Chairman’s Statement 2004 was a good year for Asian economies. Hong Kong and Singapore grew in excess of 7%. Growth was underpinned by strong exports, low inflation and an upturn in business and consumer spending. Against this backdrop, DBS performed well.
With a business diversified in consumer, enterprise and wholesale banking, we were able to capitalise on the economic rebound to grow our customer franchise, expand our existing operations, form new ventures and open new overseas offices. We achieved greater diversification in our income with strong growth across all our businesses and across different geographies.

**Financial Review**

In 2004, Group net profits crossed the $2 billion mark for the first time. Excluding one-time gains of $497 million from the disposal of non-core investments, Group net profits was 48% higher than the year before. Operating income rose 17% to $4.93 billion while operating expenses increased 8% to $2.45 billion. Aggregate net profits for our consumer, SME and corporate sectors rose 33% from $888 million to $1.18 billion. Our fee income grew 15% and exceeded $1 billion.

Our loan book expanded by 13% to $69.7 billion during 2004, with new lending to individuals, corporates and SMEs across the region.

Our asset quality improved to pre-Asian crisis levels, helped by more favourable economic conditions. Our non-performing loan ratio stood at a low 2.5%, down from 5.2% the year before while our provision coverage rose to 89% from 63% previously.

Return on equity was the highest in four years at 12.7%. Our capital adequacy ratio rose to 15.8%. With a healthy balance sheet and robust capital ratios, we believe we are in a strong position to serve our customers, to capture business opportunities and to invest for the future.

Overall, it was a good year for DBS. We were able to reap the fruits of earlier investments in people, processes and systems.

**Regional Franchise**

During the year, we continued to grow organically in China, India, Indonesia and Malaysia. We hired more staff, introduced new product lines and expanded to new locations. Our efforts are starting to show results in these countries, as evident from the fact that growth in revenues from the region outpaced those from Singapore and Hong Kong last year.

In Thailand, we merged the operations of DBS Thai Danu with that of Thai Military Bank and The Industrial Finance Corporation of Thailand, to form TMB Bank, the country’s fifth largest banking group with combined assets in excess of Bt677 billion ($29 billion). We believe that TMB Bank’s bigger scale offers a more effective way for us to grow in a key market where industry consolidation is actively encouraged by the government.

**Shareholder Returns**

The Board declared an interim dividend of $0.18 per share and a final dividend of $0.22 per share. The total dividend of $0.40 is a 33% increase over the $0.30 paid in 2003.

It is the Board’s intention to increase the dividend rate in a sustainable manner in line with underlying earnings growth. At the same time, we believe that the region’s enormous growth
potential means that the best long-term return for shareholders
will be achieved by using our capital to grow the business, both
organically and through selective inorganic opportunities that
create value.

Quality of Earnings
Banking and finance are becoming increasingly complex and
competitive. As DBS seeks to expand its business and balance
risk and return, we will continue to invest in people and systems,
in areas such as risk management, financial controls, legal and
regulatory compliance, credit assessment and portfolio
management. The imminent implementation of the Basel II capital
accord adds further urgency to the steps that we need to take.
These investments are absolutely necessary for sound banking
and will improve the quality of our earnings.

Prospects for 2005
We remain optimistic about economic prospects in Asia
notwithstanding market expectations of short-term dislocations in
some economies that have grown at breakneck speed in recent
years. The challenge for DBS is to sustain our growth momentum
from a higher revenue base so that we can continue to
strengthen our foundation as a progressive pan-Asian bank.
With our stronger capital resources, we are in a better position
to embark on various initiatives that will translate into a higher
level of service and value for our customers and shareholders in
the coming years.

Apology
Though much was achieved in 2004, our performance was marred
by the safe deposit box incident in the Mei Foo branch in Hong
Kong. There is no excuse for the series of errors that led to the
accidental destruction of 83 customers’ deposit boxes. We
apologise to our customers for the loss and stress that we caused
them.

Acknowledgements
I would like to thank our customers, business partners and
shareholders for their unstinting support of DBS without which we
would not have achieved last year’s record earnings.

I am also indebted to my fellow Board members for generously
sharing their time and insights. Special thanks go to the four
Board members, namely Bernard Chen Tien Lap, Fock Siew
Wah, Gail D Fosler and LP Thean, who will be retiring at this
year’s Annual General Meeting.

Bernard and Siew Wah, who have been on the board for nine
and seven years respectively (including tenure on the DBS Bank
Board), had wanted to retire last year and were persuaded by me
to serve another year. I am grateful to them for their sterling
contributions on the Board and in the Audit and Risk Committees.

Siew Wah has very kindly agreed to serve as an Advisor to the
Chairman on matters relating to the Bank’s plans and business in
China. I will also miss Gail’s challenging and incisive questions
and her perceptive comments on economic issues. I am also
grateful to LP Thean who is stepping down after serving with

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much dedication since 2002. I appreciate his balanced views as Chairman of the Compensation Committee. His legal experience and focus on customer interests were invaluable in helping the Board make sound decisions.

I welcome two new Board members, Goh Geok Ling, Chairman of Tuas Power Ltd., and Wong Ngit Liong, Chairman and CEO of the Venture Group, who joined us in May last year.

I am also pleased to have Ang Kong Hua, Executive Director of NaSteel Ltd., as the latest member of our Board effective March this year.

Last but not least, the management and staff of DBS Group are to be commended for their hard work and dedication. Their contributions helped make DBS a leading financial institution in Asia.

S Dhanabalan
Chairman, DBS Group Holdings