

**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 RESULTS FOR THE QUARTER ENDED MARCH 31, 2002**

	<b>DBSH Group</b>				
	<b>1st Qtr</b>	<b>4th Qtr</b>	<b>Incr/ (Decr)</b>	<b>1st Qtr</b>	<b>Incr/ (Decr)</b>
	<b>2002</b>	<b>2001</b>	<b>(Decr)</b>	<b>2001</b>	<b>%</b>
	<b>S\$' M</b>	<b>S\$' M</b>	<b>%</b>	<b>S\$' M</b>	<b>%</b>
Net interest income	<b>670.0</b>	706.9	(5.2)	489.3	36.9
Non-interest income	<b>354.5</b>	258.9	36.9	318.8	11.2
<b>Income before operating expenses</b>	<b>1,024.4</b>	965.8	6.1	808.1	26.8
Less: Operating expenses	<b>459.2</b>	515.6	(10.9)	383.1	19.9
Goodwill amortisation	<b>67.7</b>	67.8	(0.1)	-	NM
<b>Total operating expenses</b>	<b>526.9</b>	583.5	(9.7)	383.1	37.5
<b>Operating profit</b>	<b>497.5</b>	382.3	30.1	425.0	17.1
Less: Provisions	<b>95.8</b>	86.8	10.3	37.6	154.5
Add: Share of profits less losses of associated and joint venture companies	<b>13.7</b>	14.9	(7.9)	14.4	(4.9)
<b>Net profit before tax</b>	<b>415.5</b>	310.4	33.9	401.8	3.4
<b>Net profit after tax attributable to members</b>	<b>278.0</b>	168.7	64.8	321.3	(13.5)
<b>Cash basis after tax attributable to members</b>	<b>345.8</b>	236.5	46.2	321.3	7.6

NM: Not Meaningful  
1<sup>st</sup> Qtr : First Quarter  
4<sup>th</sup> Qtr : Fourth Quarter

## 2. SELECTED BALANCE SHEET DATA

	<b>DBSH Group</b>		
	<b>Mar 31</b>	<b>Dec 31</b>	<b>Mar 31</b>
	<b>2002</b>	<b>2001</b>	<b>2001</b>
	<b>S\$' M</b>	<b>S\$' M</b>	<b>S\$' M</b>
<b>(a) Assets</b>			
Total assets	<b>153,957.4</b>	151,294.3	116,284.3
Customer loans and advances including bills receivable	<b>66,340.4</b>	68,208.0	51,323.8
<b>(b) Liabilities</b>			
Deposits and other accounts of customers	<b>109,585.7</b>	106,771.3	84,422.4
Subordinated term debts			
- due within one year	<b>24.9</b>	24.8	24.2
- due after one year	<b>6,090.4</b>	6,122.4	3,959.9
Borrowings and debt securities			
- due within one year	<b>1,743.5</b>	2,156.2	361.4
- due after one year	<b>2,551.0</b>	2,186.5	1,318.3
<b>(c) Capital and reserves</b>			
Paid-up preference share capital	<b>91.6</b>	91.6	91.6
Issued and paid-up ordinary share capital	<b>1,447.2</b>	1,446.8	1,216.0
Ordinary shareholders' funds	<b>13,217.6</b>	12,933.9	10,257.1
Total (ordinary and preference) shareholders' funds	<b>13,812.8</b>	13,529.1	10,852.4

## 3. COMMENTS ON RESULTS / BALANCE SHEET ITEMS

(a) Effective for financial periods beginning on or after April 1, 2001, companies in Singapore are required to adopt the revised Statement of Accounting Standard 12 on Income Taxes. As a result, 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 quarter 2002 (1<sup>st</sup> Qtr 2002).

(b) Compared to first quarter 2001 (1<sup>st</sup> Qtr 2001), DBS Group Holdings Ltd and its subsidiary companies (DBSH Group)'s operating profit for 1<sup>st</sup> Qtr 2002 increased by 17.1% to S\$497.5 million, as a result of higher net interest and fee income. On a cash basis, net profit attributable to members (NPAM) increased by 7.6% to S\$345.8 million. NPAM, however, declined 13.5% to S\$278.0 million after a 154.5% increase in provision charge over 1<sup>st</sup> Qtr 2001.

Compared to fourth quarter 2001 (4<sup>th</sup> Qtr 2001), operating profit also registered double digit increase due mainly to lower operating expenses. Excluding restructuring expenses of S\$40.4 million from 4<sup>th</sup> Qtr 2001, operating profit would increase by 18.7%. On a cash basis, NPAM increased by 46.2%.

(c) For the 1<sup>st</sup> Qtr 2002, Dao Heng Bank Group Limited (DHG) contributed S\$57.2 million to Group net profit. After deducting after-tax funding cost of S\$31.1 million, net cash contribution from DHG was S\$26.0 million. Goodwill amortisation for 1<sup>st</sup> Qtr 2002 was S\$64.1 million.

DBS Vickers Securities Holdings Pte Ltd (DBSV)'s contribution to the Group was a loss of S\$2.0 million for 1<sup>st</sup> Qtr 2002.

Excluding DHG and DBSV's contributions and acquisition-related costs, DBSH Group's NPAM would have been S\$321.4 million, same profit level as 1<sup>st</sup> Qtr 2001.

- (d) Net interest income increased by 36.9% to S\$670.0 million for 1<sup>st</sup> Qtr 2002 largely due to the contribution from DHG. Excluding DHG, DBSV and funding costs incurred for the acquisitions, net interest income was S\$531.8 million, an increase of 8.7% over 1<sup>st</sup> Qtr 2001. The increase was mainly due to the impact of non-bank customer deposits repricing in 4<sup>th</sup> Qtr 2001, lowering interest expenses.

Compared with 4<sup>th</sup> Qtr 2001, net interest income was lower due to a decline in the volume of non-bank customers' loans. The movement of foreign exchange rate between Hong Kong versus Singapore dollars also had an impact on the net interest income. As a result, net interest income decreased by 5.2% to S\$670.0 million over 4<sup>th</sup> Qtr 2001.

For the quarter, net interest margin was 2.02% compared to 1.85% for 1<sup>st</sup> Qtr 2001. Excluding acquisition of Dao Heng, net interest margin was 1.95%.

Net interest margin was 2.11% in 4<sup>th</sup> Qtr 2001 due to favourable reinvestment of excess funds in interbank lendings.

- (e) Non-interest income as a percentage of total operating income for the 1<sup>st</sup> Qtr 2002 was 34.6%.

Fee and commission income increased 63.7% to S\$192.6 million, largely due to acquisitions of DHG and DBSV.

Compared to 1<sup>st</sup> Qtr 2001, the S\$74.9 million increase in fee and commission income was due to the contribution of stockbroking fees of S\$48.5 million from DBSV; and credit card and trade finance fees of S\$12.7 million and S\$8.8 million respectively from DHG. At DBS Bank level, investment product sales reached S\$1,058.0 million, up from S\$372.0 million in 1<sup>st</sup> Qtr 2001.

However, fee and commission income was lower by 7.1%, when compared against previous quarter.

Other income decreased by 19.1% due mainly to higher profit of S\$33.0 million recorded for the sale of Singapore Government Securities in the 1<sup>st</sup> Qtr 2001. In addition, S\$31.2 million profit on sale of DBS Securities Building was included in 1<sup>st</sup> Qtr 2001.

Compared with 4<sup>th</sup> Qtr 2001, other income increased significantly by S\$108.2 million. Valuation reserves of S\$87.9 million was set aside for derivative instruments and netted off against other income in 4<sup>th</sup> Qtr 2001.

- (f) Excluding DHG and DBSV's operating expenses, restructuring and integration costs and goodwill amortisation, operating expenses declined 14.7%. Staff costs fell S\$39.8 million as a result of lower staff bonuses and headcount reduction that arose from rationalisation of workflow and businesses.

The Group's cost-to-income ratio (excluding goodwill amortisation) was 44.8%.

Compared to 4<sup>th</sup> Qtr 2001, operating expenses fell 10.9%. Restructuring and integration costs incurred for the acquisitions of DHG and DBSV, which amounted to S\$40.4 million, was included in 4<sup>th</sup> Qtr 2001.

- (g) Provision charge was S\$95.8 million for 1<sup>st</sup> Qtr 2002. The charge was mainly due to higher specific loan provision of S\$72.4 million, arising largely from uncertain economic conditions. Out of S\$72.4 million loan provision charge, S\$29.2 million was for loans booked in DHG.

Provision charge for 4<sup>th</sup> Qtr 2001 was S\$86.8 million, S\$9.0 million lower than 1<sup>st</sup> Qtr 2002. There was a significant write-back of S\$111.9 million for equity provision following share prices recovery. The write-back partially offset the provisions required for loans and properties owned by DBSH Group in 4<sup>th</sup> Qtr 2001.

- (h) At end-March 2002, the consolidation of DHG contributed to the increase in DBSH Group assets. Total assets were up 32.4% to S\$154.0 billion. Customer loans increased by 29.3% to S\$66.3 billion while customer deposits increased by 29.8% to S\$109.6 billion. Excluding DHG, customer loans decreased by S\$1.8 billion while customer deposits increased by S\$3.4 billion. The loan-to-deposit ratio was 60.5%, compared to 60.8% for 1<sup>st</sup> Qtr 2001.

- (i) Total CAR of DBSH Group, measured according to the Bank of International Settlements (BIS) guidelines was 17.7%, which is more than twice the minimum BIS requirement of 8.0%. The Tier I CAR ratio was 12.5% after deducting goodwill of S\$5.1 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 a notice within a period of seven business days following December 31, 2002. Should these options be exercised, on a proforma basis at March 31, 2002, without taking into account earnings in the intervening period, the Tier I and total CAR would be 9.0% and 14.6% respectively.

#### 4. OTHER INFORMATION

	<b>DBSH Group</b>		
	<b>1st Q tr 2002</b>	<b>4th Q tr 2001*</b>	<b>1st Q tr 2001</b>
(a) <b>Net profit as a percentage of weighted average total (ordinary and preference) shareholders' funds (%)</b>	<b>8.14</b>	8.90	12.04
(b) <b>Net profit as a percentage of average total assets (%)</b>	<b>0.73</b>	0.76	1.13
(c) <b>Earnings per ordinary share (S\$)</b>			
(i) Based on existing ordinary share capital	<b>0.75</b>	0.78	1.04
(ii) Fully diluted	<b>0.72</b>	0.74	0.98
(d) <b>Net tangible asset backing per ordinary share (S\$)</b>			
(i) Based on existing ordinary share capital	<b>5.63</b>	5.38	8.44
(ii) Assuming non-voting convertible preference shares (CPS) and non-voting redeemable CPS are converted to ordinary shares	<b>5.69</b>	5.46	8.30

\* Ratios for Year 2001

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

<u>Particulars</u>	<u>Number of new ordinary shares issued between Dec 31, 2001 and Mar 31, 2002</u>	<u>Number of new ordinary shares that would have been issued upon the conversion/exercise of all outstanding non-voting CPS/ non-voting redeemable CPS/Share Options</u>	
		<u>Dec 31, 2001</u>	<u>Mar 31, 2002</u>
Issue of ordinary shares	355,112	-	-
Conversion of non-voting CPS	-	25,106,101	25,106,101
Conversion of non-voting redeemable CPS	-	66,475,374	66,475,374
Exercise of Executive Share Options	-	24,421,714	36,364,722

**5. DIVIDEND**

No dividend has been declared for the First Quarter ended March 31, 2002.

**BY ORDER OF THE BOARD**

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

**April 29, 2002  
SINGAPORE**