracts and recognised at their fair value. They would then be marked to market in subsequent accounting periods.

Major subsidiaries of the DHG include Dao Heng Bank Limited and Overseas Trust Bank Limited.

- (ii) **DBS Vickers Securities Holdings Pte Ltd ("DBSV" – Formerly known as Vickers Ballas Holdings Limited)**
On September 12, 2001, DBS Bank acquired a 59.5% effective interest in the issued share capital of DBSV for a consideration of S\$418.1 million. The share of net attributable tangible assets of Vickers Ballas at the date of the acquisition was S\$319.8 million.

Under the terms of the sale and purchase agreement, Singapore Technologies Pte Ltd, the other shareholder of DBSV, is granted an option to require DBS Bank to purchase such number of the remaining 40.5% shares at the option price on the date falling 2 years after September 12, 2001. In the consolidated financial statements of DBSH Group at December 31, 2001, these options have been accounted for as derivative contracts and recognised at their fair value. They would then be marked to market in subsequent accounting periods.

On September 28, 2001, DBS Securities Holding Pte Ltd and DBS Trading Pte Ltd, both wholly-owned subsidiary companies of DBS Bank, were sold to DBSV for a consideration of S\$306.0 million. On completion of the sale, DBSH's effective equity interests in DBS Securities Holding Pte Ltd and DBS Trading Pte Ltd were reduced from 100% to 59.5%.

- (iii) **DBS Bank Philippines, Inc. ("DBSP")**
On October 8, 2001, DBS Bank acquired an additional 28.3% equity interest in DBSP for a consideration of Philippines Peso ("PHP") 853 million (S\$30.5 million). The share of net attributable tangible assets of DBSP at the date of acquisition was PHP 360 million (S\$12.9 million). On completion of the additional acquisition, DBSH's effective equity interest in DBSP increased from 71.7% to 100%.

(b) Disposal of subsidiaries

- (i) **The Insurance Corporation of Singapore Limited ("ICS")**
On July 21, 2001, DBSH, under a conditional sale and purchase agreement ("Agreement"), sold its 100% equity stake of 52,089,052 ordinary shares of par value S\$1.00 each in The Insurance Corporation of Singapore Limited ("ICS") to Commercial Union International Holdings Limited for a cash consideration of S\$324.0 million. In addition, ICS paid a special dividend of S\$51.0 million to DBSH prior to the completion of the Agreement. The net attributable tangible assets of ICS at the date of disposal was S\$233.8 million. On completion of the sale, DBSH's equity interest in ICS was reduced from 100% to 0% and ICS has ceased to be a subsidiary company of DBSH Group.

Under the conditions of the Agreement, the shares of the following subsidiary and associated companies of ICS were transferred to DBSH for a total consideration of S\$5.2 million:

- (a) 20,625,003 ordinary shares of S\$1.00 each fully paid in the capital of ICS Reinsurance Private Ltd (a company under a court-approved scheme of arrangement), for a consideration of S\$1.00. DBSH's effective interest in the company remained at 51.5%.
- (b) 5,066,546 ordinary shares of S\$1.00 each fully paid in the capital of RMCA Holdings Pte Ltd for a consideration of S\$5,066,546. DBSH's effective interest in the company remained at 100%.
- (c) 100,000 ordinary shares of S\$1.00 each fully paid in the capital of Reinsurance Management Corporation of Asia (Pte) Ltd for a consideration of S\$100,000. DBSH's effective interest in the company remained at 80%.
- (d) 4,900,000 ordinary shares of £1.00 each fully paid in the capital of Insurance Corporation of Singapore (UK) Limited for a consideration of £1. DBSH's effective interest in the company remained at 98%.
- (e) 10,625,000 ordinary shares of S\$1.00 each fully paid in the capital of RMCA Reinsurance Limited (a company under a court-approved scheme of arrangement), for a consideration of S\$1.00. DBSH's effective interest in the company remained at 30%.

The total net attributable tangible assets of the companies at the date of acquisition was S\$6.3 million.

- (ii) **Inter-Roof Manufacturing Co Ltd (“Inter-Roof”)**
On July 18, 2001, DBS Thai Danu Bank Public Company Limited, a subsidiary company of DBS Bank, sold its 76% equity stake in Inter-Roof for a total consideration of 1 Baht. The net attributable tangible assets of Inter-Roof at the date of disposal was 5 Baht. On completion of the sale, Inter-Roof has ceased to be a subsidiary company of DBSH Group.
- (iii) **DBS Thai Danu Securities Ltd (“DTDS”)**
On November 11, 2001, DBS Thai Danu Bank Public Company Limited and DBS Securities Holding Pte Ltd, both subsidiary companies of DBS Bank, sold their combined 100% equity stake in DTDS for a total cash consideration of Baht 432.9 million (\$\$18.0 million). The net attributable tangible assets of DTDS at the date of disposal was Baht 365.5 million (\$\$15.3 million). On completion of the sale, DTDS has ceased to be a subsidiary company of DBSH Group.
- (iv) **DBS Bank Philippines, Inc. (“DBSP”)**
On November 16, 2001, DBS Bank sold its 100% equity stake of 27,064,133 ordinary shares in DBSP to Bank of the Philippine Islands for a cash consideration of PHP 1,585 million (\$\$56.8 million). The net attributable tangible assets of DBSP at the date of disposal was PHP 1,272 million (\$\$45.6 million). On completion of the sale, DBSP has ceased to be a subsidiary company of DBSH Group.

Save as aforesaid, there have been no other acquisition or disposal of subsidiaries during the financial year.

RESULTS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2001

(\$'000)	DBSH	DBSH GROUP
Net profit before taxation	165,597	1,363,372
Less: Taxation	21,732	256,704
Share of taxation of associated and joint venture companies	–	16,074
Net profit after taxation	143,865	1,090,594
Less: Minority interests	–	91,470
Net profit attributable to members	143,865	999,124
Add: Unappropriated profit brought forward		
– as previously reported	2,054,329	3,124,048
– effect of adopting SAS 31 in connection with accounting for dividends	295,589	295,589
Unappropriated profit brought forward as restated	2,349,918	3,419,637
Less: Share of reserve arising from equity accounting	–	1,872
Transfer to General Reserve	–	66,043
Goodwill transferred from capital reserve on disposal of subsidiary companies	–	28,573
	–	96,488
Amount available for distribution	2,493,783	4,322,273
Less: <u>Final dividend paid for financial year ended December 31, 2000</u>		
– Ordinary shares of 16% less income tax	146,975	146,975
– Non-voting convertible preference shares (“CPS”) of 16% less income tax	3,034	3,034
– Non-voting redeemable CPS of 16% less income tax	8,030	8,030
Less: Special dividend paid on ordinary shares of 15% less income tax for the financial year ended December 31, 2000	137,791	137,791
Less: <u>Interim dividend paid for financial year ended December 31, 2001</u>		
– Ordinary shares of 14% less income tax	128,615	128,615
– Non-voting CPS of 14% less income tax	2,654	2,654
– Non-voting redeemable CPS of 14% less income tax	7,026	7,026
Unappropriated profit carried forward	2,059,658	3,888,148

TRANSFERS TO/(FROM) OTHER RESERVES

(\$'000)	DBSH	DBSH GROUP
Balance of Reserves at January 1, 2001	35,219	6,063,453
Share Premium Account/Other Reserve		
Issue of ordinary shares	1,964,944	1,964,944
Exercise of share options pursuant to the DBSH Share Option Scheme and DBSH Share Option Plan	9,061	9,061
Expenses relating to issue of shares	(22,909)	(25,021)
Capital Reserve		
Exchange translation adjustments	-	(4,533)
Goodwill written back on disposal of subsidiary companies	-	28,573
General Reserve		
Exchange translation adjustments	-	72
Appropriation from profit and loss account	-	66,043
Balance of Reserves at December 31, 2001	1,986,315	8,102,592

SHARE AND DEBENTURE ISSUES

During the financial year:

- (a) On August 6, 2001, DBSH increased its authorised share capital by S\$2,000,000,000 through the creation of 2,000,000,000 ordinary shares of par value S\$1.00 each.
- (b) On November 9, 2001, DBSH issued 110,416,667 ordinary shares of par value S\$1.00 each at an issue price of S\$9.60 per share for cash, amounting to S\$1,060,000,003, for general corporate purposes, including the maintenance of required minimum total capital adequacy ratios.
- (c) On November 13, 2001, DBSH issued 119,454,189 ordinary shares of par value S\$1.00 each at an issue price of S\$9.50 per share for cash, amounting to S\$1,134,814,796, for general corporate purposes, including the maintenance of required minimum total capital adequacy ratios.
- (d) During the financial year, pursuant to the DBSH Share Option Scheme (the "Option Scheme") and DBSH Share Option Plan (the "Option Plan"), DBSH issued the following ordinary shares of par value S\$1.00 each, fully paid in cash upon the exercise of options granted:

<u>DBSH Share Option Scheme</u>	<u>Number of ordinary shares issued</u>	<u>Subscription price per ordinary share</u>
1996 Options	699,145	S\$8.02
1997 Options	280,595	S\$7.29
1998 Options	263,200	S\$7.69
DBSH Share Option Plan		
1999 Options	43,927	S\$15.30
	1,286,867	

- (e) During the financial year, DBSH issued 6,618 ordinary shares of par value S\$1.00 each, fully paid in cash upon the conversion of the non-voting convertible preference shares.

The newly issued shares rank pari passu in all respects with the previously issued shares.

During the financial year, the following subsidiaries issued shares and debentures as stated below:

(a) The Development Bank of Singapore Ltd ("DBS Bank")

- (i) On June 22, 2001, DBS Bank issued 114,000,000 ordinary shares of par value S\$1.00 each for S\$1,710,000,000 to DBSH, for general corporate purposes, including the maintenance of required minimum total capital adequacy ratios.
- (ii) On August 31, 2001, DBS Bank issued 13,333,334 ordinary shares of par value S\$1.00 each for S\$200,000,010 to DBSH, for general corporate purposes, including the maintenance of required minimum total capital adequacy ratios.
- (iii) On November 21, 2001, DBS Bank issued 184,579,440 ordinary shares of par value S\$1.00 each for S\$1,975,000,008 to DBSH, for general corporate purposes, including the maintenance of required minimum total capital adequacy ratios.
- (iv) On May 28, 2001, DBS Bank issued 11,000,000 6% non-cumulative non-convertible perpetual preference shares of par value of S\$0.01 and each with a liquidation preference of S\$100, for S\$1,100,000,000, for general corporate purposes, including the maintenance of required minimum total capital adequacy ratios.
- (v) On May 15, 2001, DBS Bank issued US\$850 million of 7 1/8% Subordinated Notes due on May 15, 2011, for general corporate purposes, including the maintenance of required minimum total capital adequacy ratios. The proceeds from the issue qualify as Tier II capital for DBSH Group's capital adequacy ratio computation.

(b) DBS Capital Funding Corporation ("DBS Capital Funding")

On March 21, 2001, DBS Capital Funding issued US\$725 million of 7.657% non-cumulative preference shares and S\$100 million of 5.35% non-cumulative preference shares, to support DBS Bank's operations. DBS Bank guaranteed on a subordinated basis all payments in respect of the preference shares. The proceeds from the issue qualify as Tier I capital for DBSH Group's capital adequacy ratio computation.

(c) DBS China Square Limited

On November 30, 2001, DBS China Square Limited increased its issued and paid-up capital by 58,600,000 ordinary shares of par value S\$1.00 each, fully paid in cash, to support its operations.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the financial year, was DBSH a party to any arrangement, the object of which, is to enable the Directors to acquire benefits through the acquisition of shares in or debentures of DBSH or any other body corporate save as disclosed in this report under the headings "DIRECTORS' INTEREST IN SHARES AND DEBENTURES", "SHARE OPTIONS" and "DBSH PERFORMANCE SHARE PLAN".

DIRECTORS' INTEREST IN SHARES AND DEBENTURES

According to the register of Directors' shareholdings kept pursuant to Section 164 of the Companies Act, the undermentioned persons were Directors of DBSH at the end of the financial year and their interests in shares in DBSH/DBS Bank were as follows:

	Holdings in which Directors have a direct interest		Holdings in which Directors are deemed to have an interest	
	As at 31 Dec 2000	As at 31 Dec 2001	As at 31 Dec 2000	As at 31 Dec 2001
	(or date of appointment if later)		(or date of appointment if later)	
<u>Ordinary Shares of par value S\$1.00 each</u>				
S Dhanabalan	5,000	25,000	31,534	31,534
Philippe Paillart	-	73,000	-	-
Jackson Tai	11,250	11,250	-	-
Bernard Chen Tien Lap	-	19,000	-	-
Fock Siew Wah	10,000	50,000	-	-
Gail D. Fosler	-	3,400	-	-
Robert Montgomery Howe	26,260	30,260	-	-
Tommy Koh Thong-Bee	4,200	4,200	-	-
Yeo Ning Hong	10,000	10,000	-	-
<u>Unissued Ordinary Shares of par value S\$1.00 each under the DBSH Share Option Plan</u>				
Philippe Paillart	100,000	200,000	-	-
Jackson Tai	187,375	187,375	-	-
<u>Number of DBS Bank 6% Non-Cumulative Non-Convertible Perpetual Preference Shares of par value S\$0.01 each</u>				
	As at May 28, 2001 (date of listing) or date of appointment if later	As at Dec 31 2001	As at May 28, 2001 (date of listing) or date of appointment if later	As at Dec 31 2001
S Dhanabalan	500	500	-	-
Jackson Tai	250	250	-	-

DIVIDENDS

Dividends paid or proposed since the end of DBSH's last financial year ended December 31, 2000 were as follows:

S\$

(a) paid in respect of the financial year ended December 31, 2000:		
(i)	a final and special dividend on ordinary shares of 16% and 15% respectively less income tax:	
	– as proposed in the Directors' Report for that year	284,525,521
	– not provided for in the 2000 financial statements arising from conversion of DBSH non-voting convertible preference shares (CPS) to ordinary shares and exercise of options under the Option Scheme and Option Plan	240,933
(ii)	a final dividend on DBSH non-voting CPS of 16% less income tax:	
	– as proposed in the Directors' Report for that year	3,033,616
	– writeback of excess provisions in 2000 financial statements arising from conversion of DBSH non-voting CPS to ordinary shares	(571)
(iii)	a final dividend on DBSH non-voting redeemable CPS of 16% less income tax:	
	– as proposed in the Directors' Report for that year	8,030,225
(b) paid in respect of the financial year ended December 31, 2001		
(i)	an interim dividend on ordinary shares of 14% less income tax	128,614,619
(ii)	an interim dividend on DBSH non-voting CPS of 14% less income tax	2,653,915
(iii)	an interim dividend on DBSH non-voting redeemable CPS of 14% less income tax	7,026,447
(c) proposed in respect of the financial year ended December 31, 2001		
(i)	a final dividend on ordinary shares of 16% less income tax	174,776,534
(ii)	a final dividend on DBSH non-voting CPS of 16% less income tax	3,032,817
(iii)	a final dividend on DBSH non-voting redeemable CPS of 16% less income tax	8,030,225

The financial statements do not reflect the dividends proposed in respect of the financial year ended December 31, 2001, which will be accounted for in shareholders' funds as an appropriation of revenue reserves in the year ended December 31, 2002. SAS 31 adopted during the year requires dividend to be accrued in the financial statements only when declared and not when proposed.

BAD AND DOUBTFUL DEBTS

Before the financial statements of DBSH were made out, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of and provision for bad and doubtful debts. They have satisfied themselves that all known bad debts have been written off and that, where necessary, adequate provision has been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances that would render the amounts written off or provided for bad and doubtful debts in the financial statements of DBSH and of DBSH Group inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of DBSH were made out, the Directors took reasonable steps to ensure that any current assets of DBSH which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values or that adequate provision has been made for the diminution in values of such current assets.

At the date of this report, the Directors are not aware of any circumstances that would render the values attributed to current assets in the financial statements of DBSH and of DBSH Group misleading.

CHARGES AND CONTINGENT LIABILITIES

At the date of this report:

- (a) no charge on the assets of DBSH or of DBSH Group has arisen since the end of the financial year which secures the liabilities of any other person, and
- (b) no contingent liability of DBSH or of DBSH Group has arisen since the end of the financial year other than those normally undertaken in the course of the activities of DBSH or of DBSH Group.

ABILITY TO MEET OBLIGATIONS

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of DBSH and of DBSH Group to meet their obligations as and when they fall due.

OTHER CIRCUMSTANCES AFFECTING THE FINANCIAL STATEMENTS

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of DBSH and of DBSH Group which would render any amounts stated in the financial statements of DBSH and of DBSH Group misleading.

UNUSUAL ITEMS

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has:

- (a) substantially affected the results of the operations of DBSH and of DBSH Group during the financial year, and
- (b) arisen in the interval between the end of the financial year and the date of this report which would affect substantially the results of the operations of DBSH and of DBSH Group for the financial year in which this report is made.

DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no Director has received or has become entitled to receive a benefit under a contract which is required to be disclosed by Section 201(8) of the Companies Act save as disclosed in this report or in the financial statements of DBSH and of DBSH Group.

SHARE OPTIONS

(a) DBSH SHARE OPTION SCHEME

The DBSH Share Option Scheme (the "Option Scheme") was adopted by the shareholders of DBSH at an Extraordinary General Meeting held on September 18, 1999, to replace the DBS Bank Share Option Scheme (the "DBS Bank Option Scheme") previously implemented by DBS Bank, following the restructuring of DBS Bank as a wholly-owned subsidiary of DBSH.

The Option Scheme was terminated on October 18, 1999, and the outstanding existing unexercised options (the "DBSH Options") will continue to remain valid until the date of expiration of the relevant DBSH Options.

Save as disclosed in this report under the heading "Share and Debenture Issues", no shares of DBSH were issued during the financial year to which this report relates by virtue of the exercise of the DBSH Options to take up unissued ordinary shares of DBSH pursuant to the Option Scheme, whether granted before or during the financial year.

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

	Number of unissued ordinary shares	Subscription price per ordinary share	Date of expiration
1997 DBSH Options	1,163,612	S\$7.29	May 5, 2002
1998 DBSH Options	1,145,144	S\$7.69	April 7, 2003
	<u>2,308,756</u>		

The persons to whom the DBSH Options have been granted do not have any right to participate by virtue of the DBSH Options in any share issue of any other company.

(b) DBSH SHARE OPTION PLAN

The DBS Bank Share Option Plan (the "DBS Bank Option Plan") was adopted by the shareholders of DBS Bank at an Extraordinary General Meeting of DBS Bank held on June 19, 1999 to replace the DBS Bank Option Scheme. At an Extraordinary General Meeting held on September 18, 1999, the shareholders of DBSH adopted the DBSH Share Option Plan (the "Option Plan") to replace the DBS Bank Option Plan, following the restructuring of DBS Bank as a wholly-owned subsidiary of DBSH.

The Option Plan is intended to foster an ownership culture within the DBSH Group which aligns the interests of participants with the interests of shareholders, motivate participants to achieve performance targets of the DBSH Group and/or their respective business units, and make total employees' remuneration sufficiently competitive to recruit and retain employees having skills that are commensurate with the DBSH Group's ambition to become a world-class regional banking group.

During the financial year, in consideration of the payment of S\$1.00 for each option granted, options in respect of 15,616,000 (March 2001: 13,913,000, June 2001: 21,000, August 2001: 1,682,000) unissued ordinary shares of par value S\$1.00 each in DBSH ("March 2001 DBSH Options", "June 2001 DBSH Options" and "August 2001 DBSH Options") were granted pursuant to the Option Plan to executives of DBSH Group of the rank of Vice President (or equivalent) and above, including options in respect of a total of 175,000 unissued ordinary shares granted to executive directors Mr Philippe Paillart and Mr Jackson Tai; as well as to selected employees of DBSH Group of a rank below the rank of Vice President (or equivalent).

Statutory and other information regarding the Option Plan and the "March 2001 DBSH Options", "June 2001 DBSH Options" and "August 2001 DBSH Options" granted under the Option Plan are as follows:

- (i) Subject to prevailing legislation, the following categories of individuals are currently eligible to participate in the Option Plan:
- DBSH Group executives who hold the rank of Vice President (or equivalent or analogous rank) and above and selected employees of the DBSH Group of a rank below the rank of Vice President (or equivalent or analogous rank);
 - Executives of associated companies of the DBSH Group over which DBSH has control who hold the rank of Vice President (or equivalent or analogous rank) and above; and
 - Non-executive directors of DBSH.

The persons to whom the "March 2001 DBSH Options", "June 2001 DBSH Options" and "August 2001 DBSH Options" have been granted may be eligible to participate in the DBSH Performance Share Plan or other equivalent plans, but shall not be eligible to participate in the DBSH Employee Share Plan or other equivalent plans.

- (ii) The date of expiration of the "March 2001 DBSH Options", "June 2001 DBSH Options" and "August 2001 DBSH Options" is March 14, 2011, May 31, 2011 and July 31, 2011 respectively unless any such Option lapses prior to such date by reason of Rules 7 and 8 of the Option Plan relating to the cessation of service of the participant, or the retirement, redundancy, ill health, injury, disability, death, bankruptcy or misconduct of the participant, or the participant, being a non-executive director, ceases to be a director, or a takeover, winding-up or reconstruction of DBSH, after the grant of the DBSH Option.
- (iii) The subscription price for each share in respect of which a DBSH Option (other than "March 2001 DBSH Options", "June 2001 DBSH Options" and "August 2001 DBSH Options") is exercisable is the average of the last dealt prices ("Market Price") for the DBSH shares, as determined by reference to the daily official list published by the Singapore Exchange Securities Trading Ltd ("SGX-ST"), for the three consecutive trading days immediately preceding the date of the grant.
- (iv) DBSH Options with subscription prices that are equal to the Market Price may be exercised, in whole or in part, one year after the date of the grant up to the date of expiration of the options, and in accordance with a vesting schedule to be determined by the Compensation Committee.

- (v) Adjustments may be made to the number of DBSH shares which may be acquired by a participant, or the subscription price or both, in the event of any variation in the issued ordinary share capital of DBSH (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation, or distribution), upon the written confirmation of the auditors of DBSH that such adjustment (other than in the case of a capitalisation issue) is fair and reasonable.

Save as disclosed in this report under the heading "SHARE AND DEBENTURE ISSUES", no shares of DBSH were issued during the financial year to which this report related by virtue of the exercise of any DBSH Options, whether granted before or during the financial year.

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

	Number of unissued ordinary shares	Subscription price per ordinary share	Date of expiration
1999 DBSH Options	4,377,358	S\$15.30	July 27, 2009
March 2000 DBSH Options	1,750,800	S\$20.87	March 5, 2010
July 2000 DBSH Options	1,188,800	S\$22.33	July 26, 2010
March 2001 DBSH Options	13,093,000	S\$17.70	March 14, 2011
June 2001 DBSH Options	21,000	S\$14.76	May 31, 2011
August 2001 DBSH Options	1,682,000	S\$12.93	July 31, 2011
	22,112,958		

Other than the DBSH Options granted under the Option Scheme and the DBSH Options granted under the Option Plan as disclosed herein, there were no outstanding options granted by DBSH as at the end of the financial year.

The persons to whom the DBSH Options have been granted do not have any right to participate by virtue of the DBSH Options in any share issue of any other company.

DBSH PERFORMANCE SHARE PLAN

The DBS Bank Performance Share Plan was adopted by the shareholders of DBS Bank at an Extraordinary General Meeting of DBS Bank held on June 19, 1999. At an Extraordinary General Meeting held on September 18, 1999, the shareholders of DBSH adopted the DBSH Performance Share Plan (the "Performance Share Plan"), to replace the DBS Bank Performance Share Plan, following the restructuring of DBS Bank as a wholly-owned subsidiary of DBSH.

The Performance Share Plan is designed to incorporate the best practices of leading financial institutions by including a significant equity component in the total compensation package to motivate selected executives of the DBSH Group (including Directors holding office in an executive capacity) and other selected participants to achieve strategic business objectives, and to reward them according to the extent to which these objectives are achieved.

During the financial year, awards in respect of an aggregate of 2,378,420 (March 2001: 1,557,000, June 2001: 17,500, August 2001: 803,920) ordinary shares of par value S\$1.00 each were granted, pursuant to the DBSH Performance Share Plan, to selected employees of DBSH Group, including an award in respect of a total of 50,000 shares granted to executive directors Mr Philippe Paillart and Mr Jackson Tai.

Statutory and other information regarding the Performance Share Plan are as follows:

- (i) Subject to prevailing legislation, the following categories of individuals are currently eligible to participate in the Performance Share Plan:
- DBSH Group executives who hold the rank of Vice President (or equivalent or analogous rank) and above and selected employees of the DBSH Group of a rank below the rank of Vice President (or equivalent or analogous rank);
 - Executives of associated companies of the DBSH Group over which DBSH has control who hold the rank of Vice President (or equivalent or analogous rank) and above; and
 - Non-executive directors of DBSH.

The participants of the Performance Share Plan may be eligible to participate in the DBSH Share Option Plan or other equivalent plans, but shall not be eligible to participate in the DBSH Employee Share Plan or other equivalent plans.

- (ii) Participants are awarded ordinary shares of DBSH, their equivalent cash value or combinations thereof ("DBSH Awards"), when the prescribed performance targets are met. The DBSH Awards are granted at the absolute discretion of the Compensation Committee.
- (iii) The Performance Share Plan shall continue to be in force at the discretion of the Compensation Committee, subject to a maximum period of four years from September 18, 1999, provided always that the Performance Share Plan may continue beyond the above stipulated period with the approval of the shareholders of DBSH in general meeting and of any relevant authorities which may then be required.
- (iv) DBSH Awards may be granted at any time in the course of a financial year, and may lapse by reason of cessation of service of the participant, or the retirement, redundancy, ill health, injury, disability, death, bankruptcy or misconduct of the participant, or the participant, being a non-executive director, ceases to be a director, or a takeover, winding-up or reconstruction of DBSH.
- (v) The aggregate nominal amount of new DBSH shares which may be delivered (pursuant to DBSH Awards granted) under the Performance Share Plan, when added to the nominal amount of new DBSH shares issued and issuable in respect of all DBSH Awards granted under the Performance Share Plan, and all options granted under the Option Plan, shall not exceed 15 per cent of the issued share capital of DBSH on the day preceding the relevant date of the DBSH Award. The number of existing DBSH shares purchased from the market which may be delivered pursuant to the DBSH Award will not be subject to any limit.
- (vi) Subject to the prevailing legislation and SGX-ST guidelines, DBSH will have the flexibility to deliver DBSH shares to participants upon vesting of their DBSH Awards by way of an issue of new DBSH shares and/or the purchase of existing DBSH shares.
- (vii) The nominal amount, class and/or number of DBSH shares comprised in a DBSH Award to the extent not yet vested, and/or which may be granted to participants, are subject to adjustment by reason of any variation in the issued ordinary share capital of DBSH (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation, or distribution), upon the written confirmation of the auditors of DBSH that such adjustment (other than in the case of a capitalisation issue) is fair and reasonable.

DBSH EMPLOYEE SHARE PLAN

The DBSH Employee Share Plan (the "Employee Share Plan") is intended to cater to all employees of the DBSH Group and associated companies of the DBSH Group over which DBSH has control who are not eligible to participate in the DBSH Share Option Plan, the DBSH Performance Share Plan or other equivalent plans.

Participants will receive ordinary shares of DBSH ("DBSH shares") free of charge, the equivalent in cash, or combinations thereof, provided that certain prescribed performance targets are met. Participants will be allocated DBSH shares acquired from the market in accordance with guidelines established by DBSH. In respect of each financial year, DBSH will determine the performance targets applicable and the number of DBSH shares to be allocated to each participant or category of participants upon the attainment of such targets. Upon the attainment of the prescribed performance targets, the DBSH shares will be vested with the participants on terms and conditions to be determined by DBSH.

The Employee Share Plan may be altered from time to time at the absolute discretion of DBSH.

During the financial year, no shares were granted under the Employee Share Plan.

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 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 its 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.

AUDITORS

Our auditors, PricewaterhouseCoopers, being eligible, have expressed their willingness to accept re-appointment at the forthcoming Annual General Meeting on April 29, 2002.

On behalf of the Directors

S DHANABALAN

PHILIPPE PAILLART

February 18, 2002
Singapore