

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 MARCH 31, 2003

	DBSH GROUP				
	1st Qtr 2003	1st Qtr 2002	Incr/ (Decr)	4th Qtr 2002	Incr/ (Decr)
	S\$'000	S\$'000	%	S\$'000	%
Interest income	913,047	1,166,261	(21.7)	1,029,566	(11.3)
Less: Interest expense	314,293	496,307	(36.7)	387,816	(19.0)
Net interest income	598,754	669,954	(10.6)	641,750	(6.7)
Fee and commission income	160,370	192,562	(16.7)	190,601	(15.9)
Dividends	4,275	1,816	135.4	5,088	(16.0)
Rental income	8,462	8,335	1.5	8,136	4.0
Other income	282,746	151,778	86.3	202,630	39.5
Income before operating expenses	1,054,607	1,024,445	2.9	1,048,205	0.6
Less: Staff costs	218,688	236,602	(7.6)	225,324	(2.9)
Other operating expenses	223,646	222,599	0.5	246,450	(9.3)
Goodwill amortisation	107,317	67,732	58.4	72,892	47.2
Operating expenses before provisions	549,651	526,933	4.3	544,666	0.9
Operating profit before provisions	504,956	497,512	1.5	503,539	0.3
Less: Provision for possible loan losses and diminution in value of other assets	115,069	95,770	20.2	180,824	(36.4)
Operating profit	389,887	401,742	(3.0)	322,715	20.8
Add: Share of profits less losses of					
- associated companies	13,559	13,028	4.1	8,773	54.6
- joint venture companies	(1,032)	708	NM	(2,807)	NM
Net profit before taxation	402,414	415,478	(3.1)	328,681	22.4
Less: Taxation	108,722	96,691	12.4	17,887	507.8
Share of taxation of					
- associated companies	1,272	2,995	(57.5)	1,760	(27.7)
- joint venture companies	51	227	(77.5)	-	NM
Net profit after taxation	292,369	315,565	(7.4)	309,034	(5.4)
Less: Minority interests	13,358	37,544	(64.4)	27,028	(50.6)
Net profit attributable to members	279,011	278,021	0.4	282,006	(1.1)

Note:

1/ NM: Not Meaningful

2. SELECTED BALANCE SHEET DATA

	DBSH			DBSH GROUP		
	Mar 31 2003	Dec 31 2002	Mar 31 2002	Mar 31 2003	Dec 31 2002	Mar 31 2002
		S\$'000	S\$'000		S\$'000	S\$'000
(a) ASSETS						
Total assets	6,954,384	6,950,623	5,601,975	155,980,872	149,375,409	154,118,353
Customer loans and advances including bills receivable ^{1/}	-	-	-	61,640,227	60,709,548	66,340,434
Subsidiary companies	6,951,183	6,947,436	5,586,812	-	-	-
(b) LIABILITIES						
Deposits and other accounts of customers	-	-	-	105,629,413	101,314,564	109,585,707
Deposits and balances of banks and agents	-	-	-	7,625,007	4,876,949	8,947,510
Subordinated term debts (unsecured)						
- due within one year	-	-	-	23,758	23,798	24,946
- due after one year	-	-	-	5,849,038	5,762,331	6,090,395
Borrowings and debt securities ^{2/}						
- due within one year	-	-	-	2,122,954	1,971,733	1,743,511
- due after one year	-	-	-	3,089,229	2,928,846	2,551,006
(c) CAPITAL AND RESERVES						
Paid-up preference share capital	86,084	86,084	91,581	86,084	86,084	91,581
Issued and paid-up ordinary share capital	1,469,384	1,468,835	1,447,181	1,469,384	1,468,835	1,447,181
Ordinary shareholders' funds	6,864,111	6,860,178	5,495,604	14,182,702	13,885,107	13,302,182
Total (ordinary and preference) shareholders' funds	6,950,195	6,946,262	5,587,185	14,742,229	14,444,635	13,897,440

Notes:

1/ Net of cumulative provisions.

2/ Includes secured amount of S\$1,538 million as at March 31, 2003 (December 31, 2002: S\$1,409 million; March 31, 2002: S\$1,696 million). These are mainly secured by properties and securities.

3. COMMENTS ON RESULTS / BALANCE SHEET ITEMS

(a) DBS prepares its financial statements in accordance with Financial Reporting Standards ("FRS").

DBSH Group's operating profit before goodwill amortisation and provisions in the first quarter of 2003 (1st Qtr 2003) was S\$613 million, an increase of 8.3% over the same period in 2002. The improved year-on-year performance was due to a 2.9% rise in income before operating expenses and a 3.7% reduction in operating expenses. The 8.3% increase in operating profit was, however, offset partially by higher goodwill amortisation and provision charge. As a result, net profit attributable to members grew at a smaller rate of 0.4% to S\$279 million. Cost-to-income ratio (excluding goodwill amortisation) improved to 41.9% compared to 44.8% for same period last year.

Compared to fourth quarter 2002 ("4th Qtr 2002"), operating profit before goodwill amortisation and provisions increased by 6.2% due to lower operating expenses in 1st Qtr 2003. Net profit attributable to members, however, showed a decrease of 1.1%. Tax charges were higher in 1st Qtr 2003 as one-time tax adjustments were made in 4th Qtr 2002 following the adoption of FRS 12 in 2002. Cost-to-income ratio (excluding goodwill amortisation) decreased to 41.9% in 1st Qtr 2003 from 45.0% in 4th Qtr 2002.

- (b) Net interest income decreased by 10.6% to S\$599 million over the same period in 2002. The decrease was due to decline in average interest bearing assets, narrower spread on loans and reduced benefits from deployment of net free funds in a low interest rate environment.

Compared to 4th Qtr 2002, the decrease in net interest income was 6.7%, due mainly to continuing interest margin compression in the mortgage business and a lower contribution from net free funds.

Net interest margin was 1.87% for 1st Qtr 2003, a decrease of 15 basis points from 2.02% in 1st Qtr 2002 and 10 basis points, from 1.97% in 4th Qtr 2002.

- (c) Fee and commission income decreased by 16.7% over the same period in 2002. The decrease was mainly due to lower stockbroking fees resulting from the less favourable conditions in the equity market. Investment banking and fund management income were also lower.

Compared to 4th Qtr 2002, fee and commission income was 15.9% lower in the first quarter 2003. All categories of fee and commission income showed marginal decline reflecting the weak business and consumer sentiment prevailing in the market.

Other income for 1st Qtr 2003 increased significantly by 86.3% as compared to 1st Qtr 2002. Income from sale of structured products and gains on Singapore Government Securities and other securities were higher in 1st Qtr 2003 compared to 1st Qtr 2002 and 4th Qtr 2002.

- (d) Excluding goodwill amortisation, year-on-year (YOY) operating expenses declined 3.7%.

Staff costs showed a decrease of S\$18 million or 7.6%, of which S\$10 million was due to staff reduction resulting from outsourcing certain technology-related functions in the Group. The remaining S\$8 million decrease in staff costs was the result of headcount reduction arising from rationalisation of workflow and businesses. Technology-related expenses showed significant increase mainly due to payment of outsourcing fees. Other operating expenses also declined as a result of the implementation of cost management initiatives.

YOY, the Group's cost-to-income ratio (excluding goodwill amortisation) was 41.9% for 1st Qtr 2003 compared to 44.8% for the same period in 2002.

Compared to 4th Qtr 2002, first quarter operating expenses (excluding goodwill amortisation) was 6.2% lower. The decrease was contributed by expenses incurred for restructuring exercise and one-time write off of assets related to discontinued projects in fourth quarter of 2002. Cost-to-income ratio (excluding goodwill amortisation) was 45.0% in 4th Qtr 2002.

- (e) On January 10, 2003, DBS Bank exercised its Call Option on the minority shareholders of DBS Diamond Holdings Ltd ("DDH") to acquire approximately 28.4% of the remaining issued share capital of DDH. DDH owns 100% of Dao Heng Bank Group Limited ("DHG"). 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 showed an increase compared to 1st Qtr 2002.

- (f) Provision charge was S\$115 million for 1st Qtr 2003. Approximately 62% of the total charge was loan-related.

In 1st Qtr 2003, uncertain economic environment and continuing weak equity and property markets resulted in a higher level of specific and general provisions than that in 1st Qtr 2002.

- (g) Tax expenses were higher in 1st Qtr 2003. This was partially accounted for by the adoption of FRS 12 in Year 2002, which requires deferred tax to be recognised on all temporary differences with certain limited exceptions. One-time tax adjustments were taken in 4th Qtr 2002.

- (h) At the end of March 2003, total assets was S\$156.0 billion. Compared to end December 2002, customer loans increased 1.5% to S\$61.6 billion despite low loan demand in a highly competitive environment. Customer deposits increased 4.3% to S\$105.6 billion. The Group's loan-to-deposit ratio at the end of March 2003 was 58.4%.

- (i) At the end of March 2003, the total Capital Adequacy Ratio (“CAR”) for the DBSH Group, measured according to the Bank for International Settlements (“BIS”) guidelines was 15.1%, which is above the minimum CAR requirement of 8.0%.
- (j) There is no material adjustment for under or overprovision of tax in respect of prior years.
- (k) DBSH Group has applied the same accounting policies and methods of computations in its financial statements in 1st Qtr 2003 compared with the audited financial statements for Year 2002.

4. OTHER INFORMATION

	DBSH			DBSH GROUP		
	1st Qtr 2003	1st Qtr 2002	Incr/ (Decr) (%)	1st Qtr 2003	1st Qtr 2002	Incr/ (Decr) (%)
(a) Depreciation (S\$'000)	-	-	-	44,636	47,305	(5.6)
(b) Net profit as a percentage of weighted average total (ordinary and preference) shareholders' funds (%)	-	0.01	NM	7.65	8.08	(5.3)
(c) Net profit as a percentage of average total assets (%)	-	0.01	NM	0.73	0.73	-
(d) Net tangible asset backing per ordinary share (S\$)						
(i) Based on existing ordinary share capital	4.67	3.79	23.2	4.47	5.63	(20.6)
(ii) Assuming non-voting convertible preference shares (“CPS”) and non-voting redeemable CPS are converted to ordinary shares	4.47	3.63	23.1	4.59	5.69	(19.3)
(e) Net asset backing per ordinary share (S\$)						
(i) Based on existing ordinary share capital	4.67	3.79	23.2	9.64	9.18	5.0
(ii) Assuming non-voting CPS and non-voting redeemable CPS are converted to ordinary shares	4.47	3.63	23.1	9.47	9.02	5.0
(f) Earnings per ordinary share (S\$)						
(i) Basic (Based on existing ordinary share capital)	-	(0.01)	-	0.75	0.75	-
(ii) Diluted	-	-	-	0.72	0.72	-

Note:

1/ NM: Not Meaningful

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

Particulars	Number of new ordinary shares issued between Dec 31, 2002 and Mar 31, 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	
		<u>Mar 31, 2003</u>	<u>Dec 31, 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	548,645	48,829,959	35,437,704

5. DIVIDEND

Dividends are declared semi-annually by DBSH Board of Directors following the financial results announcement for the half year and full year. No dividend has been declared for the First Quarter ended March 31, 2003.

BY ORDER OF THE BOARD

HENG LEE CHENG (MS)
GROUP SECRETARY

APRIL 21, 2003
SINGAPORE

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