

**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:

**1.1 UNAUDITED FINANCIAL RESULTS FOR HALF YEAR ENDED JUNE 30, 2002**

In S\$m	DBSH			DBSH GROUP		
	1st Half 2002	1st Half 2001	Incr/ (Decr) (%)	1st Half 2002	1st Half 2001	Incr/ (Decr) (%)
Interest income	0.4	18.1	(97.6)	2,266.0	2,425.7	(6.6)
Less: Interest expense	-	-	NM	944.6	1,464.2	(35.5)
<b>Net interest income</b>	<b>0.4</b>	<b>18.1</b>	<b>(97.6)</b>	<b>1,321.4</b>	<b>961.5</b>	<b>37.4</b>
Fee and commission income	-	-	-	402.8	250.8	60.7
Dividends	-	-	-	17.8	21.3	(16.2)
Rental income	-	-	-	12.0	19.7	(39.2)
Other income	#	-	NM	265.5	275.0	(3.4)
<b>Income before operating expenses</b>	<b>0.4</b>	<b>18.1</b>	<b>(97.6)</b>	<b>2,019.5</b>	<b>1,528.2</b>	<b>32.1</b>
Less: Staff costs	-	-	-	462.2	389.4	18.7
Other operating expenses (excluding goodwill amortisation)	0.1	0.8	(86.0)	457.4	359.5	27.2
Goodwill amortisation	-	-	-	136.5	-	NM
<b>Total operating expenses</b>	<b>0.1</b>	<b>0.8</b>	<b>(86.0)</b>	<b>1,056.0</b>	<b>748.9</b>	<b>41.0</b>
<b>Operating profit</b>	<b>0.3</b>	<b>17.3</b>	<b>(98.1)</b>	<b>963.5</b>	<b>779.3</b>	<b>23.6</b>
Less: Provision for possible loan losses and diminution in value of other assets	#	-	NM	200.7	46.5	332.0
	<b>0.3</b>	<b>17.3</b>	<b>(98.1)</b>	<b>762.8</b>	<b>732.8</b>	<b>4.1</b>
Add: Share of profits less losses of						
- associated companies	-	-	-	26.6	33.6	(20.7)
- joint venture companies	-	-	-	(0.1)	-	NM
<b>Net profit before taxation</b>	<b>0.3</b>	<b>17.3</b>	<b>(98.1)</b>	<b>789.2</b>	<b>766.4</b>	<b>3.0</b>
Less: Taxation (based on liability method)	0.1	4.9	(98.2)	177.6	131.9	34.7
Share of taxation of associated companies	-	-	-	6.8	9.3	(26.5)
Share of taxation of joint venture companies	-	-	-	-	-	-
<b>Net profit after taxation</b>	<b>0.2</b>	<b>12.4</b>	<b>(98.1)</b>	<b>604.8</b>	<b>625.2</b>	<b>(3.3)</b>
Less: Minority interests	-	-	-	73.3	(4.3)	NM
<b>Net profit after taxation attributable to members (NPAM)</b>	<b>0.2</b>	<b>12.4</b>	<b>(98.1)</b>	<b>531.4</b>	<b>629.5</b>	<b>(15.6)</b>
<b>NPAM excluding goodwill amortisation</b>	<b>0.2</b>	<b>12.4</b>	<b>(98.1)</b>	<b>667.9</b>	<b>629.5</b>	<b>6.1</b>
US\$/S\$ exchange rate at June 30				1.7615	1.8207	
HK\$/S\$ exchange rate at June 30				0.2258	0.2334	

Note : Some of the figures in this document may not add up to the relevant totals due to rounding  
 NM: Not Meaningful  
 # Insignificant

## 1.2 UNAUDITED FINANCIAL RESULTS FOR QUARTER ENDED JUNE 30, 2002

In S\$m	<u>DBSH</u>			<u>DBSH GROUP</u>		
	2nd Qtr 2002	1st Qtr 2002	2nd Qtr 2001	2nd Qtr 2002	1st Qtr 2002	2nd Qtr 2001
Net interest income	<b>0.2</b>	0.2	8.1	<b>651.5</b>	670.0	472.3
Non-interest income	<b>#</b>	<b>#</b>	-	<b>343.6</b>	354.5	247.8
<b>Income before operating expenses</b>	<b>0.2</b>	0.2	8.1	<b>995.1</b>	1,024.4	720.1
Less: Operating expenses (excluding goodwill amortisation)	<b>0.2</b>	(0.1)	0.6	<b>460.4</b>	459.2	365.8
Goodwill amortisation	-	-	-	<b>68.7</b>	67.7	-
<b>Total operating expenses</b>	<b>0.2</b>	(0.1)	0.6	<b>529.1</b>	526.9	365.8
<b>Operating profit</b>	<b>#</b>	0.3	7.5	<b>466.0</b>	497.5	354.3
Less: Provision for possible loan losses and diminution in value of other assets	<b>#</b>	<b>#</b>	-	<b>105.0</b>	95.8	8.8
	<b>0.1</b>	0.3	7.5	<b>361.0</b>	401.7	345.5
Add: Share of profits less losses of associated companies and joint venture companies	-	-	-	<b>12.6</b>	13.7	19.1
<b>Net profit before taxation</b>	<b>0.1</b>	0.3	7.5	<b>373.8</b>	415.5	364.6
<b>Net profit after taxation attributable to members (NPAM)</b>	<b>#</b>	0.2	5.1	<b>253.4</b>	278.0	308.1
<b>NPAM excluding goodwill amortisation</b>	<b>#</b>	0.2	5.1	<b>322.1</b>	345.8	308.1
US\$/S\$ exchange rate at period end				<b>1.7615</b>	1.8391	1.8207
HK\$/S\$ exchange rate at period end				<b>0.2258</b>	0.2358	0.2334

NM: Not Meaningful  
1st Qtr : First Quarter  
2nd Qtr : Second Quarter  
# Insignificant

## 2. SELECTED BALANCE SHEET DATA

In S\$m	<u>DBSH</u>			<u>DBSH Group</u>		
	June 30 2002	June 30 2001	Incr/ (Decr) (%)	June 30 2002	June 30 2001	Incr/ (Decr) (%)
<b>(a) ASSETS</b>						
Total assets	5,620.2	3,429.2	63.9	152,008.9	156,497.0	(2.9)
Customer loans and advances including bills receivable	-	-	-	64,561.2	69,617.4	(7.3)
<b>(b) LIABILITIES</b>						
Deposits and other accounts of customers	-	-	-	102,984.1	114,851.4	(10.3)
Deposits and balances of banks and agents	-	-	-	10,232.5	11,135.2	(8.1)
Subordinated term debts						
due within one year	-	-	-	25.0	23.7	5.6
due after one year	-	-	-	5,852.0	6,019.3	(2.8)
Borrowings and debt securities						
due within one year	-	-	-	1,905.0	1,299.7	46.6
due after one year	-	-	-	2,461.9	2,044.2	20.4
<b>(c) CAPITAL AND RESERVES</b>						
Paid-up preference share capital	86.1	91.6	(6.0)	86.1	91.6	(6.0)
Issued and paid-up ordinary share capital	1,468.7	1,216.7	20.7	1,468.7	1,216.7	20.7
Ordinary shareholders' funds	5,524.3	3,326.0	66.1	13,507.1	10,546.7	28.1
Total (ordinary and preference) shareholders' funds	5,610.3	3,417.6	64.2	14,066.7	11,142.0	26.2

## 3. COMMENTS ON RESULTS / BALANCE SHEET ITEMS

- (a) DBS prepares its financial statements in accordance with Singapore Generally Accepted Accounting Principles ("Singapore GAAP").

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

- (b) DBSH Group's operating profit excluding goodwill amortisation increased by 41.1% to S\$1,100.0 million in the 1st Half 2002 over the same period in 2001. Financial results of Dao Heng Bank Group Limited (DHG) and DBS Vickers Securities Holdings Pte Ltd (DBSV) were consolidated from June 29, 2001 and September 12, 2001 respectively. The consolidation of these acquisitions had contributed largely to the higher net interest and fee income.

As a result of higher provision charge in 1st Half 2002, NPAM excluding goodwill amortisation increased by a smaller percentage growth of 6.1% to S\$667.9 million over 1st Half 2001.

On a GAAP basis, DBSH Group's operating profit was S\$963.5 million, an increase of 23.6% over 1st Half 2001. NPAM was S\$531.4 million, a decrease of 15.6% from 1st Half 2001.

Compared to first quarter 2002 (1st Qtr 2002), NPAM excluding goodwill amortisation for second quarter 2002 (2nd Qtr 2002) showed a decrease of 6.8% to S\$322.1 million.

Excluding contributions and acquisition-related costs of DHG and DBSV, net profit of the Group would have been S\$668.5 million, an increase of 6.2% over the same period last year contributed by higher net interest income and lower operating expenses.

- (c) Net interest income increased by 37.4% to S\$1,321.4 million for 1st Half 2002 largely due to the contribution from DHG. Lower Singapore dollar funding costs resulting from re-pricing of non-bank customer deposits also partially accounted for the increase in net interest income. Excluding DHG, DBSV and funding costs incurred for the acquisitions, net interest income was S\$1,058.7 million, an increase of 10.2% over 1st Half 2001.

Compared with 1st Qtr 2002, net interest income for 2nd Qtr 2002 was lower due mainly to the strengthening of the Singapore dollar against its Hong Kong counterpart. On constant currency terms, net interest income for 2nd Qtr 2002 would have been in line with 1st Qtr 2002.

For 1st Half 2002, net interest margin was 1.99% compared to 1.78% for 1st Half 2001. Excluding acquisition of DHG, net interest margin was lower, at 1.93%. The improved net interest margin for 1st Half 2002 was contributed by lower Singapore dollar funding costs.

Net interest margin weakened to 1.96% in the 2nd Qtr 2002 compared to 2.02% in 1st Qtr 2002; resulting mainly from lower benefit from deployment of excess funds, as interest rates remained low.

Average interest earning assets increased over 1st Half 2001 by S\$24.9 billion or 22.8%.

- (d) Non-interest income as a percentage of total operating income for the 1st Half 2002 was 34.6%.

Compared to 1st Half 2001, the S\$152.1 million increase in fee and commission income was due mainly to the contribution of stockbroking fees of S\$55.4 million from DBSV; and credit card and trade finance fees of S\$24.7 million and S\$15.2 million respectively from DHG.

Excluding acquisitions, fee income of the Group increased by S\$11.9 million benefiting from the continued emphasis of the credit card business in Singapore and the sale of wealth management products.

Compared to 1st Qtr 2002, fee and commission income increased by S\$17.7 million or 9.2%. The increase was contributed mainly by fees received from syndicated loan and investment banking activities.

Other income decreased by 3.4% due mainly to the inclusion of S\$31.2 million profit from the sale of DBS Securities Building and higher Singapore Government Securities' profit of S\$65.3 million in 1st Half 2001.

Compared with 1st Qtr 2002, other income for 2nd Qtr 2002 decreased by S\$38.1 million. Profits of S\$12.5 million and S\$4.0 million were received from the share divestment in CWT Distribution Limited and The Payment Solutions Company Pte Ltd in 1st Qtr 2002. Treasury profit was also lower in 2nd Qtr 2002.

- (e) Excluding DHG and DBSV's operating expenses, restructuring and integration costs and goodwill amortisation, operating expenses declined 9.3% over same period in 2001. Compared to 1st Half 2001, staff costs fell S\$39.0 million as a result of lower staff bonuses and headcount reduction that arose from rationalisation of workflow and businesses.

Other operating expenses also showed a decrease mainly achieved through effective cost management programs instituted. The successful integration of DHG had also yielded costs synergy that reduced operating expenses.

The Group's cost-to-income ratio (excluding goodwill amortisation) was 45.5% in the 1st Half 2002 compared with 49.0% for the same period in 2001.

Compared to 1st Qtr 2002, operating expenses excluding goodwill amortisation, in absolute term remains at almost the same level.

- (f) Provision charge was S\$200.7 million for 1st Half 2002. The charge was mainly due to higher specific loan provision of S\$160.9 million, arising largely from uncertain economic conditions and declining collateral values. Out of S\$160.9 million loan provision charge, S\$39.5 million was for loans booked in DHG. Besides loan provision, valuation shortfall provision of S\$80.6 million was also made for properties held by the Group. DHG's properties accounted for S\$69.5 million of the total valuation shortfall provided.

Provision charge for 2nd Qtr 2002 was S\$105.0 million, S\$9.2 million higher than 1st Qtr 2002, mainly due to provision required for valuation shortfall in the Group's properties.

- (g) At end-June 2002, total assets were down 2.9% to S\$152.0 billion compared to end-June 2001. Customer loans decreased by 7.3% to S\$64.6 billion while customer deposits decreased by 10.3% to S\$103.0 billion. With active management of assets and liabilities, the Group's loan-to-deposit ratio increased to 62.7%, compared to 60.6% for 1st Half 2001.
- (h) Total CAR of DBSH Group, measured according to the Bank of International Settlements (BIS) guidelines was 17.6%, which is more than twice the minimum BIS requirement of 8.0%. The Tier I CAR ratio was 12.6% after deducting goodwill of S\$5.2 billion in connection with the acquisitions of DHG and DBSV. The minority interest in DHG and DBSV were excluded from the capital adequacy computations.

For DHG, there are put and call arrangements in place in respect of the DBS Diamond Shares currently held by the minority shareholders. These options are European options, which are exercisable by giving notice within a period of seven business days following December 31, 2002. Should these options be exercised, on a proforma basis at June 30, 2002, without taking into account earnings in the intervening period, the Tier I and total CAR would be 9.2% and 14.4% respectively.

- (i) There is no material adjustment for under or overprovision of tax in respect of prior years.

#### 4. OTHER INFORMATION

In S\$'m	DBSH			DBSH GROUP		
	1st Half 2002	1st Half 2001	Incr/ (Decr) (%)	1st Half 2002	1st Half 2001	Incr/ (Decr) (%)
(a) Depreciation	-	-	-	92.0	74.1	24.2
(b) Net profit as a percentage of weighted average total (ordinary and preference) shareholders' funds * (%)	0.01	0.61	(98.4)	7.73	11.36	(31.9)
(c) Net profit as a percentage of average total assets * (%)	0.01	0.69	(98.6)	0.70	1.08	(35.2)
(d) Net tangible asset backing per ordinary share (S\$)						
(i) Based on existing ordinary share capital	3.75	2.73	37.4	5.74	5.85	(1.9)
(ii) Assuming non-voting convertible preference shares (CPS) and non-voting redeemable CPS are converted to ordinary shares	3.61	2.61	38.3	5.79	5.91	(2.0)
(e) Earnings per ordinary share * (S\$)						
(i) Basic (Based on existing ordinary share capital)	(0.01)	#	NM	0.72	1.02	(29.4)
(ii) Fully diluted	(0.01)	#	NM	0.69	0.96	(28.1)

Group basic earnings per ordinary share is calculated by dividing the annualised DBSH Group's net profit attributable to members and after preference dividends, amounting to S\$1,042.7 million (1st Half 2001:S\$1,238.2 million) by the weighted average number of ordinary shares in issue during the period of 1,454.3 million shares (1st Half 2001: 1,216.2 million shares).

Group fully diluted earnings per ordinary share is calculated by dividing the adjusted annualised DBSH Group's net profit attributable to members amounting to S\$1,062.9 million (1st Half 2001:S\$1,258.9 million) by the adjusted weighted average number of ordinary shares in issue during the period of 1,540.8 million shares (1st Half 2001: 1,308.9 million shares). The weighted average number of ordinary shares had been adjusted for the dilutive effect arising from the exercise of all outstanding share options granted to employees where such shares would be issued at a price lower than fair value (average share price during the period) and the full conversion of DBSH non-voting CPS and DBSH non-voting redeemable CPS to ordinary shares.

\* Annualised  
NM: Not Meaningful

# Insignificant

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

Particulars	Number of new ordinary shares issued between January 1 2002 and June 30 2002	Number of new ordinary shares that would have been issued upon the conversion/exercise of all outstanding non-voting CPS/ non-voting redeemable CPS/Share Options	
		December 31 2001	June 30 2002
Issue of ordinary shares	15,135,535	-	-
Conversion of non-voting CPS	5,497,260	25,106,101	19,608,841
Conversion of non-voting redeemable CPS	-	66,475,374	66,475,374
Exercise of Executive Share Options	1,243,794	24,421,714	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 22.0% Singapore income tax, and a gross Interim Dividend per ordinary share less 22.0% Singapore income tax. Details of proposed dividends in respect of the half year ended June 30 are as follows:

	<u>2002</u> S\$	<u>DBSH</u>	<u>2001</u> S\$
<b><u>DBSH Non-voting CPS</u></b>			
Interim dividend of 14 cents less 22.0% tax (2001: 14 cents less 24.5% tax)	2,141,285		2,653,915
<b><u>DBSH Non-voting redeemable CPS</u></b>			
Interim dividend of 14 cents less 22.0% tax (2001: 14 cents less 24.5% tax)	7,259,111		7,026,447
<b><u>DBSH Ordinary share</u></b>			
Interim dividend of 14 cents less 22.0% tax (2001: 14 cents less 24.5% tax)	160,382,280		128,614,619

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 5, 2002, 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 19, 2002.

**6. 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 6, 2002 to August 7, 2002, both dates inclusive. Duly completed transfers received by the Company's Registrar, Lim Associates (Pte) Ltd of 10 Collyer Quay #19-08 Ocean Building, Singapore 049315 up to 5.00 pm on August 5, 2002 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**

**JULY 22, 2002  
SINGAPORE**

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