

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. UNAUDITED FINANCIAL RESULTS FOR THE PERIOD ENDED

	DBSH GROUP							
	9 Mths 2003	9 Mths 2002	Incr/ (Decr)	3rd Qtr 2003	2nd Qtr 2003	Incr/ (Decr)	3rd Qtr 2002	Incr/ (Decr)
	S\$'M	S\$'M	%	S\$'M	S\$'M	%	S\$'M	%
Interest income	2,715	3,376	(19.6)	911	892	2.1	1,091	(16.5)
Less: Interest expense	968	1,373	(29.5)	323	332	(2.7)	421	(23.3)
Net interest income	1,747	2,003	(12.8)	588	560	5.0	670	(12.2)
Fee and commission income	633	607	4.3	259	214	21.0	201	28.9
Dividends	41	23	78.3	16	21	(23.8)	6	166.7
Rental income	25	24	4.2	9	7	28.6	12	(25.0)
Other income	699	435	60.7	241	182	32.4	139	73.4
Income before operating expenses	3,145	3,092	1.7	1,113	984	13.1	1,028	8.3
Less: Staff costs	648	685	(5.4)	219	210	4.3	220	(0.5)
Other operating expenses	711	693	2.6	239	249	(4.0)	232	3.0
Goodwill amortisation	320	206	55.3	107	107	-	69	55.1
Operating expenses before provisions	1,679	1,584	6.0	565	566	(0.2)	521	8.4
Operating profit before provisions	1,466	1,508	(2.8)	548	418	31.1	507	8.1
Less: Provision for possible loan losses and diminution in value of other assets	459	389	18.0	154	187	(17.6)	162	(4.9)
Operating profit	1,007	1,119	(10.0)	394	231	70.6	345	14.2
Add: Share of profits less losses of associated and joint venture companies	33	38	(13.2)	11	10	10.0	11	-
Net profit before taxation	1,040	1,157	(10.1)	405	241	68.0	356	13.8
Less: Taxation	257	274	(6.2)	96	53	81.1	94	2.1
Share of taxation of associated and joint venture companies	7	11	(36.4)	3	2	50.0	4	(25.0)
Net profit after taxation	776	872	(11.0)	306	186	64.5	258	18.6
Less: Minority interests	43	106	(59.4)	15	15	-	32	(53.1)
Net profit attributable to members	733	766	(4.3)	291	171	70.2	226	28.8

2. SELECTED BALANCE SHEET DATA

	DBSH			DBSH GROUP		
	Sep 30 2003	Dec 31 2002	Sep 30 2002	Sep 30 2003	Dec 31 2002	Sep 30 2002
	S\$'M	S\$'M	S\$'M	S\$'M	S\$'M	S\$'M
(a) ASSETS						
Total assets	6,762	6,950	5,451	160,231	149,445	148,315
Customer loans and advances including bills receivable ^{1/}	-	-	-	63,902	60,709	63,442
Subsidiary companies	6,759	6,947	5,451	-	-	-
(b) LIABILITIES						
Deposits and other accounts of customers	-	-	-	107,056	101,315	100,419
Deposits and balances of banks and agents	-	-	-	8,802	4,877	7,514
Subordinated term debts (unsecured)						
- due within one year	-	-	-	26	24	24
- due after one year	-	-	-	5,731	5,762	5,887
Borrowings and debt securities ^{2/}						
- due within one year	-	-	-	2,808	1,975	1,953
- due after one year	-	-	-	2,991	2,934	2,806
(c) CAPITAL AND RESERVES						
Paid-up preference share capital	86	86	86	86	86	86
Issued and paid-up ordinary share capital	1,470	1,469	1,469	1,470	1,469	1,469
Ordinary shareholders' funds	6,668	6,860	5,355	14,316	13,932	13,646
Total (ordinary and preference) shareholders' funds	6,754	6,947	5,441	14,875	14,492	14,196

Notes:

1/ After deducting cumulative provisions.

2/ Includes secured amount of S\$1,502 million as at September 30, 2003 (December 31, 2002: S\$1,409 million; September 30, 2002: S\$1,392 million). These are mainly secured by properties and securities.

3. COMMENTS ON RESULTS / BALANCE SHEET ITEMS

- (a) DBS Group Holdings ("DBSH") prepares its consolidated DBSH Group ("Group") financial statements in accordance with Financial Reporting Standards ("FRS").
- (b) The Monetary Authority of Singapore revised MAS 605 during the third quarter of 2003, allowing for the measurement of trading book positions at fair value. Following the revision, DBSH Group revised its classification guidelines to provide a clear classification and measurement of its trading and investment securities.

With the revision, all trading securities are now measured at market value. The accounting policy change has been applied retroactively, and the comparable financial results for the Group have been restated to conform to the new accounting policy.

- (c) DBSH Group's operating profit before goodwill amortisation and provisions in the first 9 months of 2003 ("9 Months 2003") was S\$1.786 billion, an increase of 4.2% over the same period in 2002. The improved year-on-year performance was principally due to an increase in non-interest income. After goodwill amortisation of S\$320 million and provision charge of S\$459 million, net profit attributable to members declined by 4.3% to S\$733 million. Cost-to-income ratio (excluding goodwill amortisation) improved to 43.2% compared to 44.6% for the same period last year.

Compared to second quarter 2003 ("2nd Qtr 2003"), operating profit before goodwill amortisation and provisions increased by 24.8% mainly due to higher income earned in third quarter 2003 ("3rd Qtr 2003"). After taking into account provision charge of S\$154 million, net profit attributable to members showed a significant increase of 70.2%. Cost-to-income ratio (excluding goodwill amortisation) improved to 41.2% in 3rd Qtr 2003 from 46.6% in 2nd Qtr 2003.

Without the accounting policy change, NPAM for 9 Months 2003 would have been S\$742 million, or a 1% increase over the S\$735 million NPAM for 9 Months 2002 as previously reported.

- (d) Net interest income for 9 Months 2003 fell 12.8% to S\$1.747 billion over the same period in 2002. The decrease was mainly due to the low interest rate environment and the narrower spreads on loans. Net interest margin was 1.76% for 9 Months 2003 compared to 2.00% for 9 Months 2002.

Compared to the 2nd Qtr 2003, net interest income increased to S\$588 million in the 3rd Qtr 2003, due to the improvement in net interest margin as well as higher volume of interest bearing assets. Net interest margin was 1.72% for 3rd Qtr 2003. Although interest rates remained low, the Singapore dollar interbank rate was higher in the 3rd Qtr 2003 compared to 2nd Qtr 2003. Average interest yield on debt securities was also higher in the 3rd Qtr 2003.

- (e) Fee and commission income in 9 Months 2003 increased by 4.3% to S\$633 million over the same period in 2002. The increase was contributed by higher stockbroking fees following a surge in trading volume in the equity market in the 3rd Qtr 2003 and higher loan related earnings from increased syndicated loan activities.

Compared to 2nd Qtr 2003, fee and commission income rose 21% to S\$259 million in 3rd Qtr 2003. Most categories of fee and commission income continued to register increases reflecting stronger economic activity.

Other income for 9 Months 2003 increased significantly by 60.7% to S\$699 million as compared to 9 Months 2002. For 3rd Qtr 2003, other income was S\$59 million higher than 2nd Qtr 2003. The respective increases were due to higher gains from interest rate trading and customer-related derivatives business, as well as the sale of investment products.

The Group actively manages its portfolio of fixed income securities, including its holdings of Singapore government securities with the use of corresponding financial derivatives for dynamic hedging. During the third quarter, the Group recorded a S\$135 million loss on trading Singapore government securities which however, was offset by gains from financial derivatives that were transacted to hedge the interest rate risks from the fixed income portfolio.

- (f) Excluding goodwill amortisation, year-on-year ("YOY") operating expenses declined by 1.4%.

Staff costs showed a 5.4% decrease of S\$37 million largely due to staff reduction resulting from outsourcing certain technology-related functions in the Group and headcount reduction arising from rationalisation of workflow and businesses. The increase in technology-related expenses was mainly due to investments in new systems, enhancing capacity to meet customer demands and payment of outsourcing fees. YOY, the Group's cost-to-income ratio (excluding goodwill amortisation) was 43.2% for 9 Months 2003 compared to 44.6% for the same period in 2002.

Third quarter operating expenses (excluding goodwill amortisation) were virtually flat compared to 2nd Qtr 2003. The increase in staff costs was attributable to accrual of performance related bonuses, but this was offset by decline in other operating expenses. Cost-to-income ratio (excluding goodwill amortisation) was 41.2% in 3rd Qtr 2003.

- (g) On January 10, 2003, DBS Bank Ltd exercised its call option on the minority shareholders of DBS Diamond Holdings Limited ("DDH") to acquire approximately 28.4% of the remaining issued share capital of DDH. DDH owned 100% of Dao Heng Bank Group Limited. Goodwill arising from the acquisition of the remaining 28.4% interest in DDH is amortised over a period of 19 years from January 2003. As a result, goodwill amortisation in 9 Months 2003 increased when compared to 9 Months 2002.

On September 11, 2003, DBS Bank Ltd purchased the remaining 336,175,960 ordinary shares in DBS Vickers Securities Holdings Pte Ltd ("DBSV"). As a result, DBS Bank Ltd's equity interest in DBSV increased from 59.5% to 100%. Goodwill of S\$108 million arising from the acquisition of the remaining 40.5% interest in DBSV is amortised over a period of 8 years. The pro-rata contribution to the DBSH Group's profit and loss account, however, is deemed not material for inclusion in this reporting period.

- (h) Total provision charge was S\$459 million for 9 Months 2003. Approximately 74% of the total charge was loan-related.

Higher general provisions were made in 9 Months 2003 following an increase in customer loans outstanding. This increase contrasts with 9 Months 2002 where customer loans outstanding declined from year-end and general provision reserves were released.

Compared to 2nd Qtr 2003, total provision charge was lower by S\$33 million. In 2nd Qtr 2003, provision charge was set aside for properties and other assets of Singapore and Hong Kong in view of the weak economic conditions prevailing for most of the quarter.

- (i) The volume of non-performing loans ("NPLs") fell slightly to S\$4.1 billion at the end of September 2003. Approximately S\$1.6 billion of restructured NPLs continues to be included in the total volume of NPLs.

The ratio of NPLs to the total non-bank loans ("NPL rate") decreased from 6.1% at the end of December 2002 to 5.7% at the end of September 2003, helped in part by a higher non-bank loan base.

The NPL rate for Hong Kong operations was 3.3% at the end of September 2003. The Group's Hong Kong credit card business recorded a 1.8% delinquent loan rate for 90 days past due. The net charge-off rate for 9 Months 2003 was 11.8%, down from the 12% rate for the first 6 months of 2003. The relatively high charge-off rate reflects the high unemployment rate and number of personal bankruptcy filings.

As at end September 2003, the classification of non-performing loans into substandard, doubtful and loss categories was virtually unchanged compared to end December 2002.

Total cumulative specific and general provisions at the end of September 2003 was 121.7% of unsecured NPLs, and 62.9% of total NPLs.

- (j) At the end of September 2003, total assets was S\$160.2 billion. Compared to end December 2002, customer loans increased by 5.3% to S\$63.9 billion despite limited loan demand in a highly competitive environment. The increase in loans arose from "manufacturing", "general commerce" and "financial institutions, investment & holding companies" sectors. Customer deposits increased by 5.7% to S\$107.1 billion. The Group's loan-to-deposit ratio at the end of September 2003 was 59.7%. Adjusted for DBSH Group's portfolio of non-trading debt securities, the ratio of loan and non-trading debt securities to deposits would be 77.6%.
- (k) At the end of September 2003, the total Capital Adequacy Ratio for the DBSH Group, measured according to the Bank for International Settlements guidelines was 15.2%.
- (l) There is no material adjustment for under or overprovision of tax in respect of prior years.

4. OTHER INFORMATION

	DBSH			DBSH GROUP		
	9 Mths 2003	9 Mths 2002	Incr/ (Decr) (%)	9 Mths 2003	9 Mths 2002	Incr/ (Decr) (%)
(a) Depreciation (S\$'M)	-	-	-	137	130	5.4
(b) Net profit as a percentage of weighted average total (ordinary and preference) shareholders' funds (%) ^{3/}	2.40	#	NM	6.65	7.34	(9.4)
(c) Net profit as a percentage of average total assets (%) ^{3/}	2.40	#	NM	0.63	0.68	(7.4)
(d) Net asset backing per ordinary share (S\$)						
(i) Based on existing ordinary share capital	4.53	3.64	24.5	9.74	9.27	5.1
(ii) Assuming non-voting convertible preference shares ("CPS") and non-voting redeemable CPS are converted to ordinary shares	4.34	3.50	24.0	9.56	9.13	4.7
(e) Earnings per ordinary share (S\$)						
(i) Basic (Based on existing ordinary share capital) ^{3/}	0.10	#	NM	0.65	0.69	(5.8)
(ii) Diluted ^{3/}	0.10	#	NM	0.63	0.66	(4.5)

Notes:

1/ NM: Not Meaningful

2/ # : Insignificant

3/ Annualised

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

Particulars	Number of new ordinary shares issued between July 1, 2003 and September 30, 2003	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	
		Sep 30, 2003	Sep 30, 2002
Conversion of non-voting CPS	3,782	19,605,059	19,608,841
Conversion of non-voting redeemable CPS	-	66,475,374	66,475,374
Exercise of Executive Share Options	-	47,000,116	36,071,477

5. INTERIM DIVIDEND

Dividends are declared semi-annually by the Board following the financial results announcements for the half year and full year. No dividend has been declared for the quarter ended September 30, 2003.

BY ORDER OF THE BOARD

HENG LEE CHENG (MS)
GROUP SECRETARY

OCTOBER 31, 2003
SINGAPORE

For more information on the above announcement, visit our website at www.dbs.com