

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							
	1st Half 2003	1st Half 2002	Incr/ (Decr)	2nd Qtr 2003	1st Qtr 2003	Incr/ (Decr)	2nd Qtr 2002	Incr/ (Decr)
	S\$'M	S\$'M	%	S\$'M	S\$'M	%	S\$'M	%
Interest income	1,805	2,286	(21.0)	892	913	(2.3)	1,120	(20.4)
Less: Interest expense	646	953	(32.2)	332	314	5.7	457	(27.4)
Net interest income	1,159	1,333	(13.1)	560	599	(6.5)	663	(15.5)
Fee and commission income	374	406	(7.9)	214	160	33.8	213	0.5
Dividends	25	17	47.1	21	4	425.0	16	31.3
Rental income	16	12	33.3	7	9	(22.2)	4	75.0
Other income	469	266	76.3	186	283	(34.3)	115	61.7
Income before operating expenses	2,043	2,034	0.4	988	1,055	(6.4)	1,011	(2.3)
Less: Staff costs	429	466	(7.9)	210	219	(4.1)	230	(8.7)
Other operating expenses	472	460	2.6	249	223	11.7	237	5.1
Goodwill amortisation	214	136	57.4	107	107	-	69	55.1
Operating expenses before provisions	1,115	1,062	5.0	566	549	3.1	536	5.6
Operating profit before provisions	928	972	(4.5)	422	506	(16.6)	475	(11.2)
Less: Provision for possible loan losses and diminution in value of other assets	287	203	41.4	172	115	49.6	107	60.7
Operating profit	641	769	(16.6)	250	391	(36.1)	368	(32.1)
Add: Share of profits less losses of associated and joint venture companies	22	27	(18.5)	10	12	(16.7)	13	(23.1)
Net profit before taxation	663	796	(16.7)	260	403	(35.5)	381	(31.8)
Less: Taxation	165	179	(7.8)	56	109	(48.6)	82	(31.7)
Share of taxation of associated and joint venture companies	4	7	(42.9)	2	2	-	4	(50.0)
Net profit after taxation	494	610	(19.0)	202	292	(30.8)	295	(31.5)
Less: Minority interests	28	74	(62.2)	15	13	15.4	37	(59.5)
Net profit attributable to members	466	536	(13.1)	187	279	(33.0)	258	(27.5)

2. SELECTED BALANCE SHEET DATA

	DBSH			DBSH GROUP		
	Jun 30 2003 S\$'M	Dec 31 2002 S\$'M	Jun 30 2002 S\$'M	Jun 30 2003 S\$'M	Dec 31 2002 S\$'M	Jun 30 2002 S\$'M
(a) ASSETS						
Total assets	6,762	6,950	5,620	158,447	149,375	152,173
Customer loans and advances including bills receivable ^{1/}	-	-	-	62,714	60,709	64,561
Subsidiary companies	6,759	6,947	5,425	-	-	-
(b) LIABILITIES						
Deposits and other accounts of customers	-	-	-	105,514	101,315	102,984
Deposits and balances of banks and agents	-	-	-	7,512	4,877	10,233
Subordinated term debts (unsecured)						
- due within one year	-	-	-	25	24	25
- due after one year	-	-	-	5,820	5,762	5,852
Borrowings and debt securities ^{2/}						
- due within one year	-	-	-	2,407	1,972	1,177
- due after one year	-	-	-	3,304	2,928	3,190
(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	6,673	6,860	5,524	14,186	13,885	13,592
Total (ordinary and preference) shareholders' funds	6,759	6,947	5,610	14,745	14,445	14,152

Notes:

1/ After deducting cumulative provisions.

2/ Includes secured amount of S\$1,660 million as at June 30, 2003 (December 31, 2002: S\$1,409 million; June 30, 2002: S\$1,557 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 half of 2003 ("1st Half 2003") was S\$1,142 million, an increase of 3.1% over the same period in 2002. The improved year-on-year performance was mainly due to a 2.7% reduction in operating expenses. After goodwill amortisation of S\$214 million and higher provision charges of S\$287 million, net profit attributable to members declined by 13.1% to S\$466 million. Cost-to-income ratio (excluding goodwill amortisation) improved to 44.1% compared to 45.5% for the same period last year.

Compared to first quarter 2003 ("1st Qtr 2003"), operating profit before goodwill amortisation and provisions decreased by 13.7% mainly due to lower income earned and higher operating expenses incurred in second quarter 2003 ("2nd Qtr 2003"). After taking into account provision of S\$172 million, net profit attributable to members showed a decrease of 33%. Cost-to-income ratio (excluding goodwill amortisation) increased to 46.5% in 2nd Qtr 2003 from 41.9% in 1st Qtr 2003.

- (b) Net interest income in 1st Half 2003 decreased by 13.1% to S\$1,159 million over the same period in 2002. The decrease was mainly due to narrower spread on loans and reduced benefits from deployment of net free funds in the prevailing low interest rate environment. Net interest margin was 1.78% for 1st Half 2003 compared to 1.97% in 1st Half 2002.

Compared to 1st Qtr 2003, the decrease in net interest income to S\$560 million in 2nd Qtr 2003 was mainly due to continuing interest spread compression in a low interest rate environment. Net interest margin was 1.68% for 2nd Qtr 2003.

- (c) Fee and commission income in 1st Half 2003 decreased by 7.9% to S\$374 million over the same period in 2002. The decrease was mainly due to lower stockbroking fees resulting from less favourable conditions in the equity market. Credit card fees and fund management income were also lower given the economic uncertainty in 1st Half 2003.

Compared to 1st Qtr 2003, fee and commission income rose 33.8% to S\$214 million in 2nd Qtr 2003. Most categories of fee and commission income registered increases reflecting the improvement in equity market and the success in sale of wealth management products.

Other income for 1st Half 2003 increased significantly by 76.3% to S\$469 million as compared to 1st Half 2002. The increase was due to higher net gains from treasury operations and investment securities.

Other income for 2nd Qtr 2003 was S\$97 million lower than 1st Qtr 2003. This was due to higher earnings from treasury operations in 1st Qtr 2003.

- (d) Excluding goodwill amortisation, year-on-year ("YOY") operating expenses declined by 2.7%.

Staff costs showed a decrease of S\$37 million or 7.9%, of which approximately S\$21 million was due to staff reduction resulting from outsourcing certain technology-related functions in the Group. The remaining S\$16 million decrease in staff costs was the result of headcount reduction arising from rationalisation of workflow and businesses. Technology-related expenses showed a significant increase mainly due to payment of outsourcing fees.

YOY, the Group's cost-to-income ratio (excluding goodwill amortisation) was 44.1% for 1st Half 2003 compared to 45.5% for the same period in 2002.

Compared to 1st Qtr 2003, second quarter operating expenses (excluding goodwill amortisation) was 3.8% higher. The increase was partially contributed by higher revenue-related expenses of approximately S\$14 million. Cost-to-income ratio (excluding goodwill amortisation) was 46.5% in 2nd Qtr 2003.

- (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 in 1st Half 2003 showed an increase compared to 1st Half 2002.

- (f) Provision charge was S\$287 million for 1st Half 2003. Approximately 69% of the total charge were loan-related.

Higher general provision was made in 1st Half 2003 following an increase in customer loan outstanding. This was in contrast with 1st Half 2002 where customer loan outstanding declined from year-end and general provision reserve was released.

In the 2nd Qtr 2003, higher provision charge was set aside for customers both in Singapore and Hong Kong following the weak economic environment prevailing for most part of the quarter. The property market continues to be soft and additional provision was made for properties held by the Group.

- (g) Tax expenses were lower in 1st Half 2003. This was mainly due to a lower income earned during this period as compared to 1st Half 2002.

- (h) At the end of June 2003, total assets was S\$158.4 billion. Compared to end December 2002, customer loans increased by 3.3% to S\$62.7 billion despite limited loan demand in a highly competitive environment. The increase in loans was mainly attributed to "manufacturing", and "financial institutions, investment & holding companies" sectors. Customer deposits increased by 4.1% to S\$105.5 billion. The Group's loan-to-deposit ratio at the end of June 2003 was 59.4%.

- (i) At the end of June 2003, the total Capital Adequacy Ratio ("CAR") for the DBSH Group, measured according to the Bank for International Settlements ("BIS") guidelines was 14.2%.

- (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 Half 2003 compared with the audited financial statements for Year 2002.
- (l) Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current period, or extended to take into account the requirements of revised FRS.

4. OTHER INFORMATION

	DBSH			DBSH GROUP		
	1st Half 2003	1st Half 2002	Incr/ (Decr) (%)	1st Half 2003	1st Half 2002	Incr/ (Decr) (%)
(a) Depreciation (S\$'M)	-	-		91	92	(1.1)
(b) Net profit as a percentage of weighted average total (ordinary and preference) shareholders' funds (%)	-	0.01	NM	6.38	7.74	(17.6)
(c) Net profit as a percentage of average total assets (%)	-	0.01	NM	0.61	0.71	(14.1)
(d) Net asset backing per ordinary share (S\$)						
(i) Based on existing ordinary share capital	4.54	3.75	21.1	9.65	9.25	4.3
(ii) Assuming non-voting convertible preference shares ("CPS") and non-voting redeemable CPS are converted to ordinary shares	4.34	3.61	20.2	9.48	9.10	4.2
(e) Earnings per ordinary share (S\$)						
(i) Basic (Based on existing ordinary share capital)	-	(0.01)	NM	0.62	0.72	(13.9)
(ii) Diluted	-	(0.01)	NM	0.60	0.70	(14.3)

Note:

1/ NM: Not Meaningful

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

Particulars	Number of new ordinary shares issued between April 1, 2003 and June 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	
		June 30, 2003	June 30, 2002
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	358,100	47,602,266	35,376,024

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 22% Singapore income tax, and a gross Interim Dividend of 14 cents per ordinary share less 22% Singapore income tax. Details of proposed dividends in respect of the half year ended June 30 are as follows:

	DBSH	
	<u>2003</u> S\$'M	<u>2002</u> S\$'M
<u>DBSH Non-voting CPS</u>		
Interim dividend of 14 cents less 22% tax (2002: 14 cents less 22% tax)	2.1	2.1
<u>DBSH Non-voting redeemable CPS</u>		
Interim dividend of 14 cents less 22% tax (2002: 14 cents less 22% tax)	7.3	7.3
<u>DBSH Ordinary share</u>		
Interim dividend of 14 cents less 22% tax (2002: 14 cents less 22% tax)	160.5	160.4

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(f) on or before August 15, 2003, while the Interim Dividend payout on ordinary shares may be greater if additional ordinary shares are issued pursuant to paragraph 4(f) on or before the same date. The dividends are payable on August 28, 2003.

6. SUBSEQUENT EVENT

On July 18, 2003, DBS Bank received an Option Notice from the minority shareholder of DBS Vickers Securities Holdings Pte Ltd ("DBSV") requiring DBS Bank to purchase 336,175,960 shares in DBSV. When the purchase is completed on the Option Completion date of September 11, 2003, DBS Bank's equity interest in DBSV will increase from 59.5% to 100%.

7. 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 18, 2003 to August 19, 2003, both dates inclusive. Duly completed transfers received by the Company's Registrar, Barbinder & Co Pte Ltd of 8 Cross Street, #11-00 PWC Building, Singapore 048424 up to 5.00 pm on August 15, 2003 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**

**AUGUST 1, 2003
SINGAPORE**

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