

To: Shareholders

The DBS Group Holdings Ltd (“DBSH” or “the Company”) Board of Directors report audited financial results for the year ended December 31, 2003.

The Directors have recommended a gross final dividend of 16 cents for each DBSH non-voting convertible preference share (“CPS”), each DBSH non-voting redeemable CPS, and for each DBSH ordinary share. All final dividends will be paid less 22% Singapore income tax. Details of the proposed dividends in respect of the financial year ended December 31 are as follows:

<b>In S\$millions</b>	<b>2003</b>	<b>2002</b>
<b>DBSH Non-voting CPS</b>		
Interim dividend* of 14 cents less 22% tax (2002: 14 cents less 22% tax)	2	2
Final dividend of 16 cents less 22% tax (2002: 16 cents less 22% tax)	3	3
	<u>5</u>	<u>5</u>
<b>DBSH Non-voting redeemable CPS</b>		
Interim dividend* of 14 cents less 22% tax (2002: 14 cents less 22% tax)	7	7
Final dividend of 16 cents less 22% tax (2002: 16 cents less 22% tax)	8	8
	<u>15</u>	<u>15</u>
<b>DBSH Ordinary share</b>		
Interim dividend* of 14 cents less 22% tax (2002: 14 cents less 22% tax)	161	161
Final dividend of 16 cents less 22% tax (2002: 16 cents less 22% tax)	183	183
	<u>344</u>	<u>344</u>

\* Interim dividends were paid to entitled shareholders on August 28, 2003.

The proposed final dividends will be payable on May 19, 2004, subject to shareholders' approval at the Annual General Meeting to be held on April 30, 2004. Notice is hereby given that the Share Transfer Books and Register of Members of the Company for ordinary shares will be closed from May 7, 2004 to May 10, 2004, 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 p.m. on May 6, 2004 will be registered to determine shareholders' entitlement to the proposed final dividends. In respect of ordinary shares in the securities accounts with The Central Depository (Pte) Limited (“CDP”), the final dividends 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

February 20, 2004  
Singapore

More information on the above announcement is available at [www.dbs.com/investor](http://www.dbs.com/investor)

## **Report of the Auditors**

### **To the members of DBS Group Holdings Ltd (Incorporated In Singapore)**

We have audited the accompanying financial statements of DBS Group Holdings Ltd ("the Company") and its subsidiaries ("the Group") for the year ended December 31, 2003. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements for the year ended December 31, 2002 were audited by another firm of auditors whose report dated February 21, 2003 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the consolidated financial statements of the Group and the financial statements of the Company are properly drawn up in accordance with the provisions of the Companies Act ("the Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2003, the results of the Group and of the Company and changes in equity and cash flows of the Group for the financial year ended on that date; and
- (b) the accounting and other records (excluding registers) required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' reports of the subsidiaries of which we have not acted as auditors, and the financial statements of the subsidiaries in members' voluntary liquidation at December 31, 2003 being financial statements included in the consolidated financial statements. Details of these subsidiaries are disclosed in Note 29.2 and 29.3 to the financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and in respect of subsidiaries incorporated in Singapore did not include any comment made under Section 207(3) of the Act.



Ernst & Young  
Certified Public Accountants

February 20, 2004  
Singapore



## **Performance Summary**

Audited Financial Results  
for the Year 2003

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# DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

## Financial Highlights

DBS Group Holdings Ltd ("DBSH") prepares its consolidated DBSH Group ("Group") financial statements in accordance with Singapore Financial Reporting Standards ("FRS").

S\$millions	Year 2003	Year 2002 <sup>1/</sup>	4th Qtr 2003	4th Qtr 2002 <sup>1/</sup>	3rd Qtr 2003 <sup>1/</sup>
<b>For the period</b>					
Income before operating expenses	4,198	4,146	1,053	1,054	1,113
Operating profit before goodwill amortisation and provisions	2,357	2,295	571	583	655
Operating profit before provisions	1,927	2,017	461	510	548
Net profit before taxation	1,437	1,518	397	335	405
Net profit attributable to members	1,025	1,097	292	287	291
Net profit attributable to members (excluding goodwill amortisation)	1,455	1,375	402	360	398
<b>At period-end</b>					
Shareholders' funds	14,896	14,237	14,896	14,237	14,614
Interest bearing assets	133,451	125,132	133,451	125,132	135,268
Customer loans <sup>2/</sup>	64,335	60,709	64,335	60,709	63,902
Customer deposits	108,041	101,315	108,041	101,315	107,056
Total assets	159,595	149,445	159,595	149,445	160,231
<b>Per share (in S\$)</b>					
Basic earnings excluding goodwill amortisation <sup>3/</sup>	0.98	0.93	1.08	0.97	1.07
Basic earnings <sup>3/</sup>	0.68	0.74	0.78	0.77	0.78
Diluted earnings <sup>3/</sup>	0.66	0.71	0.75	0.74	0.75
Net asset value at period-end					
(i) based on existing ordinary share capital	9.75	9.30	9.75	9.30	9.56
(ii) assuming non-voting convertible preference shares ("CPS") and non-voting redeemable CPS are converted to ordinary shares	9.58	9.16	9.58	9.16	9.39
Net tangible asset value at period-end <sup>4/</sup>	4.73	4.07	4.73	4.07	4.46
<b>Performance ratios</b>					
(%)	Year 2003	Year 2002 <sup>1/</sup>	4th Qtr 2003	4th Qtr 2002 <sup>1/</sup>	3rd Qtr 2003 <sup>1/</sup>
<b>On a GAAP basis</b>					
Return on assets <sup>3/</sup>	0.66	0.73	0.73	0.77	0.73
Return on equity <sup>3/</sup>	7.04	7.94	7.93	8.14	8.00
<b>Excluding goodwill amortisation</b>					
Return on assets <sup>3/</sup>	0.94	0.91	1.01	0.97	1.00
Return on equity <sup>3/</sup>	9.99	9.95	10.91	10.20	10.93
Return on tangible equity <sup>3/ 5/</sup>	20.68	18.75	21.98	18.34	22.49
<b>Efficiency and revenue mix ratios</b>					
Cost-to-income ratio (excluding goodwill amortisation)	43.9	44.6	45.8	44.7	41.2
As a percentage of total operating income:					
- net interest income	56.6	63.8	59.6	60.9	52.8
- non-interest income	43.4	36.2	40.4	39.1	47.2
<b>BIS Capital ratios (at period-end)</b>					
- Tier 1 capital	10.5	10.3	10.5	10.3	10.5
- Total capital	15.1	15.5	15.1	15.5	15.2

**Notes:**

1/ Figures for prior periods have been restated to reflect the changes in accounting policy (refer to Appendix VII).

2/ After deducting cumulative provisions.

3/ Earnings per share, return on assets, return on equity and return on tangible equity for the quarters are computed on an annualised basis.

4/ Computed based on total ordinary shareholders' funds after deduction of goodwill divided by total number of outstanding ordinary shares as at each period-end.

5/ Computed based on net profit attributable to members excluding goodwill amortisation divided by average shareholders' funds after deduction of average goodwill.

**Financial Review**

DBSH Group's operating profit before goodwill amortisation and provisions for 2003 was S\$2.357 billion, a 2.7% increase over 2002. The improved year-on-year performance was principally due to an increase in non-interest income, driven by higher fee and commission income, stronger sales of treasury investment products and better trading income. At the same time, net interest income was lower, due to a decline in interest margins. After deducting S\$430 million goodwill amortisation and S\$541 million provision charge, net profit attributable to members ("NPAM") was 6.6% lower, at S\$1.025 billion. The cost-to-income ratio (excluding goodwill amortisation) improved to 43.9% compared to 44.6% for 2002.

Compared to fourth quarter 2002 ("4th Qtr 2002"), fourth quarter 2003 ("4th Qtr 2003") operating profit before goodwill amortisation and provisions was 2.1% lower, at S\$571 million. This was mainly due to lower net interest income and higher operating expenses. The reduction in net interest income to S\$628 million was a result of intense competition in the loan market and a low interest rate environment. Operating expenses increased 2.3% to S\$482 million, mainly attributable to higher revenue-related expenses as a result of increased business activities. After deducting S\$110 million goodwill amortisation and S\$82 million provision charge, NPAM showed a 1.7% increase over 4th Qtr 2002 and a marginal 0.3% increase over third quarter 2003 ("3rd Qtr 2003"). The cost-to-income ratio (excluding goodwill amortisation) was 45.8% in 4th Qtr 2003, 44.7% in 4th Qtr 2002 and 41.2% in 3rd Qtr 2003.

DBSH Group adopted accounting policy changes during the year, relating mainly to the measurement of trading and investment securities (as detailed in Appendix VII). If these accounting policies had not been adopted, 2003 NPAM would have been S\$1.018 billion, compared to the S\$1.017 billion previously reported for 2002.

**Profit and Loss Account**

S\$millions	Year 2003	Year 2002 <sup>1/</sup>	4th Qtr 2003	4th Qtr 2002 <sup>1/</sup>	3rd Qtr 2003 <sup>1/</sup>
Net interest income	2,375	2,645	628	642	588
Non-interest income	1,823	1,501	425	412	525
<b>Income before operating expenses</b>	<b>4,198</b>	4,146	<b>1,053</b>	1,054	1,113
Operating expenses	(1,841)	(1,851)	(482)	(471)	(458)
<b>Operating profit before goodwill amortisation and provisions</b>	<b>2,357</b>	2,295	<b>571</b>	583	655
Goodwill amortisation	(430)	(278)	(110)	(73)	(107)
<b>Operating profit before provisions</b>	<b>1,927</b>	2,017	<b>461</b>	510	548
Provisions	(541)	(544)	(82)	(181)	(154)
<b>Operating profit</b>	<b>1,386</b>	1,473	<b>379</b>	329	394
Share of profits less losses of associated and joint venture companies	51	45	18	6	11
<b>Net profit before taxation</b>	<b>1,437</b>	1,518	<b>397</b>	335	405
Taxation	(349)	(311)	(85)	(26)	(99)
Minority interests	(63)	(110)	(20)	(22)	(15)
<b>Net profit attributable to members ("NPAM")</b>	<b>1,025</b>	1,097	<b>292</b>	287	291
<b>NPAM excluding goodwill amortisation</b>	<b>1,455</b>	1,375	<b>402</b>	360	398

Note:

1/ Figures for prior periods have been restated to reflect the changes in accounting policy (refer to Appendix VII).

**DBS Bank (Hong Kong) Limited**

The acquisition of 71.6% of Dao Heng Bank Group Limited (“DHG”) through DBS Diamond Holdings Limited (“DDH”), a subsidiary of DBS Bank Ltd, was completed on June 29, 2001. DBS Bank Ltd exercised its call option to acquire the remaining 28.4% of the DDH shares on January 10, 2003 following which DHG became a wholly-owned subsidiary of DBS Bank Ltd. Pursuant to the Hong Kong legislative and regulatory requirements, the legal merger of Dao Heng Bank Limited, Overseas Trust Bank Limited and DBS Kwong On Bank Limited was completed on July 21, 2003. The merged entity was named DBS Bank (Hong Kong) Limited on the same date.

Operating profit for 2003 showed a 38.1% year-on-year increase, mainly due to higher non-interest income and lower impairment charges for fixed assets. Non-interest income rose 40.7%, due to higher sales of treasury investment products and better trading income. Net interest income, however, was lower, and provisions were higher. The reduction in net interest income was mainly attributable to sluggish loan demand. Provisions were 9.8% higher than that for 2002, when there was a significant write-back in loan provisions. Operating expenses declined 2.9%, mainly through the streamlining of operations.

Compared to 4th Qtr 2002, operating profit in 4th Qtr 2003 was 143.5% higher due to higher operating income and lower provisions. Net interest income increased 8.2% mainly due to the wider spread between the Prime rate and HIBOR<sup>1/</sup>. Non-interest income increased 49.3% mainly due to higher sales of treasury investment products. Provision charge was 58.1% lower due to improving economic conditions and property prices.

<b>Profit and Loss Account (Based on Hong Kong Generally Accepted Accounting Principles)<sup>2/3/</sup></b>					
<b>S\$millions</b>	<b>Year 2003</b>	<b>Year 2002</b>	<b>4th Qtr 2003</b>	<b>4th Qtr 2002</b>	<b>3rd Qtr 2003</b>
Net interest income	<b>800</b>	812	<b>211</b>	195	199
Non-interest income	<b>384</b>	273	<b>106</b>	71	113
<b>Income before operating expenses</b>	<b>1,184</b>	1,085	<b>317</b>	266	312
Operating expenses	<b>(476)</b>	(490)	<b>(123)</b>	(125)	(118)
Impairment of fixed assets	<b>(6)</b>	(53)	-	(10)	(3)
<b>Operating profit before provisions</b>	<b>702</b>	542	<b>194</b>	131	191
Provisions	<b>(180)</b>	(164)	<b>(26)</b>	(62)	(51)
<b>Operating profit</b>	<b>522</b>	378	<b>168</b>	69	140
<b>Net profit before taxation</b>	<b>523</b>	384	<b>168</b>	68	139
<b>Net profit after taxation</b>	<b>440</b>	330	<b>146</b>	70	116

Notes:

1/ HIBOR: Hong Kong Interbank Offer Rate

2/ The exchange rate used for all comparative periods is HK\$1 = S\$0.2190519.

3/ In the preparation of the consolidated DBSH Group accounts, appropriate adjustments were made to bring DBS Bank (Hong Kong) Limited accounts in line with Singapore Financial Reporting Standards (“FRS”). Under FRS, the contribution from DBS Bank (Hong Kong) Limited was as follows:

<b>S\$millions</b>	<b>Year 2003</b>	<b>Year 2002</b>	<b>4th Qtr 2003</b>	<b>4th Qtr 2002</b>	<b>3rd Qtr 2003</b>
<b>Net profit before taxation</b>	<b>530</b>	392	<b>179</b>	84	148
<b>Net profit after taxation</b>	<b>454</b>	360	<b>158</b>	111	123

# DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

Exhibit 1  
Group Net Interest Income and Net Interest Margin

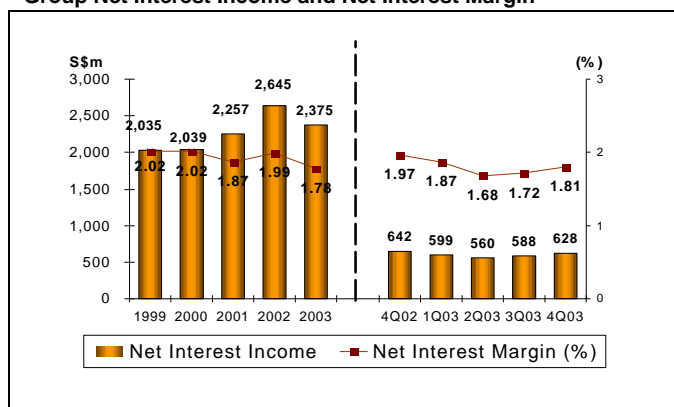


Table 1  
Group Net Interest Spread and Net Interest Margin

(%)	Year 2003	Year 2002
Gross interest yield	2.72	3.32
Net interest spread <sup>1/</sup>	1.71	1.88
Net interest margin <sup>2/</sup>	1.78	1.99

(%)	4th Qtr 2003	4th Qtr 2002	3rd Qtr 2003
Gross interest yield	2.67	3.18	2.67
Net interest spread <sup>1/</sup>	1.76	1.88	1.66
Net interest margin <sup>2/</sup>	1.81	1.97	1.72

Table 2  
Group Net Interest Income and Net Interest Margin

S\$millions	Year 2003			Year 2002		
	Avg <sup>4/</sup> balance	Interest	Avg rate (%)	Avg balance	Interest	Avg rate (%)
Customer loans and advances	62,593	2,342	3.74	64,221	2,705	4.21
Interbank items	38,323	398	1.04	45,055	766	1.70
Securities <sup>3/</sup>	32,883	900	2.74	23,375	935	4.00
Total interest bearing assets	133,799	3,640	2.72	132,651	4,406	3.32
<b>Net interest income/margin</b>		<b>2,375</b>	<b>1.78</b>		<b>2,645</b>	<b>1.99</b>

S\$millions	4th Qtr 2003			4th Qtr 2002			3rd Qtr 2003		
	Avg balance	Interest	Avg rate (%)	Avg balance	Interest	Avg rate (%)	Avg balance	Interest	Avg rate (%)
Customer loans and advances	63,965	575	3.57	61,735	647	4.16	63,593	571	3.56
Interbank items	34,542	88	1.01	41,354	167	1.60	37,018	97	1.04
Securities <sup>3/</sup>	38,876	262	2.67	25,418	216	3.36	34,761	243	2.77
Total interest bearing assets	137,383	925	2.67	128,507	1,030	3.18	135,372	911	2.67
<b>Net interest income/margin</b>		<b>628</b>	<b>1.81</b>		<b>642</b>	<b>1.97</b>		<b>588</b>	<b>1.72</b>

Notes:

1/ Net interest spread is the difference between the average interest rate earned on average interest-earning assets and the average interest rate paid on average interest-bearing funds. For the quarters, it is computed on an annualised basis.

2/ Net interest margin is net interest income expressed as a percentage of average interest-earning assets. For the quarters, it is computed on an annualised basis.

3/ Refers to Singapore Government securities and treasury bills, trading and investment debt securities.

4/ Avg: Average

## Net Interest Income and Net Interest Margin

Net interest income for 2003 fell 10.2% to S\$2.375 billion, as compared to 2002. The decrease was mainly due to narrower spread on loans and debt securities in a highly competitive loan market and low interest rate environment.

Net interest margin was 1.78% for 2003 compared to 1.99% for 2002.

Compared to 4th Qtr 2002, net interest income decreased 2.2% to S\$628 million. The decrease was mainly due to a decline in interest margin from mortgages. However, compared to 3rd Qtr 2003, net interest income grew 6.8%, due to lower funding costs and continued re-balancing of asset composition.

Net interest margin for 4th Qtr 2003 was 1.81% compared to 1.97% in 4th Qtr 2002 and 1.72% in 3rd Qtr 2003.



## DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

Table 3  
Group Non-Interest Income

S\$millions	Year 2003	Year 2002
Fee and commission income	884	797
Stockbroking	169	119
Investment banking	83	76
Trade and remittances	111	112
Loan related	155	145
Deposit related	103	108
Credit card	89	93
Fund management	38	36
Wealth management (unit trust distribution and bancassurance)	92	76
Others	44	32
Dividend and rental income	87	60
Other income	852	644
Net gain on treasury activities (including structured investment products)	648	397
Net gain on investment securities	183	214
Net gain on fixed assets	3	10
Others	18	23
<b>Total</b>	<b>1,823</b>	<b>1,501</b>
Non-interest income as a percentage of Operating income (%)	43.4	36.2

S\$millions	4th Qtr 2003	4th Qtr 2002	3rd Qtr 2003
Fee and commission income	251	190	259
Stockbroking	60	20	59
Investment banking	24	20	30
Trade and remittances	29	28	28
Loan related	43	42	44
Deposit related	26	27	26
Credit card	24	23	24
Fund management	9	9	11
Wealth management (unit trust distribution and bancassurance)	23	11	27
Others	13	10	10
Dividend and rental income	21	13	25
Other income	153	209	241
Net gain on treasury activities (including structured investment products)	120	72	215
Net gain on investment securities	28	127	16
Net gain on fixed assets	3	5	1
Others	2	5	9
<b>Total</b>	<b>425</b>	<b>412</b>	<b>525</b>
Non-interest income as a percentage of Operating income (%)	40.4	39.1	47.2

### Non-Interest Income

Fee and commission income in 2003 increased 10.9% to S\$884 million over 2002. The increase was due to higher stockbroking fees following a buoyant equity market in the second half of 2003, improved wealth management sales and loan related earnings from increased syndicated loan activities.

Compared to 4th Qtr 2002, fee and commission income rose 32.1% due to increases in various categories of fee income, reflecting stronger economic activity. Fee and commission income was 3.1% lower than 3rd Qtr 2003 due to lower fees from investment banking and wealth management products.

Compared to 2002, other income for 2003 increased 32.3% to S\$852 million, due to higher gains from interest rate trading and sale of investment products.

Other income in 4th Qtr 2003 was lower than 4th Qtr 2002 due to the one-off S\$96 million profit from the sale of NatSteel Ltd shares in 2002. Compared to 3rd Qtr 2003, other income was lower due to lower gains from interest rate and bonds trading.

With the change in accounting policy (see Appendix VII), realised gains from Singapore Government securities held as investments were included in "Net gain on investment securities".

## DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

Table 4  
Group Operating Expenses

S\$millions	Year 2003	Year 2002
Staff costs	865	911
Occupancy expenses	203	219
Technology-related expenses	287	228
Revenue-related expenses	183	140
Others	303	353
<b>Total</b>	<b>1,841</b>	<b>1,851</b>

Cost-to-income ratio (%) (excluding goodwill amortisation)	43.9	44.6
Staff headcount number (at period-end)	12,144	12,035

S\$millions	4th Qtr 2003	4th Qtr 2002	3rd Qtr 2003
Staff costs	217	225	219
Occupancy expenses	54	58	48
Technology-related expenses	74	66	68
Revenue-related expenses	53	32	48
Others	84	90	75
<b>Total</b>	<b>482</b>	<b>471</b>	<b>458</b>

Cost-to-income ratio (%) (excluding goodwill amortisation)	45.8	44.7	41.2
Staff headcount number (at period-end)	12,144	12,035	12,026

Table 5  
Goodwill

S\$millions	Year 2003	Year 2002
Unamortised balance at January 1	7,693	5,205
Acquisition of subsidiary companies	108	2,767
Amortisation for the year	(430)	(278)
Unamortised balance at December 31	<b>7,371</b>	<b>7,693</b>

### Operating Expenses

Excluding goodwill amortisation, year-on-year ("YOY") operating expenses declined 0.5%.

Staff costs showed a 5% decrease to S\$865 million, largely due to staff reduction resulting from the outsourcing of certain technology-related functions in the Group. The increase in technology-related expenses was mainly due to investments in new systems, capacity enhancements to meet customer demands and payment of outsourcing fees. Revenue-related expenses, which include commission paid to remisers and brokerage expenses, increased as a result of higher transaction volumes.

YOY, the Group's cost-to-income ratio (excluding goodwill amortisation) was 43.9% for 2003 compared to 44.6% for 2002.

Fourth quarter 2003 operating expenses (excluding goodwill amortisation) rose 2.3% and 5.2% compared to 4th Qtr 2002 and 3rd Qtr 2003 respectively. The increase over 4th Qtr 2002 was attributable to higher revenue-related expenses as a result of improved equity market activities. Compared to 3rd Qtr 2003, the increase was due to higher professional fees incurred for technology-related projects, relocation and advertising expenses.

Cost-to-income ratio (excluding goodwill amortisation) was 45.8% in 4th Qtr 2003.

### Goodwill

On January 10, 2003, DBS Bank Ltd exercised its call option on the minority shareholders of DBS Diamond Holdings Limited ("DDH") to acquire the remaining 28.4% issued share capital of DDH. DDH owns 100% of Dao Heng Bank Group Limited ("DHG"). Goodwill arising from this acquisition was reflected in 2002 financial statements and is amortised over a period of 19 years from January 2003. As a result, goodwill amortisation in 2003 increased when compared to 2002.

On September 11, 2003, DBS Bank Ltd purchased the remaining 336,175,960 ordinary shares in DBS Vickers Securities Holdings Pte Ltd ("DBSV"), increasing its equity interest in DBSV from 59.5% to 100%. Goodwill of S\$108 million arising from this acquisition is amortised over a period of 8 years from October 2003.

## DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

Table 6  
Group Provision Charge

S\$millions	Year 2003	Year 2002
Loans	352	401
Securities	65	25
Properties and other assets	35	153
Specific provision	452	579
General provision	89	(35)
<b>Total</b>	<b>541</b>	<b>544</b>

S\$millions	4th Qtr 2003	4th Qtr 2002	3rd Qtr 2003
Loans	78	112	122
Securities	7	29	-
Properties and other assets	(14)	39	(5)
Specific provision	71	180	117
General provision	11	1	37
<b>Total</b>	<b>82</b>	<b>181</b>	<b>154</b>

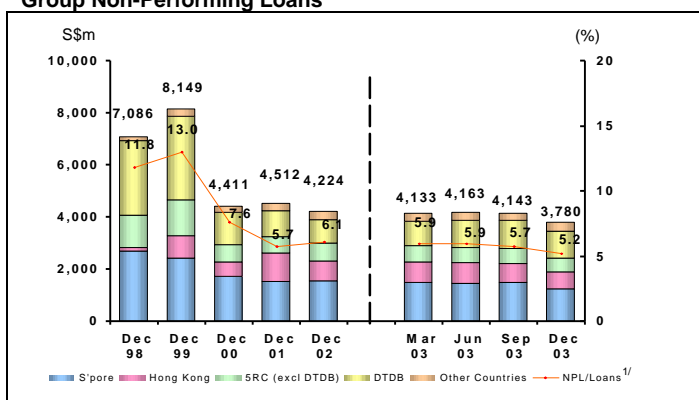
### Provision Charge

Total provision charge was S\$541 million for 2003. Approximately 71% of the total charge was related to non-bank loans.

Higher general provisions were made in 2003 following an increase in customer loans and investment securities. This increase contrasts with 2002 where customer loans declined and general provision reserves were released.

Total provision charge in 4th Qtr 2003 fell S\$99 million and S\$72 million compared to 4th Qtr 2002 and 3rd Qtr 2003 respectively. The decrease in provision charge was due to lower provision for loans as well as write-backs from properties and other assets.

Exhibit 2  
Group Non-Performing Loans



Note:  
1/ NPL rate is computed based on total non-bank customer NPLs (excluding non-performing debt securities and contingent items) divided by total gross non-bank customer loans.

Table 7  
Group Geographical NPL Rate  
(Based on MAS standard)

(%)	Dec 31 2003	Dec 31 2002
Singapore	3.3	4.2
Hong Kong	2.9	3.5
Regional countries <sup>1/</sup> (excl. DTDB <sup>2/</sup> )	19.0	40.6
DTDB	28.8	27.0
Other countries	8.5	8.7

Notes:  
1/ Regional countries (RC) include Malaysia, Indonesia, Thailand, Korea and the Philippines  
2/ DTDB : DBS Thai Danu Bank Public Company Limited

### Asset Quality

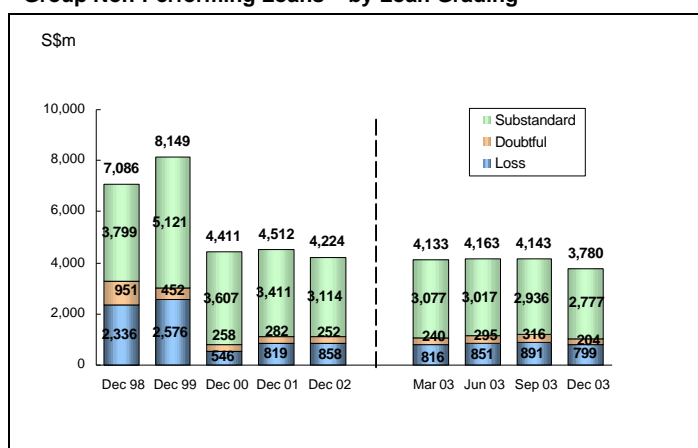
The volume of non-performing loans ("NPLs") declined to S\$3.8 billion at the end of December 2003. Approximately S\$1.4 billion of restructured NPLs continues to be included in the total volume of NPLs.

The ratio of NPLs to the total non-bank loans ("NPL rate") decreased from 6.1% at the end of December 2002 to 5.2% at the end of December 2003. The NPL rates for Singapore, Hong Kong and regional countries operations improved to 3.3%, 2.9% and 19% respectively at the end of December 2003 due to reduction in non-bank NPLs and higher loan base.

The Group's Hong Kong credit card business recorded a 1.5% delinquent loan rate for 90 days past due, down from 1.8% in 3rd Qtr 2003. The net charge-off rate for 2003 was 10.8%, down from the 11.8% rate for the first 9 months of 2003. The lower charge-off rate reflects the improving economic condition in Hong Kong.

# DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

Exhibit 3  
Group Non-Performing Loans – by Loan Grading

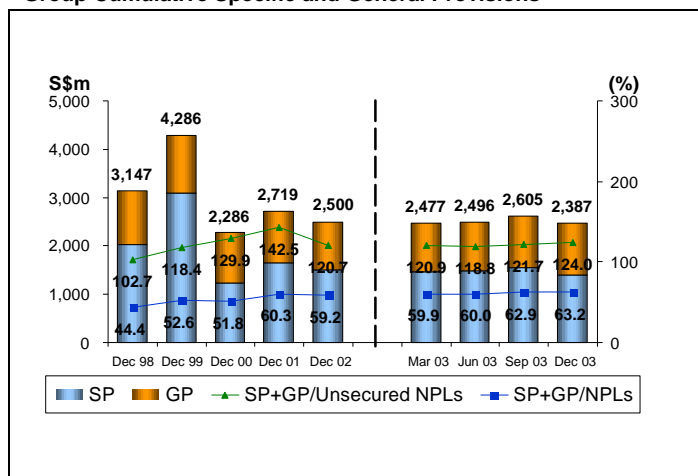


## Loan Grading

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

Of the total S\$3.8 billion NPLs as at the end of December 2003, 73% were classified as substandard, 5% as doubtful and the remaining 22% in the loss category.

Exhibit 4  
Group Cumulative Specific and General Provisions



## Cumulative Specific and General Provisions

Total cumulative specific and general provisions at the end of December 2003 was 124% of unsecured NPLs, and 63.2% of total NPLs.

Table 8  
Group Key Balance Sheet Items

S\$millions	Dec 31 2003	Dec 31 2002
Total assets	159,595	149,445
Customer loans <sup>1/</sup>	64,335	60,709
Customer deposits	108,041	101,315
Loan-to-deposit ratio (%)	59.5	59.9
Loan and non-trading debt securities-to-deposit ratio (%)	79.7	73.2

Note:

<sup>1/</sup> After deducting cumulative provisions.

## Balance Sheet

At the end of December 2003, total assets were S\$159.6 billion. Compared to end December 2002, customer loans increased 6% to S\$64.3 billion despite a highly competitive environment. The increase in loans was mainly accounted for by loans granted to "manufacturing", "general commerce" and "financial institutions, investment & holding companies" sectors. Customer deposits increased 6.6% to S\$108 billion. The Group's loan-to-deposit ratio at the end of December 2003 was 59.5%. Adjusted for DBSH Group's portfolio of non-trading debt securities, the ratio of loan and non-trading debt securities to deposits would be 79.7%.

# DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

Table 9  
Group Customer Deposits

S\$millions	Dec 31 2003	Dec 31 2002
<b>Analysed by Currency</b>		
Singapore dollar	56,641	53,655
US dollar	23,309	20,096
Hong Kong dollar	17,241	18,731
Thai Baht	3,539	3,164
Others	7,311	5,669
<b>Total</b>	<b>108,041</b>	<b>101,315</b>
<b>Analysed by Product</b>		
Savings accounts (include S\$ autosave)	48,028	43,047
Current accounts	10,486	8,975
Fixed deposits	45,130	46,026
Other deposits	4,397	3,267
<b>Total</b>	<b>108,041</b>	<b>101,315</b>

Table 10  
Group Customer Loans

S\$millions	Dec 31 2003	Dec 31 2002
Gross	66,414	62,901
Less:		
Specific provisions	1,151	1,288
General provisions	928	904
<b>Net total</b>	<b>64,335</b>	<b>60,709</b>
Including:		
Bills receivable	1,481	1,574
Loans	62,854	59,135
<b>Net total</b>	<b>64,335</b>	<b>60,709</b>
<b>Industry Breakdown</b>		
Manufacturing	6,434	5,856
Building & Construction	7,682	8,057
Housing Loans	22,289	21,910
General Commerce	6,634	5,707
Transportation, Storage & Communications	4,821	4,617
Financial Institutions, Investment & Holding Companies	5,559	3,626
Professionals & Private Individuals (except Housing Loans)	7,393	7,784
Others	5,602	5,344
<b>Total (Gross)</b>	<b>66,414</b>	<b>62,901</b>
<b>Analysed by Currency and Fixed / Variable Rates</b>		
<b>Fixed rate <sup>1/</sup></b>		
Singapore dollar	8,867	8,359
Hong Kong dollar	262	460
US dollar	4	1
Thai Baht	945	862
Others	96	1
<b>Sub-total</b>	<b>10,174</b>	<b>9,683</b>
<b>Variable rate <sup>2/</sup></b>		
Singapore dollar	21,026	21,673
Hong Kong dollar	20,089	20,238
US dollar	8,658	7,333
Thai Baht	2,393	2,128
Others	4,074	1,846
<b>Sub-total</b>	<b>56,240</b>	<b>53,218</b>
<b>Total (Gross)</b>	<b>66,414</b>	<b>62,901</b>

Notes:

1/ Fixed rate loans refer to long-term loans where the interest rates are fixed for the initial 1 to 3 years for certain mortgage loans, and over the entire loan period for other loans.

2/ Variable rate loans refer to loans that are pegged to prime, short-term cost of funds or inter-bank rates, as well as fixed rate loans that have effectively been converted to variable rate loans through interest rate swaps.

## DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

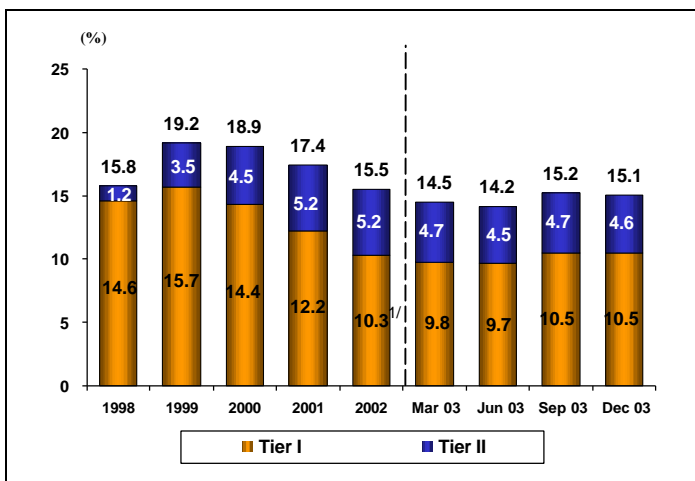
Table 11  
Group Capital

S\$millions	Dec 31 2003	Dec 31 2002
Tier I Capital	9,624	8,393
Tier II Capital	4,261	4,233
Total Capital	<u>13,885</u>	<u>12,626</u>
<b>Risk Weighted Assets</b>	<b>92,067</b>	<b>81,239</b>

### Capital Adequacy Ratio

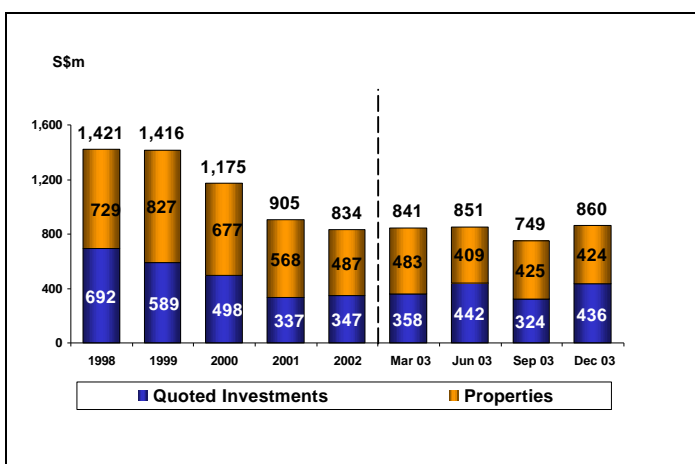
At end of December 2003, the total Capital Adequacy Ratio ("CAR") for the DBSH Group, measured according to the Bank for International Settlements ("BIS") guidelines was 15.1%, of which Tier I CAR was 10.5%.

Exhibit 5  
Group Capital Adequacy Ratio



Note:  
1/ Compared to end December 2001, the reduction in the Tier 1 CAR ratio was primarily due to the deduction of additional goodwill with DBS' purchase of the DBS Diamond Holdings Limited minority interest.

Exhibit 6  
Group Unrealised Valuation Surpluses



Note:  
1/ Unrealised valuation surpluses for 1998 to 2000 were not adjusted for the change in accounting policy on valuation of trading securities.

### Unrealised Valuation Surpluses

Unrealised valuation surpluses in properties and quoted investment securities not recognised in the accounts amounted to S\$860 million at the end of December 2003.

# DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

## Geographical Segment Analysis

The following table analyses total assets, income before operating expenses and NPAM by geographical segments. Unless otherwise stated, the analysis of geographical segments are generally based on the location of the office recording the transactions.

Table 12

### Group Geographical Segments

S\$millions	Total assets		Income before operating expenses		Net profit attributable to members	
		Distribution (%)		Distribution (%)		Distribution (%)
<b>Dec 31, 2003</b>						
Singapore <sup>1/</sup>	97,655	64	2,496	60	850	58
Hong Kong	39,101	26	1,335	32	486	33
Regional countries <sup>1/</sup>	6,813	4	271	6	81	6
Rest of the world	8,655	6	96	2	38	3
Sub-total	152,224	100	4,198	100	1,455	100
Goodwill	7,371		-		(430)	
<b>Total</b>	<b>159,595</b>		<b>4,198</b>		<b>1,025</b>	
<b>Dec 31, 2002</b>						
Singapore <sup>1/</sup>	93,100	66	2,567	62	937	68
Hong Kong	38,739	27	1,292	31	336	24
Regional countries <sup>1/</sup>	5,003	4	199	5	67	5
Rest of the world	4,910	3	88	2	35	3
Sub-total	141,752	100	4,146	100	1,375	100
Goodwill	7,693		-		(278)	
<b>Total</b>	<b>149,445</b>		<b>4,146</b>		<b>1,097</b>	

Note:

1/ Special general provisions for regional exposures and additional provisions for DTDB's loans are booked in Singapore.

DBSH Group operates in four main geographical areas :

- **"Singapore"**, which includes the operations of the Asian Currency Unit.
- **"Hong Kong"**, which includes branch and subsidiary operations in Hong Kong.
- **"Regional countries"**, which includes branch and subsidiary operations in Malaysia, Indonesia, Thailand, Korea and the Philippines.
- **"Rest of the world"**, which are mainly branch operations in China, India, Taiwan, United States and United Kingdom.

Income before operating expenses and NPAM are based on the country in which the transactions are booked, except for special general provisions for regional exposures and additional provisions for DBS Thai Danu Bank Public Company Limited's loans, which are booked in Singapore. Total assets are shown by the geographical area in which the assets are booked.

## Business Segment Analysis

The business segment results represent the customer segments of the respective businesses and are determined by:

- Income and direct expenses attributable to each customer and other segment; and
- Management accounting policies relating to the allocation of indirect expenses and funds transfer pricing between the central treasury unit and the customer/other segments.

The various customer segments are described below, along with a description of the change in net profit after taxation for 2003 over 2002.

### • **Consumer Banking**

Consumer Banking focuses on providing products and services to individual customers. The products and services offered to customers include credit facilities (mortgage, personal loans, etc.), credit cards, deposit collection, remittance services and asset management products.

The increase in net profit after taxation (S\$20 million, 6.3%) was largely due to lower expenses, offset in part by lower net interest income and higher provisions.

### • **Enterprise Banking**

Enterprise Banking focuses on providing products and services to small and medium enterprises. The products and services offered to customers include credit facilities (overdraft, factoring/accounts receivable purchase, trade financing, commercial/industrial property financing, hire purchase and government financing and assistance schemes), deposit, payment and collection services and treasury products.

The increase in net profit after taxation (S\$15 million, 6.9%) was mainly attributable to higher net interest income and fee income from payment, collection services and capital market activities.

### • **Investment Banking**

Investment Banking caters to the business needs of large corporate customers and financial institutions. The products and services offered to customers include direct lending, advisory banking services, bond issuance, equity financing, syndicated financing, mergers and acquisitions advisory services, debt restructuring advisory services, private equity, nominee and trustee services and cash management services.

The decrease in net profit after taxation (S\$12 million, 3.6%) was due to the non-recurring gain in 2002, from the sale of equity investment in NatSteel Ltd, offset in part by lower provisions.

### • **Treasury and Markets**

Treasury and Markets is primarily involved in market making, structuring and trading of financial products including foreign exchange, securities and interest rate/ credit/ equity/ foreign exchange derivatives. Income from treasury products and services relating to customers of other segments is reflected in the respective customer segments.

The decrease in net profit after taxation (S\$27 million, 11.1%) was mainly due to lower marked to market gains on trading securities in 2003.

The other segments of the analysis are:

### • **Funding Portfolio**

The Funding Portfolio managed by Treasury and Markets is the net aggregate of the Group's interest earning assets and interest bearing liabilities. The income generated from this portfolio is predominantly interest in nature.

The increase in net profit after taxation (S\$32 million, 12.5%) was mainly attributable to higher net interest income from interest rate related activities in Singapore.



## DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

### • Central Operations

Central Operations encompasses a range of activities resulting from central corporate decisions and the related income and expenses not attributed to business segments. These include the central treasury unit, funding costs of DBSH Group's associated and subsidiary companies and gains/losses on properties as well as certain subsidiaries including stock brokerage and asset management.

The following table analyses the results, total assets and total liabilities by business segments:

<b>Table 13</b>							
<b>Group Business Segments (Year 2003)</b>							
<b>S\$millions</b>	<b>Consumer Banking</b>	<b>Enterprise Banking</b>	<b>Investment Banking</b>	<b>Treasury and Markets<sup>1/</sup></b>	<b>Funding Portfolio<sup>1/</sup></b>	<b>Central Operations</b>	<b>Total</b>
Income before operating expenses	1,441	631	668	367	461	630	4,198
Operating profit before provisions, taxation and goodwill amortisation	601	397	452	266	334	307	2,357
Net profit before taxation and goodwill amortisation	422	286	364	266	349	180	1,867
Taxation	(87)	(56)	(48)	(46)	(58)	(54)	(349)
Net profit after taxation and before goodwill amortisation	336	231	317	217	288	66	1,455
Goodwill amortisation							(430)
Net profit attributable to members							1,025
<i>Other Information</i>							
Total assets before goodwill	27,569	13,871	27,888	18,811	33,708	30,377	152,224
Goodwill							7,371
Total assets							159,595
Total liabilities	66,043	13,987	13,687	12,686	19,462	17,709	143,574
Capital expenditure	13	7	9	4	3	49	85
Depreciation	37	13	6	7	7	98	168
<b>Group Business Segments (Year 2002)</b>							
<b>S\$millions</b>	<b>Consumer Banking</b>	<b>Enterprise Banking</b>	<b>Investment Banking</b>	<b>Treasury and Markets<sup>1/</sup></b>	<b>Funding Portfolio<sup>1/</sup></b>	<b>Central Operations</b>	<b>Total</b>
Income before operating expenses	1,452	602	704	413	415	560	4,146
Operating profit before provisions, taxation and goodwill amortisation	573	364	481	305	306	266	2,295
Net profit before taxation and goodwill amortisation	419	307	381	305	316	68	1,796
Taxation	(84)	(53)	(46)	(51)	(51)	(26)	(311)
Net profit after taxation and before goodwill amortisation	316	216	329	244	256	14	1,375
Goodwill amortisation							(278)
Net profit attributable to members							1,097
<i>Other Information</i>							
Total assets before goodwill	26,912	13,899	21,581	11,044	41,219	27,097	141,752
Goodwill							7,693
Total assets							149,445
Total liabilities	67,027	13,723	11,585	10,238	13,305	18,057	133,935
Capital expenditure	54	12	6	8	11	21	112
Depreciation	54	18	6	9	14	71	172

**Note:**

1/ Operating expenses and provisions have been determined by pro-rating between Treasury and Markets and the Funding Portfolio based on the share of income before operating expenses.

### **Subsequent Event**

On January 28, 2004, Thai Military Bank PCL ("TMB"), DBS Bank Ltd ("DBS") and DBS Thai Danu Bank PCL ("DTDB") announced that a Memorandum of Understanding ("MoU") was signed to combine TMB and DTDB in a strategic merger to create the 6th largest banking group in Thailand by assets. The MoU sets out, among others, the principles and structure of the merger, management and areas of governance and business cooperation. The proposed structure is a tender offer by TMB for all the shares of DTDB in consideration for new TMB shares. The parties have also agreed to explore incorporating The Industrial Finance Corporation of Thailand ("IFCT") in a three-way merger to create Thailand's 5th largest bank.

The proposed merger is subject to approvals from the Thai Minister of Finance, the Bank of Thailand, the Stock Exchange of Thailand, the Securities and Exchange Commission of Thailand, the Thai Ministry of Commerce, the Monetary Authority of Singapore and the shareholders.

The effect of the proposed merger of TMB, DTDB and IFCT on the DBSH Group's financials will depend on finalisation of the details. It is expected to have a positive non-cash accounting impact on DBSH Group's financials and capital adequacy ratios.

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### **Comparatives**

The comparatives of the Group were restated to conform to the changes in accounting policy detailed in Appendix VII. Where necessary, certain comparative figures were adjusted in order to provide proper comparison with current year's presentation.

## DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

### Audited Consolidated Profit and Loss Account

In S\$millions	Year 2003	Year 2002 <sup>1/</sup>	4th Qtr 2003 #	4th Qtr 2002 <sup>1/</sup> #	3rd Qtr 2003 <sup>1/</sup> #
Interest income	3,640	4,406	925	1,030	911
Less: Interest expense	1,265	1,761	297	388	323
Net interest income	<u>2,375</u>	<u>2,645</u>	<u>628</u>	<u>642</u>	<u>588</u>
Fee and commission income	884	797	251	190	259
Dividends	51	28	10	5	16
Rental income	36	32	11	8	9
Other income	852	644	153	209	241
<b>Income before operating expenses</b>	<u>4,198</u>	<u>4,146</u>	<u>1,053</u>	<u>1,054</u>	<u>1,113</u>
Less: Staff costs	865	911	217	225	219
Depreciation	168	172	40	42	44
Other operating expenses	808	768	225	204	195
Goodwill amortisation	430	278	110	73	107
<b>Operating expenses</b>	<u>2,271</u>	<u>2,129</u>	<u>592</u>	<u>544</u>	<u>565</u>
<b>Operating profit before provisions</b>	<u>1,927</u>	<u>2,017</u>	<u>461</u>	<u>510</u>	<u>548</u>
Less: Provision for possible loan losses and diminution in value of other assets	541	544	82	181	154
<b>Operating profit</b>	<u>1,386</u>	<u>1,473</u>	<u>379</u>	<u>329</u>	<u>394</u>
Add: Share of profits less losses of associated and joint venture companies	51	45	18	6	11
<b>Net profit before taxation</b>	<u>1,437</u>	<u>1,518</u>	<u>397</u>	<u>335</u>	<u>405</u>
Less: Taxation	337	298	80	24	96
Share of taxation of associated and joint venture companies	12	13	5	2	3
<b>Net profit after taxation</b>	<u>1,088</u>	<u>1,207</u>	<u>312</u>	<u>309</u>	<u>306</u>
Less: Minority interests	63	110	20	22	15
<b>Net profit attributable to members</b>	<u>1,025</u>	<u>1,097</u>	<u>292</u>	<u>287</u>	<u>291</u>

## Notes:

1/ Figures for prior periods have been restated to reflect the changes in accounting policy (refer to Appendix VII).

2/ #: Unaudited.

## DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

### Audited Consolidated Balance Sheet as at

In S\$millions	Dec 31 2003	Dec 31 2002 <sup>1/</sup>	In S\$millions	Dec 31 2003	Dec 31 2002 <sup>1/</sup>
<b>SHARE CAPITAL</b>			<b>ASSETS</b>		
Share capital	1,556	1,555	Cash, and balances and placements with central banks	5,007	2,187
<b>RESERVES</b>			Singapore Government securities and treasury bills	11,438	9,017
Share premium account	2,171	2,163	Trading securities	6,433	3,672
Other reserve	4,271	4,271	Balances, placements with, and loans and advances to banks	27,472	38,767
Capital redemption reserve	28	28	Bills receivable from non-bank customers	1,481	1,574
Capital reserve	(30)	(19)	Loans and advances to non-bank customers	62,854	59,135
General reserve	2,230	2,044	Investment securities	22,828	14,591
Revenue reserve	4,670	4,195	Associated and joint venture companies	547	521
	<u>13,340</u>	<u>12,682</u>	Goodwill	7,371	7,693
<b>SHAREHOLDERS' FUNDS</b>			Fixed assets	2,016	2,261
	14,896	14,237	Deferred tax assets	129	125
<b>MINORITY INTERESTS</b>			Other assets	12,019	9,902
	1,125	1,273			
<b>LIABILITIES</b>					
Deposits and balances of banks	7,497	4,877			
Deposits and other accounts of non-bank customers	108,041	101,315			
Bills payable	363	522			
Current taxation	500	414			
Deferred tax liabilities	104	120			
Other liabilities	15,772	15,992			
Other borrowings and debt securities in issue <sup>2/</sup>	5,604	4,909			
- due within one year	1,882	1,997			
- due after one year	3,722	2,912			
Subordinated term debts (unsecured)	5,693	5,786			
- due within one year	25	24			
- due after one year	5,668	5,762			
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>	<u>159,595</u>	<u>149,445</u>	<b>TOTAL ASSETS</b>	<u>159,595</u>	<u>149,445</u>
<b>OFF BALANCE SHEET ITEMS</b>					
Contingent liabilities	6,984	7,276			
Commitments	60,173	58,602			
Financial derivatives	1,256,240	778,767			

## Notes:

1/ Figures for prior period have been restated to reflect the changes in accounting policy (refer to Appendix VII).

2/ Includes secured amount of S\$971 million as at December 31, 2003 (December 31, 2002 : S\$1,409 million). These are mainly secured by properties and securities.

## DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

### Audited Balance Sheet of DBS Group Holdings Ltd as at

In S\$millions	Dec 31 2003	Dec 31 2002 <sup>1/</sup>	In S\$millions	Dec 31 2003	Dec 31 2002 <sup>1/</sup>
<b>SHARE CAPITAL</b>			<b>ASSETS</b>		
Share capital	1,556	1,555	Trading securities	-	#
<b>RESERVES</b>			Balances, placements with, and loans and advances to banks	3	4
Share premium account	2,171	2,163	Investment in subsidiary companies	6,762	6,947
Capital redemption reserve	28	28			
Revenue reserve	3,001	3,201			
	<u>5,200</u>	<u>5,392</u>			
<b>SHAREHOLDERS' FUNDS</b>	<b>6,756</b>	<b>6,947</b>			
<b>LIABILITIES</b>					
Current liabilities	9	4			
Deferred tax liabilities	#	-			
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>	<u><b>6,765</b></u>	<u><b>6,951</b></u>	<b>TOTAL ASSETS</b>	<u><b>6,765</b></u>	<u><b>6,951</b></u>
<b>Other Information</b>					
Net asset value per ordinary share (S\$)					
(i) Based on existing ordinary share capital	4.53	4.66			
(ii) Assuming non-voting convertible preference shares ("CPS") and non-voting redeemable CPS are converted to ordinary shares	<u>4.34</u>	<u>4.47</u>			

Note:

1/ #: Insignificant

## DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

### Audited Consolidated Statement of Changes in Shareholders' Equity

In S\$ millions	Share Capital	Share Premium	Other Reserve	Capital Redemption Reserve	Capital Reserve	General Reserve	Revenue Reserve	Total Reserves
Balance at January 1, 2003	1,555	2,163	4,271	28	(19)	2,044	4,403	12,890
Effect of changes in accounting policy (Refer to Appendix VII)	-	-	-	-	-	-	(208)	(208)
Balance at January 1, 2003 (restated)	1,555	2,163	4,271	28	(19)	2,044	4,195	12,682
Exercise of share options pursuant to the DBSH Share Option Scheme/DBSH Share Option Plan	1	8	-	-	-	-	-	8
Net exchange translation adjustments during the year	-	-	-	-	(11)	-	-	(11)
Appropriation from profit and loss account	-	-	-	-	-	186	(186)	-
Net profit attributable to members	-	-	-	-	-	-	1,025	1,025
Final dividends paid on ordinary and preference shares for the previous year	-	-	-	-	-	-	(194)	(194)
Interim dividends paid on ordinary and preference shares for the current year	-	-	-	-	-	-	(170)	(170)
<b>Balance at December 31, 2003</b>	<b>1,556</b>	<b>2,171</b>	<b>4,271</b>	<b>28</b>	<b>(30)</b>	<b>2,230</b>	<b>4,670</b>	<b>13,340</b>
Balance at January 1, 2002	1,538	1,958	4,271	28	24	1,821	3,973	12,075
Effect of changes in accounting policy (Refer to Appendix VII)	-	-	-	-	-	-	(288)	(288)
Balance at January 1, 2002 (restated)	1,538	1,958	4,271	28	24	1,821	3,685	11,787
Issue of ordinary shares	15	196	-	-	-	-	-	196
Exercise of share options pursuant to the DBSH Share Option Scheme/DBSH Share Option Plan	2	9	-	-	-	-	-	9
Net exchange translation adjustments during the year	-	-	-	-	(43)	-	-	(43)
Appropriation from profit and loss account	-	-	-	-	-	223	(223)	-
Net profit attributable to members	-	-	-	-	-	-	1,097	1,097
Final dividends paid on ordinary and preference shares for the previous year	-	-	-	-	-	-	(194)	(194)
Interim dividends paid on ordinary and preference shares for the current year	-	-	-	-	-	-	(170)	(170)
<b>Balance at December 31, 2002</b>	<b>1,555</b>	<b>2,163</b>	<b>4,271</b>	<b>28</b>	<b>(19)</b>	<b>2,044</b>	<b>4,195</b>	<b>12,682</b>

## DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

### Audited Statement of Changes in Shareholders' Equity of DBS Group Holdings Ltd

In S\$ millions	Share Capital	Share Premium	Capital Redemption Reserve	Revenue Reserve	Total Reserves
Balance at January 1, 2003	1,555	2,163	28	3,201	5,392
Exercise of share options pursuant to the DBSH Share Option Scheme/DBSH Share Option Plan	1	8	-	-	8
Net profit after taxation	-	-	-	164	164
Final dividends paid on ordinary and preference shares for the previous year	-	-	-	(194)	(194)
Interim dividends paid on ordinary and preference shares for the current year	-	-	-	(170)	(170)
<b>Balance at December 31, 2003</b>	<b>1,556</b>	<b>2,171</b>	<b>28</b>	<b>3,001</b>	<b>5,200</b>
Balance at January 1, 2002	1,538	1,958	28	2,060	4,046
Issue of ordinary shares	15	196	-	-	196
Exercise of share options pursuant to the DBSH Share Option Scheme/DBSH Share Option Plan	2	9	-	-	9
Net profit after taxation	-	-	-	1,505	1,505
Final dividends paid on ordinary and preference shares for the previous year	-	-	-	(194)	(194)
Interim dividends paid on ordinary and preference shares for the current year	-	-	-	(170)	(170)
<b>Balance at December 31, 2002</b>	<b>1,555</b>	<b>2,163</b>	<b>28</b>	<b>3,201</b>	<b>5,392</b>

## DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

### Audited Consolidated Cash Flow Statement for the Year Ended December 31

In S\$millions	2003	2002 <sup>1/</sup>
<b>Cash flows from operating activities</b>		
Net profit before taxation	1,437	1,518
<i>Adjustments for non-cash items:</i>		
Provision for possible loan losses and diminution in value of other assets	541	534
Depreciation of fixed assets	168	172
Goodwill amortisation	430	278
Share of profits of associated and joint venture companies	(51)	(45)
Net gain on disposal of fixed assets	(3)	(10)
Net gain on disposal of investment securities	(183)	(214)
Operating profit before changes in operating assets & liabilities	2,339	2,233
<i>Increase/(Decrease) in:</i>		
Deposits and other accounts of non-bank customers	6,726	(5,456)
Deposits and balances of banks	2,620	(3,569)
Other liabilities including bills payable	3,082	3,363
<i>(Increase)/Decrease in:</i>		
Singapore Government securities and treasury bills	(2,431)	168
Trading securities	(2,761)	53
Accounts receivable and other assets	(2,332)	(4,154)
Balances, placements with, and loans and advances to other banks	11,277	2,348
Loans and advances to non-bank customers including bills receivable	(4,008)	7,166
Tax paid	(272)	(216)
<b>Net cash generated from operating activities (1)</b>	14,240	1,936
<b>Cash flows from investing activities</b>		
Disposal of subsidiary companies	-	32
Acquisition of additional interest in subsidiary companies	(3,654)	(1)
Dividends from associated companies	32	28
Purchase of fixed assets	(85)	(112)
Net increase in investment securities	(7,963)	(3,135)
Proceeds from disposal of fixed assets	82	184
<b>Net cash used in investing activities (2)</b>	(11,588)	(3,004)
<b>Cash flows from financing activities</b>		
<i>Increase/(Decrease) in:</i>		
Share capital and share premium	9	11
Debt securities and borrowings	602	205
Dividends paid to shareholders of DBSH	(364)	(364)
Dividends paid to minority shareholders of subsidiary companies	(68)	(146)
<b>Net cash generated from/(used in) financing activities (3)</b>	179	(294)
Exchange translation adjustments (4)	(11)	(43)
<b>Net change in cash, and balances and placements with central banks (1)+(2)+(3)+(4)</b>	2,820	(1,405)
<b>Cash, and balances and placements with central banks as at January 1</b>	2,187	3,592
<b>Cash, and balances and placements with central banks as at December 31</b>	5,007	2,187

Note:

1/ Figures for prior period have been restated to reflect the changes in accounting policy (refer to Appendix VII).



## DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

### Changes In Accounting Policy

(a) The Monetary Authority of Singapore revised MAS Notice 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 and measurement of its trading and investment securities.

Prior to the revision, Singapore Government securities and other trading securities were separately stated at cost (adjusted for amortisation of premium or discount) less provision. Provision was made based on the shortfall between cost and market value determined on an aggregate portfolio basis and recognised as a charge to the profit and loss account as they arise.

With the revision, a security is classified as held for trading if it is acquired or incurred principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. A security is also classified as held for trading if it is part of a portfolio for which there is evidence of a recent actual pattern of short-term profit-taking, regardless of why it was acquired. These securities are recorded at fair value on the balance sheet, with changes in fair value recorded in 'other income' in the profit and loss account.

Securities that are not classified as held for trading are classified as investment securities. These securities are stated at cost less provision. Specific provision is made for an individual investment when there has been a diminution in value, except where such diminution is temporary, and is charged to the profit and loss account as they arise. In addition, for corporate debt securities, a general provision charge in line with the Group's existing provisioning policies is also recorded in the profit and loss account.

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. The opening revenue reserves for 2002 decreased by S\$9 million while the profits for 2002 increased by S\$56 million. The change has also increased the current year profit by S\$7 million.

(b) The minority interest in DBSH Group financial statements for DBS Thai Danu Bank Public Company Limited ("DTDB") had been in debit balance since 1998. A debit minority interest balance arises where the losses applicable to the minority in the consolidated subsidiary company exceed the minority's share of the equity of that company. The published financial statements of DTDB are prepared under Thai Generally Accepted Accounting Principles ("GAAP") and show that DTDB has positive net assets. However, there are significant differences in accounting for loan provisions<sup>1/</sup> under Thai and Singapore regulatory guidelines and consequently, when Singapore guidelines are applied to the minority's share of DTDB's net assets, a debit balance arises in the DBSH consolidated financial statements.

At December 31, 2003, the Board of Directors and management reviewed the current accounting policy with regard to losses applicable to the DTDB minority shareholders in the light of FRS 27<sup>2/</sup>. Under FRS 27, any losses in excess of the interest in the equity of the subsidiary applicable to the minority are charged against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. Accordingly, the Board of Directors and management have decided that the losses applicable to the DTDB minority shareholders that is in excess of their interest in the equity of DTDB will be absorbed by the majority in line with FRS 27.

As a result, the accounting treatment on the minority interest balance has been revised and applied retroactively. The opening revenue reserves for 2002 decreased by S\$279 million while the profits for 2002 increased by S\$24 million. The financial impact on current year profit was immaterial.

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#### Notes:

- 1/ There is a difference in regulatory guidelines for recording bad and doubtful debt provisions in DTDB in Thailand and DBSH Group in Singapore. The higher debt provisions carried in DBSH Group's accounts are not represented by actual crystallised losses or provisions at DTDB at this point in time. But it reflects the losses which would also be borne by the minority should the provisions recorded in DBSH's accounts crystallise as losses in DTDB's accounts.
- 2/ FRS 27: Consolidated Financial Statements and Accounting for Investments in Subsidiaries

## DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

### Selected Notes to the Accounts

#### 1. Issuance of Ordinary Shares

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

Particulars	Number of new ordinary shares issued between October 1, 2003 and December 31, 2003	Number of new ordinary shares that would have been issued upon the conversion/exercise of all outstanding non-voting convertible preference shares ("CPS")/ non-voting redeemable CPS/Share Options	
		<u>Dec 31, 2003</u>	<u>Dec 31, 2002</u>
Conversion of non-voting CPS	9,454	19,595,605	19,608,841
Conversion of non-voting redeemable CPS	-	66,475,374	66,475,374
Exercise of Executive Share Options	210,455	46,155,436	35,437,704

#### 2. Earnings Per Ordinary Share

Basic earnings per ordinary share ("EPS") is calculated by dividing the DBSH Group's net profit attributable to members and after preference dividends by the weighted average number of ordinary shares in issue during the year.

<u>In millions</u>	<u>DBSH Group</u>	
	<u>2003</u>	<u>2002</u>
Weighted average number of ordinary shares in issue (a)	<b>1,470</b>	1,462

<u>In S\$millions</u>	<u>DBSH Group</u>	
	<u>2003</u>	<u>2002</u>
Net profit attributable to members	<b>1,025</b>	1,097
Less: Preference dividends	<b>20</b>	20
Net profit attributable to members after adjustment of preference dividends (b)	<b>1,005</b>	1,077
Add: Goodwill amortisation	<b>430</b>	278
Net profit attributable to members after adjustment of preference dividends and goodwill amortisation (c)	<b>1,435</b>	1,355
Basic Earnings Per Ordinary Share (Cents) (b)/(a)	<b>68</b>	74
Basic Earnings Per Ordinary Share (excluding goodwill amortisation) (Cents) (c)/(a)	<b>98</b>	93

## DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

### 2. Earnings Per Ordinary Share (Continued)

For the purpose of calculating the diluted earnings per ordinary share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the full conversion of DBSH non-voting CPS and DBSH non-voting redeemable CPS to ordinary shares. In addition, where applicable, the calculation would take into account 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 year).

The effect of the exercise of DBSH share options and conversion of DBSH non-voting CPS and DBSH non-voting redeemable CPS on the weighted average number of ordinary shares in issue is as follows:

In millions	DBSH Group	
	2003	2002
Weighted average number of ordinary shares in issue	1,470	1,462
Full conversion of DBSH non-voting CPS	20	20
Full conversion of DBSH non-voting redeemable CPS	66	66
Weighted average number of ordinary shares in issue assuming dilution (a)	1,556	1,548

The effect of the exercise of DBSH share options and conversion of DBSH non-voting CPS and DBSH non-voting redeemable CPS on DBSH Group's net profit attributable to members is as follows:

In S\$millions	DBSH Group	
	2003	2002
Net profit attributable to members	1,025	1,097
Less: Preference dividends	20	20
Net profit attributable to members after adjustment of preference dividends	1,005	1,077
Adjustment to net profit arising from:		
(i) Full conversion of DBSH non-voting CPS	5	5
(ii) Full conversion of DBSH non-voting redeemable CPS	15	15
Adjusted net profit attributable to members (b)	1,025	1,097
Add: Goodwill amortisation	430	278
Adjusted net profit attributable to members (excluding goodwill amortisation) (c)	1,455	1,375
Diluted Earnings Per Ordinary Share (Cents) (b)/(a)	66	71
Diluted Earnings Per Ordinary Share (excluding goodwill amortisation) (Cents) (c)/(a)	94	89

## DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

### 3. Loan and Investment Exposures to Malaysia, Indonesia, Thailand, Korea, The Philippines (Regional Countries), Hong Kong and China

At December 31, 2003, DBSH Group has exposures to certain countries in the Asia Pacific Region. The exposures are determined based on the location of the credit risk of the customers and counter parties regardless of where the transactions are booked.

The DBSH Group's exposures (assets and non-performing loans) to the Regional Countries, Hong Kong and China at December 31, 2003 are as follows:

In S\$millions	Loans and debt securities				Less: Intercompany Loans/ Investments in Financial Subsidiaries/ Overseas Branches	Net Exposure		
	Bank	Central Banks & Govt. Securities	Non- Bank <sup>1/</sup>	Investments		Amount	As a % of Total Assets	NPLs <sup>2/</sup>
	(a)	(b)	(c)	(d)		(f)=(a+b +c+d-e)	(g)	
Total Regional Countries	5,016	1,104	6,395	955	1,954	11,516	7.3%	1,545
Malaysia	1,280	13	1,356	90	1,034	1,705	1.1%	233
Indonesia	126	56	365	73	128	492	0.3%	55
Thailand (excluding DTDB)	231	9	221	63	214	310	0.2%	188
Korea	3,326	531	885	1	577	4,166	2.6%	17
The Philippines	46	149	103	604	1	901	0.6%	8
DTDB <sup>3/</sup>	7	346	3,465	124	-	3,942	2.5%	1,044
Hong Kong	2,457	2,013	23,235	11,935	13,238	26,402	16.5%	643
China	965	24	692	21	393	1,309	0.8%	130
<b>TOTAL</b>	<b>8,438</b>	<b>3,141</b>	<b>30,322</b>	<b>12,911</b>	<b>15,585</b>	<b>39,227</b>	<b>24.6%</b>	<b>2,318</b>

The DBSH Group's exposures (assets and non-performing loans) to the Regional Countries, Hong Kong and China at December 31, 2002 are as follows:

In S\$millions	Loans and debt securities				Less: Intercompany Loans/ Investments in Financial Subsidiaries/ Overseas Branches	Net Exposure		
	Bank	Central Banks & Govt. Securities	Non- Bank <sup>1/</sup>	Investments		Amount	As a % of Total Assets	NPLs <sup>2/</sup>
	(a)	(b)	(c)	(d)		(f)=(a+b +c+d-e)	(g)	
Total Regional Countries	2,753	680	4,870	813	834	8,282	5.5%	1,595
Malaysia	743	4	677	89	561	952	0.6%	329
Indonesia	109	73	247	72	79	422	0.3%	110
Thailand (excluding DTDB)	98	23	244	73	135	303	0.2%	197
Korea	1,724	249	418	4	54	2,341	1.6%	17
The Philippines	20	49	143	493	5	700	0.5%	37
DTDB <sup>3/</sup>	59	282	3,141	82	-	3,564	2.3%	905
Hong Kong	1,830	2,372	22,303	10,346	11,074	25,777	17.3%	772
China	1,001	27	718	-	362	1,384	0.9%	167
<b>TOTAL</b>	<b>5,584</b>	<b>3,079</b>	<b>27,891</b>	<b>11,159</b>	<b>12,270</b>	<b>35,443</b>	<b>23.7%</b>	<b>2,534</b>

Notes:

1/ Non-bank loans include loans to government and quasi-government entities.

2/ Non-performing loans ("NPLs") include classified bank loans, debt securities and contingent items.

3/ DTDB: DBS Thai Danu Bank Public Company Limited

## DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

### 4. Non-Performing Loans and Provisions

At December 31, 2003, DBSH Group's total non-performing loans amounted to S\$3.78 billion (2002: S\$4.224 billion). Out of the total NPLs of S\$3.78 billion, S\$1.854 billion (49%) [2002: S\$2.153 billion (51%)] were secured by collateral.

Details of DBSH Group's NPLs and provisions at December 31, 2003 are as follows:

In S\$millions	Regional Countries				Other Countries	Total
	Singapore	Hong Kong	DTDB <sup>1/</sup>	Others		
<b>Non- Performing Loans (NPLs)</b>	1,255	643	1,044	501	337	3,780
- Substandard	842	475	839	352	269	2,777
- Doubtful	42	66	20	49	27	204
- Loss	371	102	185	100	41	799
<b>NPLs as a % of Group total assets</b>	0.8%	0.4%	0.7%	0.3%	0.2%	2.4%
<b>Non-bank NPLs as a % of non-bank loans in the respective countries <sup>2/</sup></b>	3.3%	2.9%	28.8%	19.0%	8.5%	5.2%
<b>Total Cumulative Provisions</b>	851	418	561	389	168	2,387
- Specific provisions	475	190	378	193	87	1,323
- General provisions	376	228	183	196	81	1,064
<b>Total Cumulative Provisions as a % of:</b>						
- Group total assets	0.5%	0.3%	0.4%	0.2%	0.1%	1.5%
- NPLs in the respective countries	68%	65%	54%	78%	50%	63%
- Unsecured NPLs in the respective countries	173%	180%	105%	111%	53%	124%

Details of DBSH Group's NPLs and provisions at December 31, 2002 are as follows:

In S\$millions	Regional Countries				Other Countries	Total
	Singapore	Hong Kong	DTDB <sup>1/</sup>	Others		
<b>Non- Performing Loans (NPLs)</b>	1,546	772	905	690	311	4,224
- Substandard	1,051	574	815	466	208	3,114
- Doubtful	23	59	7	96	67	252
- Loss	472	139	83	128	36	858
<b>NPLs as a % of Group total assets</b>	1.0%	0.5%	0.6%	0.5%	0.2%	2.8%
<b>Non-bank NPLs as a % of non-bank loans in the respective countries <sup>2/</sup></b>	4.2%	3.5%	27.0%	40.6%	8.7%	6.1%
<b>Total Cumulative Provisions</b>	879	449	553	458	161	2,500
- Specific provisions	527	227	372	273	112	1,511
- General provisions	352	222	181	185	49	989
<b>Total Cumulative Provisions as a % of:</b>						
- Group total assets	0.6%	0.3%	0.4%	0.3%	0.1%	1.7%
- NPLs in the respective countries	57%	58%	61%	66%	52%	59%
- Unsecured NPLs in the respective countries	149%	170%	119%	95%	59%	121%

Notes:

1/ Includes special general provisions for regional exposures and additional specific provisions for DBS Thai Danu Public Company Limited ("DTDB")'s loans.

2/ Computed based on total non-bank customer NPLs (excluding non-performing debt securities and contingent items) divided by total gross non-bank customer loans.

## DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

### 4. Non-Performing Loans and Provisions (Continued)

#### Industry Analysis Of Non-Performing Loans

The following table shows the industry breakdown of the non-performing loans of DBSH Group:

In S\$millions	DBSH Group			
	2003		2002	
	Outstanding	Specific Provisions	Outstanding	Specific Provisions
<b>Customer loans</b>				
Manufacturing	894	360	916	400
Building and Construction	414	98	427	129
Housing Loans	198	63	193	49
General Commerce	576	289	723	289
Transportation, Storage and Communications	98	25	139	35
Financial Institutions, Investment and Holding Companies	208	66	365	113
Professionals and Private Individuals (except Housing Loans)	399	157	413	181
Others	695	165	693	175
<b>Sub-total</b>	<b>3,482</b>	<b>1,223</b>	<b>3,869</b>	<b>1,371</b>
<b>Debt securities</b>	<b>184</b>	<b>73</b>	<b>146</b>	<b>79</b>
<b>Contingent items</b>	<b>114</b>	<b>27</b>	<b>209</b>	<b>61</b>
<b>Total</b>	<b>3,780</b>	<b>1,323</b>	<b>4,224</b>	<b>1,511</b>

### 5. Financial Derivatives

Financial derivatives are financial instruments whose characteristics are derived from the underlying assets, or from interest and exchange rates or indices. These include forwards, swaps, futures and options.

The following tables summarise the contractual or underlying principal amounts of derivative financial instruments held or issued for trading and non-trading purposes. The notional or contractual amounts of these instruments indicate the volume of transactions outstanding at the balance sheet date; they do not represent amounts at risk.

In the financial statements, trading derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected in "Other assets" or "Other liabilities" respectively. Non-trading derivative financial instruments are accounted for on an accrual basis.

In S\$millions	December 31, 2003					
	Trading			Non-Trading		
	Underlying Notional	Positive Fair Value	Negative Fair Value	Underlying Notional	Positive Fair Value	Negative Fair Value
Interest Rate Derivatives	994,037	6,733	6,118	24,114	852	237
Foreign Exchange Derivatives	211,723	2,014	1,822	5,664	34	137
Equity Derivatives	8,444	36	196	544	#	-
Credit Derivatives	9,292	82	109	2,422	77	-
<b>Total</b>	<b>1,223,496</b>	<b>8,865</b>	<b>8,245</b>	<b>32,744</b>	<b>963</b>	<b>374</b>

In S\$million	December 31, 2002					
	Trading			Non-Trading		
	Underlying Notional	Positive Fair Value	Negative Fair Value	Underlying Notional	Positive Fair Value	Negative Fair Value
Interest Rate Derivatives	530,523	5,202	4,672	16,189	1,127	173
Foreign Exchange Derivatives	210,638	2,121	2,182	12,642	189	588
Equity Derivatives	2,981	33	40	359	#	#
Credit Derivatives	2,993	27	21	2,427	63	-
Commodity Derivatives	15	#	#	-	-	-
<b>Total</b>	<b>747,150</b>	<b>7,383</b>	<b>6,915</b>	<b>31,617</b>	<b>1,379</b>	<b>761</b>

Note:

1/ #: Insignificant

## DBS GROUP HOLDINGS LTD AND ITS SUBSIDIARY COMPANIES

### 6. Daily Earnings at Risk (“DEaR”) and Trading Income

The Group uses a Daily Earnings at Risk (“DEaR”) measure as one mechanism for controlling trading risk. The DEaR is calculated using a one-day time horizon and a 99% confidence interval. The following table shows the period-end, average, high and low DEaR for the trading risk exposure of the DBSH Group for the period from January 1, 2003 to December 31, 2003.

In S\$millions	As at December 31, 2003	January 1, 2003 to December 31, 2003		
		Average	High <sup>1/</sup>	Low <sup>1/</sup>
Interest rate	22.7	23.3	33.7	15.3
FX	3.3	7.0	18.2	2.3
Equity	3.8	3.2	7.3	1.3
Diversification effect	(9.3)	(12.7)	-	-
<b>Total</b>	<b>20.5</b>	<b>20.8</b>	<b>32.0</b>	<b>12.6</b>

Note:

<sup>1/</sup> The high (& low) DEaR figures reported for each risk class did not necessarily occur on the same day as the high (& low) reported for total. A corresponding diversification effect cannot be calculated and is therefore omitted from the table.

The charts below provide the range of DEaR and the daily distribution of trading income in the trading portfolio for the period from January 1, 2003 to December 31, 2003.

