

**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 QUARTER ENDED SEPTEMBER 30, 2002**

In S\$m	<b>DBSH GROUP</b>							
	9 Mths 2002	9 Mths 2001	Incr/ (Decr) (%)	3rd Qtr 2002	2nd Qtr 2002	Incr/ (Decr) (%)	3rd Qtr 2001	Incr/ (Decr) (%)
Net interest income	<b>2,003.3</b>	1,549.9	29.3	<b>670.6</b>	663.4	1.1	588.4	14.0
Fee and commission income	<b>606.7</b>	418.9	44.8	<b>200.9</b>	213.4	(5.9)	168.2	19.5
Dividends and rental income	<b>47.0</b>	55.2	(14.8)	<b>17.2</b>	19.7	(12.4)	14.3	20.8
Other income	<b>360.8</b>	542.3	(33.5)	<b>94.5</b>	114.5	(17.5)	267.3	(64.6)
<b>Income before operating expenses</b>	<b>3,017.8</b>	2,566.3	17.6	<b>983.2</b>	1,011.0	(2.7)	1,038.1	(5.3)
Less: Operating expenses	<b>1,378.1</b>	1,212.9	13.6	<b>452.0</b>	467.5	(3.3)	464.0	(2.6)
Goodwill amortisation	<b>205.6</b>	63.6	223.3	<b>69.1</b>	68.7	0.6	63.6	8.7
<b>Total operating expenses</b>	<b>1,583.7</b>	1,276.5	24.1	<b>521.1</b>	536.2	(2.8)	527.6	(1.2)
<b>Operating profit</b>	<b>1,434.1</b>	1,289.8	11.2	<b>462.1</b>	474.8	(2.7)	510.5	(9.5)
Less: Provisions	<b>353.3</b>	292.0	21.0	<b>150.2</b>	107.2	40.1	245.5	(38.8)
Add: Share of profits less losses of associated & joint venture companies	<b>38.4</b>	55.2	(30.4)	<b>11.8</b>	12.9	(8.2)	21.6	(45.3)
<b>Net profit before taxation</b>	<b>1,119.2</b>	1,053.0	6.3	<b>323.7</b>	380.5	(14.9)	286.6	13.0
<b>Net profit after taxation attributable     to members (NPAM)</b>	<b>734.6</b>	830.5	(11.5)	<b>199.1</b>	257.8	(22.8)	201.0	(0.9)
<b>NPAM excluding goodwill amortisation</b>	<b>940.2</b>	894.0	5.2	<b>268.2</b>	326.5	(17.9)	264.6	1.4
US\$/S\$ exchange rate at period end	<b>1.7762</b>	1.7671			1.7615			
HK\$/S\$ exchange rate at period end	<b>0.2277</b>	0.2266			0.2258			

Note : Some of the figures in this document may not add up to the relevant totals due to rounding  
2nd Qtr :Second Quarter  
3rd Qtr : Third Quarter

## 2. SELECTED BALANCE SHEET DATA

### DBSH Group

<u>In S\$m</u>	<u>Sep 30 2002</u>	<u>Jun 30 2002</u>	<u>Sep 30 2001</u>
<b>(a) ASSETS</b>			
Total assets	<b>148,117.1</b>	152,008.9	147,414.1
Customer loans and advances including bills receivable	<b>63,442.3</b>	64,561.2	67,957.9
<b>(b) LIABILITIES</b>			
Deposits and other accounts of customers	<b>100,418.7</b>	102,984.1	105,835.2
Deposits and balances of banks and agents	<b>7,513.7</b>	10,232.5	10,841.5
Subordinated term debts due within one year	<b>24.2</b>	25.0	23.5
due after one year	<b>5,886.8</b>	5,852.0	5,849.6
Borrowings and debt securities due within one year	<b>1,953.2</b>	1,905.0	1,193.2
due after one year	<b>2,799.5</b>	2,461.9	1,854.4
<b>(c) CAPITAL AND RESERVES</b>			
Paid-up preference share capital	<b>86.1</b>	86.1	91.6
Issued and paid-up ordinary share capital	<b>1,468.8</b>	1,468.7	1,216.9
Ordinary shareholders' funds	<b>13,529.8</b>	13,507.8	10,588.5
Total (ordinary and preference) shareholders' funds	<b>14,089.4</b>	14,067.4	11,183.7

## 3. COMMENTS ON RESULTS / BALANCE SHEET ITEMS

- (a) Effective for financial periods beginning on or after April 1, 2001, companies in Singapore are required to adopt the revised Statement of Accounting Standard 12 on Income Taxes. As a result, DBS Group Holdings and its subsidiary companies ("DBSH Group") have applied the revised Standard with effect from January 1, 2002. There is no material impact on the Group financial statements for nine months 2002.

The assets and liabilities of foreign subsidiary companies and branch operations are translated into Singapore dollars at the exchange rates prevailing at the balance sheet date whilst the income and expense items are translated at the average rates for the financial period. This change was effected retrospectively from January 1, 2002.

- (b) DBSH Group's operating profit increased by 11.2% to S\$1,434 million in nine months 2002 over the same period in 2001. Financial results of Dao Heng Bank Group Limited (DHG) and DBS Vickers Securities Holdings Pte Ltd (DBSV) were consolidated from June 29, 2001 and September 12, 2001 respectively. Consequently, the Group's financial results had the full nine-month impact of the acquisitions in 2002. The consolidation is based on current ownership interest of 71.6% for DHG and 59.5% for DBSV.

Net profit attributable to members (NPAM) decreased by 11.5% to S\$735 million as a result of the higher provision charge. Provision charge for nine months 2002 was S\$353 million reflecting the uncertain economic environment and a soft property market. Cost-to-income ratio was 45.7% compared to 47.3% for nine months 2001.

Compared to second quarter 2002 (2nd Qtr 2002), third quarter 2002 (3rd Qtr 2002) operating profit decreased by 2.7% to S\$462 million. NPAM decreased by 22.8% to S\$199 million due to a 40.1% increase in provision charge over 2nd Qtr 2002. The higher provision charge reflects the weaker equity markets and the continued softness in the economic environment. Cost-to-income ratio remained relatively unchanged between the two quarters.

- (c) Nine month 2002 net interest income increased by 29.3% to S\$2,003 million. A large part of the increase was due to the inclusion of nine months of DHG's net interest income compared to three months for the same period last year. Excluding DHG, net interest income was 9.4% higher than nine months 2001, reflecting the benefit of lower funding costs.

Compared with 2nd quarter 2002, net interest income increased by 1.1% to S\$671 million.

Net interest margin was 2.00% for nine months 2002, an improvement of 0.22 percentage points over same period last year. The benefit of lower funding costs, which resulted in improved margin, was partially offset by lower lending spreads, limited lending opportunities and reduced benefits for net free funds.

For the quarter, net interest margin was 2.00% compared to 1.96% for second quarter 2002, despite highly competitive market conditions and intense interest margin pressure for both mortgage and corporate loans.

- (d) Fee and commission income increased by 44.8%. The increase was mainly driven by the full nine-month contributions from DHG and DBSV. Excluding the contributions from these acquisitions, fee and commission was 13.4% higher than the same period last year. The increase was due mainly to fees received from fund management, sale of wealth management products and growth in loan related fees. Credit card fees grew by S\$6 million or 20.0%, following the increase in the number of credit cards issued.

Compared to 2nd Qtr 2002, fee and commission income was 5.9% lower in the third quarter. The decline in stockbroking and fund management fees over the previous quarter was due to the less favourable conditions in the equity markets.

Other income for nine months 2002 declined 33.5%. Nine month 2001 results included a S\$181 million profit from the sale of shares in The Insurance Corporation of Singapore Limited and Keppel Capital Holdings Limited.

For third quarter 2002, the 17.5% decline in other income over second quarter 2002 was largely due to equity losses and lower profits from treasury activities.

- (e) Excluding operating expenses of DHG and DBSV, and goodwill amortisation, nine month 2002 operating expenses declined 8.4% over the same period in 2001.

Staff costs were lower as a result of lower staff bonuses and headcount reduction that arose from rationalisation of workflow and businesses. Other operating expenses also declined as a result of the implementation of cost management initiatives. Last year's divestment of the Group's stake in former subsidiaries, The Insurance Corporation of Singapore Limited and DBS Bank Philippines Inc., also resulted in lower costs as their operating expenses have been excluded.

The Group's cost-to-income ratio (excluding goodwill amortisation) was 45.7% for nine months 2002 compared with 47.3% for the same period in 2001.

Compared to the second quarter, third quarter operating expenses were 5.4% lower, reflecting the Group's effort in cost discipline. Cost-to-income ratio was maintained at 46.0%.

- (f) Provision charge was S\$353 million for nine months 2002. Specific provisions for loans and valuation shortfall for properties in Hong Kong dominated the charge.

In the third quarter, the additional specific loan provision charge was mainly for loans outside Singapore. Recent economic conditions did not indicate an impending economic recovery. At the same time, the soft property market and volatile equity markets have weakened the value of collateral underlying some of our loans. In addition to provisions for loans, we have also set aside provisions for equities.

- (g) The volume of non-performing loans (NPLs) declined to S\$4.2 billion at the end of September 2002. The ratio of NPLs to the total non-bank loans (NPL rate) decreased from 5.9% at the end of June 2002 to 5.7% as at the end of September 2002 due mainly to recoveries and write-off of previously provided debts.

The NPL rate for Hong Kong operations was 3.5% at the end of September 2002. Our Hong Kong credit card business recorded a 1.16% loan delinquent rate for 90 days past due. The net charge-off rate rose to 10.8%, reflecting the higher unemployment rate and increases in personal bankruptcy filings.

Of the total S\$4.2 billion NPLs as at the end of September 2002, 66% were in the substandard category, 10% in the doubtful category and the remaining 24% in the loss category.

Approximately 6% of the NPLs that had been classified as substandard were actually “performing” NPLs. These loans were classified as “substandard” due to weak financials even though debt servicing was still current.

- (h) Total cumulative specific and general provisions at the end of September 2002 was 124.8% of unsecured NPLs, and 61.0% of total NPLs (or 63.5% of total NPLs of S\$3,989 million under US SEC guidelines).
- (i) At the end of September 2002, total assets was S\$148.1 billion. Customer loans decreased by 6.6% to S\$63.4 billion, due mainly to the limited loan demand in a highly competitive environment. Customer deposits decreased by 5.1% to S\$100.4 billion. The Group’s loan-to-deposit ratio at the end of September 2002 was 63.2%.
- (j) At the end of September 2002, the total CAR for the DBSH Group, measured according to the Bank for International Settlements (BIS) guidelines was 19.0%, more than twice the minimum CAR requirement of 8.0%. The Tier 1 CAR ratio was 13.7% after deducting goodwill of S\$5.0 billion in connection with the acquisitions of DHG and DBSV.

For DHG, there are put and call arrangements in place in respect of the DBS Diamond Shares currently held by the minority shareholders. These options are European options, which are exercisable by giving notice within a period of seven business days following December 31, 2002. Should these options be exercised, on a proforma basis at September 30, 2002, without taking into account earnings in the intervening period, the Tier 1 and total CAR would be 10.2% and 15.7% respectively.

#### 4. OTHER INFORMATION

	<u>DBSH GROUP</u>		
	9 Mths 2002	1 <sup>st</sup> Half 2002	9 Mths 2001
(a) <b>Net profit as a percentage of weighted average total (ordinary and preference) shareholders' funds * (%)</b>	7.09	7.73	9.16
(b) <b>Net profit as a percentage of average total assets * (%)</b>	0.65	0.70	0.83
(c) <b>Net tangible asset backing per ordinary share (S\$)</b>			
(i) Based on existing ordinary share capital	5.80	5.74	4.56
(ii) Assuming non-voting convertible preference shares (CPS) and non-voting redeemable CPS are converted to ordinary shares	5.85	5.79	4.70
(d) <b>Earnings per ordinary share * (S\$)</b>			
(i) Basic (Based on existing ordinary share capital)	0.66	0.72	0.80
(ii) Fully diluted	0.63	0.69	0.76

Group basic earnings per ordinary share is calculated by dividing the annualised DBSH Group's net profit attributable to members and after preference dividends, amounting to S\$959.3 million (9 Mths 2001 : S\$971.4 million) by the weighted average number of ordinary shares in issue during the period of 1,459.1 million shares (9 Mths 2001 : 1,216.4 million shares).

Group fully diluted earnings per ordinary share is calculated by dividing the adjusted annualised DBSH Group's net profit attributable to members amounting to S\$979.5 million (9 Mths 2001 : S\$992.1 million) by the adjusted weighted average number of ordinary shares in issue during the period of 1,545.6 million shares (9 Mths 2001 : 1,309.2 million shares). The weighted average number of ordinary shares had been adjusted for the dilutive effect arising from the exercise of all outstanding share options granted to employees where such shares would be issued at a price lower than fair value (average share price during the period) and the full conversion of DBSH non-voting CPS and DBSH non-voting redeemable CPS to ordinary shares.

\* Annualised

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

Particulars	Number of new ordinary shares issued between Jul 1 2002 and Sep 30 2002	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>Jun 30 2002</u>	<u>Sep 30 2002</u>
Conversion of non-voting CPS	-	19,608,841	19,608,841
Conversion of non-voting redeemable CPS	-	66,475,374	66,475,374
Exercise of Executive Share Options	114,400	35,376,024	36,071,477

**5. 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, 2002.

**BY ORDER OF THE BOARD**

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

**OCTOBER 28, 2002  
SINGAPORE**

*For more information on the above announcement, visit our website at [www.dbs.com](http://www.dbs.com)*