

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

To: All Shareholders

1. **UNAUDITED RESULTS FOR THE SIX MONTHS ENDED JUNE 30 2001**

The Board of Directors of DBS Group Holdings Ltd (DBSH) wishes to make the following announcement:

	<u>DBSH</u>			<u>DBSH GROUP</u>		
	Six months ended		<u>Incr/</u>	Six months ended		<u>Incr/</u>
	<u>Jun 30 2000</u>	<u>Jun 30 2001</u>	<u>(Decr)</u>	<u>Jun 30 2000</u>	<u>Jun 30 2001</u>	<u>(Decr)</u>
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Interest income	8,699	18,095	108.0	2,410,166	2,425,739	0.6
Less: Interest expense	-	-	-	1,363,753	1,464,190	7.4
Net interest income	8,699	18,095	108.0	1,046,413	961,549	(8.1)
Fee and commission income	-	-	-	260,349	250,757	(3.7)
Dividends	1,051,441	*	NM	26,238	21,258	(19.0)
Rental income	-	-	-	16,277	19,670	20.8
Other income	-	-	-	139,190	274,979	97.6
Income before operating expenses	1,060,140	18,095	(98.3)	1,488,467	1,528,213	2.7
Less: Staff costs	-	-	-	281,159	389,406	38.5
Other operating expenses	349	792	126.9	312,842	359,512	14.9
Total operating expenses	349	792	126.9	594,001	748,918	26.1
Operating profit	1,059,791	17,303	(98.4)	894,466	779,295	(12.9)
Less: Provision for possible loan losses and diminution in value of other assets	-	-	-	64,274	46,465	(27.7)
	1,059,791	17,303	(98.4)	830,192	732,830	(11.7)
Add: Share of profits less losses of associated companies	-	-	-	22,144	33,572	51.6
Net profit before taxation	1,059,791	17,303	(98.4)	852,336	766,402	(10.1)
Less: Taxation (based on liability method)	269,294	4,942	(98.2)	157,068	131,880	(16.0)
Less: Share of taxation of associated companies	-	-	-	3,727	9,313	149.9
Net profit after taxation	790,497	12,361	(98.4)	691,541	625,209	(9.6)
Minority interests	-	-	-	12,432	4,258	(65.7)
Net profit attributable to members	790,497	12,361	(98.4)	703,973	629,467	(10.6)

NM: Not Meaningful

* This included a 75.47% taxable gross dividend of S\$999.4 million paid by DBS Bank, a wholly-owned subsidiary of DBSH.

2. SELECTED BALANCE SHEET DATA

	<u>DBSH</u>			<u>DBSH GROUP</u>		
	<u>Jun 30 2000</u> S\$'000	<u>Jun 30 2001</u> S\$'000	<u>Incr/ (Decr)</u> %	<u>Jun 30 2000</u> S\$'000	<u>Jun 30 2001</u> S\$'000	<u>Incr/ (Decr)</u> %
(a) ASSETS						
Total assets	3,414,119	3,429,194	0.4	107,551,828	156,496,968	45.5
Customer loans and advances including bills receivable	-	-	-	52,428,674	69,617,411	32.8
(b) LIABILITIES						
Deposits and other accounts of customers	-	-	-	80,400,339	114,851,435	42.8
Deposits and balances of banks and agents	-	-	-	9,129,583	11,135,249	22.0
Subordinated term debts	-	-	-	2,735,323	6,043,069	120.9
Borrowings and debt securities						
- due within one year	-	-	-	535,895	1,299,713	142.5
- due after one year	-	-	-	559,665	2,044,183	265.3
(c) CAPITAL AND RESERVES						
Paid-up preference share capital	128,232	91,583	(28.6)	128,232	91,583	(28.6)
Issued and paid-up ordinary share capital	1,206,566	1,216,730	0.8	1,206,566	1,216,730	0.8
Ordinary shareholders' funds	2,748,840	3,326,019	21.0	9,886,542	10,546,699	6.7
Total (ordinary and preference) shareholders' funds	2,877,072	3,417,602	18.8	10,720,022	11,141,969	3.9

3. COMMENTS ON RESULTS / BALANCE SHEET ITEMS

- (a) Following receipt of Hong Kong Monetary Authority approval on June 27, 2001, DBS Bank began its tender for shares in Dao Heng Bank Group Limited (DHG) on June 29, 2001. At June 30, 2001, DBS Bank through DBS Diamond Holdings Ltd. (80% owned) had already obtained a 56.9% effective holding in DHG. Consequently, DHG's assets and liabilities were consolidated. Its pro-rata contribution to the DBSH Group's Profit & Loss Statement however, was deemed not material for inclusion in this reporting period.
- (b) DBSH Group's net profit attributable to members in First Half 2001 decreased 10.6% to S\$629 million. Income before operating expenses registered an increase of 2.7% amidst weaker macroeconomic conditions and an increasingly competitive environment. Operating expenses increased by 26.1% to S\$749 million. The increase was due to higher staff cost (S\$108 million), technology-related expenses (S\$24 million) and advertising expenses (S\$13 million).
- (c) Net interest income declined by 8.1% to S\$962 million in First Half 2001. Net interest margin decreased to 1.78% as compared to 2.07% in First Half 2000. The lower net interest margin was due to the shift from corporate loans to lower-yielding interbank lendings. Intensified market competition also resulted in narrower interest margin for housing loans. To a smaller extent, the temporary deployment of the proceeds from the recent capital issues in the interbank market also contributed to the reduction in net interest income.
- (d) Fee and commission income decreased 3.7% to S\$251 million, due mainly to lower stockbroking fees (S\$23 million) resulting from weak market volumes and the deregulation of brokerage commission. The decrease was partially offset by higher deposit-related fees (S\$20 million). Fee and commission income contributed to 16.4% of the total operating income, down from 17.5% for First Half 2000. Dividends and rental income decreased marginally by 3.7% to S\$41 million. Other income increased substantially by 97.6% to S\$275 million, due to higher foreign exchange trading profits (S\$60 million) and higher profits from the sale of Singapore Government Securities (S\$45 million). Profit of S\$31 million on the disposal of DBS Securities Building was also included in the accounts.

- (e) DBSH Group continues to invest heavily in human resources. The 26.1% increase in operating expenses to S\$749 million was mainly due to higher staff costs of S\$108 million, of which S\$42 million can be attributed to one-time contractual payments, staff adjustments and sign-on bonuses. The balance was principally due to the recruitment of additional staff, salary increments including allowances, and higher variable bonus provisions on an enlarged pool of staff. In addition, higher technology-related (S\$24 million) and advertising expenses (S\$13 million) were incurred for various business initiatives. Cost-to-income ratio increased to 49.0% as compared to 39.9% in First Half 2000.
- (f) Provisions decreased by 27.7% to S\$46 million. For the five regional countries, lower loan provisions of S\$11 million were required following a reduction in DBS' regional non-performing loans in the First Half 2001. In Singapore, there was a one-time transfer of provisions from general to specific in connection with the folding-in of DBS Finance Ltd to DBS Bank. This transfer accounts for part of the increase in specific provisions for Singapore borrowers.
- (g) The consolidation of DHG contributed to the increase in DBSH Group assets. Total assets were up 45.5% to S\$156 billion. Customer loans increased by 32.8% to S\$70 billion. Excluding DHG, customer loans increased by S\$1 billion despite a weak loan market. Customer deposits registered 42.8% increase (or S\$34 billion) to S\$115 billion. Excluding DHG, the increase was S\$10 billion. This amount included a one-time placement of S\$5 billion from a customer, which had the effect of bringing down the loan-to-deposit ratio to 60.6%, as compared to 65.2% for First Half 2000.
- (h) Shareholders' funds increased 3.9% to S\$11,142 million. Combined Tier I and II Capital Adequacy Ratio, measured according to the Bank of International Settlements (BIS) guidelines, remains strong at 17.5%, which is more than twice the minimum BIS requirement of 8%. Of the total, 12.0% is in the form of Tier I capital. 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 issuance of Tier II US\$850 million subordinated term debt in May 2001. In May 2001, as part of the capital raising efforts to support the acquisition of DHG, DBS Bank issued S\$1,100 million preference shares. These preference shares qualify for Tier I capital treatment.

4. **OTHER INFORMATION**

	<u>DBSH</u>			<u>DBSH GROUP</u>		
	<u>Six months ended</u>	<u>Six months ended</u>	<u>Incr/</u>	<u>Six months ended</u>	<u>Six months ended</u>	<u>Incr/</u>
	<u>Jun 30 2000</u>	<u>Jun 30 2001</u>	<u>(Decr)</u>	<u>Jun 30 2000</u>	<u>Jun 30 2001</u>	<u>(Decr)</u>
			%			%
(a) The following items have been included in “Fee and commission income” (S\$'000):						
- Deposit-related fees	-	-	-	22,539	43,056	91.0
- Trade-related fees	-	-	-	37,746	39,831	5.5
- Investment banking fees	-	-	-	42,528	39,032	(8.2)
- Fund management fees	-	-	-	36,784	34,704	(5.7)
- Loan-related fees	-	-	-	23,848	28,583	19.9
- Stockbroking fees	-	-	-	46,859	23,582	(49.7)
- Credit card fees	-	-	-	15,402	16,261	5.6
- Guarantee fees	-	-	-	14,316	14,067	(1.7)
- Others	-	-	-	20,327	11,641	(42.7)
(b) The following items have been included in “Other income” (S\$'000):						
- Gains (less losses) on trading in foreign exchange	-	-	-	51,659	111,727	116.3
- Gains (less losses) on sale of trading securities and derivatives trading	-	-	-	54,538	101,892	86.8
- Gains (less losses) on disposal of investment securities	-	-	-	8,255	15,852	92.0
- Gains (less losses) on disposal of fixed assets	-	-	-	4,364	25,872	492.9
- Others	-	-	-	20,374	19,636	(3.6)
(c) The following items have been included in “Other operating expenses” (S\$'000):						
- Maintenance and hire of fixed assets, including buildings	-	-	-	38,762	48,604	25.4
- Rental of premises	-	-	-	29,546	29,572	0.1
- Depreciation	-	-	-	62,591	74,060	18.3

	<u>DBSH</u>		<u>Incr/ (Decr)</u>	<u>DBSH GROUP</u>		<u>Incr/ (Decr)</u>
	<u>Six months ended Jun 30 2000</u>	<u>Six months ended Jun 30 2001</u>		<u>Six months ended Jun 30 2000</u>	<u>Six months ended Jun 30 2001</u>	
			%			%
(d) Net profit as a percentage of weighted average total (ordinary and preference) shareholders' funds * (%)	63.53	0.61	(99.0)	13.13	11.36	(13.5)
(e) Net profit as a percentage of average total assets * (%)	55.11	0.69	(98.7)	1.31	1.08	(17.6)
(f) Earnings per ordinary share * (S\$)						
(i) Based on existing ordinary share capital	1.30	#	NM	1.16	1.02	(12.1)
(ii) Fully diluted	1.19	##	NM	1.06	0.96	(9.4)
(g) Net tangible asset backing per ordinary share (S\$)						
(i) Based on existing ordinary share capital	2.28	2.73	19.7	8.19	5.85	(28.6)
(ii) Assuming non-voting convertible preference shares (CPS) and non-voting redeemable CPS are converted to ordinary shares	2.16	2.61	20.8	8.03	5.91	(26.4)

* Annualised
 NM: Not Meaningful
 # Insignificant
 ## Effect is anti-dilutive

(h) 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 Jan 1 2001 and Jun 30 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>Dec 31 2000</u>	<u>Jun 30 2001</u>
Conversion of non-voting CPS	4,727	25,112,719	25,107,992
Conversion of non-voting redeemable CPS	-	66,475,374	66,475,374
Exercise of Executive Share Options	1,064,185	11,351,528	23,808,532

5. **INTERIM DIVIDEND**

The Directors are recommending a gross Interim Preferential Dividend of 14 cents per DBSH non-voting CPS and per DBSH non-voting redeemable CPS less 24.5% Singapore income tax, and a gross Interim Dividend per ordinary share less 24.5% Singapore income tax. Details of proposed dividends in respect of the half year ended June 30 are as follows:

		<u>2000</u>	<u>DBSH</u>	<u>2001</u>	
	%	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
<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
<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	128,608,380

The proposed Interim 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(h) on or before August 6, 2001, while the Interim Dividend payout on ordinary shares may be greater if additional ordinary shares are issued pursuant to paragraph 4(h) on or before the same date. The dividends are payable on August 20, 2001.

6. **CLOSURE OF BOOKS**

Notice is hereby given that the Share Transfer Books and Register of Members of the Company for ordinary shares will be closed from August 7, 2001 to August 8, 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 August 6, 2001 will be registered to determine shareholders' entitlement to the proposed Interim Preferential Dividend and proposed Interim 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**

**JULY 23, 2001
SINGAPORE**