

# Building momentum across businesses, geography

July 30, 2004

## DBS Group Holdings 1H 2004 Financial Results Presentation to Media and Analysts

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# Building momentum across businesses, geography

- ❑ **Core earnings continue to strengthen**
- ❑ **Asset quality improves towards pre-Asian crisis levels**
- ❑ **Progress in regional operations**
- ❑ **Stronger capital adequacy, higher dividends**

# Second consecutive record quarterly profits

(S\$m)	2Q 2004	2Q 2003	% change	1Q 2004	% change
Net interest income	651	560	16	634	3
Non-interest income	902	424	113	632	43
<b>Operating income</b>	<b>1,553</b>	<b>984</b>	<b>58</b>	<b>1,266</b>	<b>23</b>
Staff costs	226	210	8	250	(10)
Other operating expenses	256	249	3	253	1
<b>Operating expenses</b>	<b>482</b>	<b>459</b>	<b>5</b>	<b>503</b>	<b>(4)</b>
<b>Operating profit</b>	<b>1,071</b>	<b>525</b>	<b>104</b>	<b>763</b>	<b>40</b>
Goodwill amortisation	110	107	3	110	0
Provisions	11	187	(94)	50	(78)
<b>NPAM</b>	<b>847</b>	<b>171</b>	<b>395</b>	<b>488</b>	<b>74</b>
<b>Cash NPAM</b>	<b>957</b>	<b>278</b>	<b>244</b>	<b>598</b>	<b>60</b>

# Interest income rose, provisions fell

(S\$m)	2Q 2004	2Q 2003	% change	1Q 2004	% change
Net interest income	651	560	16	634	3
Non-interest income <sup>(a)</sup>	405	424	(4)	632	(36)
<b>Operating income</b>	<b>1,056</b>	<b>984</b>	<b>7</b>	<b>1,266</b>	<b>(17)</b>
Staff costs	226	210	8	250	(10)
Other operating expenses	256	249	3	253	1
<b>Operating expenses</b>	<b>482</b>	<b>459</b>	<b>5</b>	<b>503</b>	<b>(4)</b>
<b>Operating profit</b>	<b>574</b>	<b>525</b>	<b>9</b>	<b>763</b>	<b>(25)</b>
Goodwill amortisation	110	107	3	110	0
<b>Provisions</b>	<b>11</b>	<b>187</b>	<b>(94)</b>	<b>50</b>	<b>(78)</b>
<b>NPAM</b>	<b>350</b>	<b>171</b>	<b>105</b>	<b>488</b>	<b>(28)</b>
<b>Cash NPAM</b>	<b>460</b>	<b>278</b>	<b>65</b>	<b>598</b>	<b>(23)</b>

(a) Excluding exceptional gains of \$497m in 2Q04

# Half-year recurrent performance shows steady increase in revenue and profits

(S\$m)	1H 2004	1H 2003	% change	2H 2003	% change
<b>Net interest income</b>	<b>1,285</b>	<b>1,159</b>	<b>11</b>	<b>1,216</b>	<b>6</b>
<b>Non-interest income (a)</b>	<b>1,037</b>	<b>873</b>	<b>19</b>	<b>950</b>	<b>9</b>
<b>Operating income</b>	<b>2,322</b>	<b>2,032</b>	<b>14</b>	<b>2,166</b>	<b>7</b>
Staff costs	476	429	11	436	9
Other operating expenses	509	472	8	504	1
<b>Operating expenses</b>	<b>985</b>	<b>901</b>	<b>9</b>	<b>940</b>	<b>5</b>
<b>Operating profit</b>	<b>1,337</b>	<b>1,131</b>	<b>18</b>	<b>1,226</b>	<b>9</b>
<b>Goodwill amortisation</b>	<b>220</b>	<b>213</b>	<b>3</b>	<b>217</b>	<b>1</b>
<b>Provisions</b>	<b>61</b>	<b>305</b>	<b>(80)</b>	<b>236</b>	<b>(74)</b>
<b>NPAM</b>	<b>838</b>	<b>442</b>	<b>90</b>	<b>583</b>	<b>44</b>
<b>Cash NPAM</b>	<b>1,058</b>	<b>655</b>	<b>62</b>	<b>800</b>	<b>32</b>

(a) Excluding exceptional gains of \$497m in 1H04

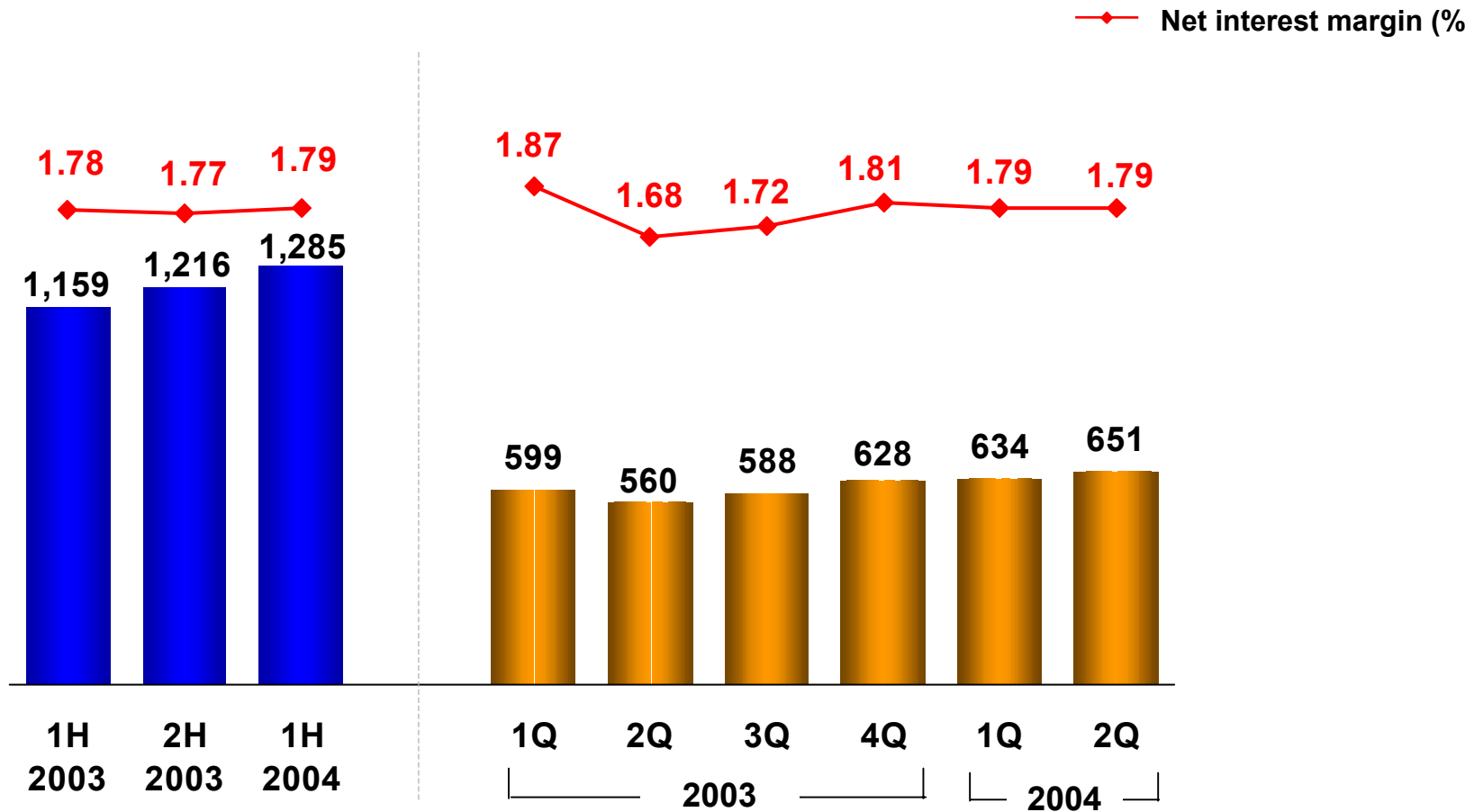
# Most key operating ratios better than a year ago

	2Q 2004	2Q 2004 <sup>(a)</sup>	2Q 2003	1Q 2004
<b>Net interest margin (%)</b>	<b>1.79</b>	<b>1.79</b>	<b>1.68</b>	<b>1.79</b>
<b>Non-interest inc. / operating inc. (%)</b>	<b>58</b>	<b>38</b>	<b>43</b>	<b>50</b>
<b>Cost / income (%)</b>	<b>31</b>	<b>46</b>	<b>47</b>	<b>40</b>
<b>GAAP ROE (%)</b>	<b>12</b>	<b>9</b>	<b>5</b>	<b>13</b>
<b>Cash ROE (%)</b>	<b>15</b>	<b>12</b>	<b>8</b>	<b>16</b>
<b>Loans / deposits (%)</b>	<b>60</b>	<b>60</b>	<b>59</b>	<b>58</b>
<b>Loan and non-trading debt securities / deposits (%)</b>	<b>81</b>	<b>81</b>	<b>77</b>	<b>78</b>
<b>NPL ratio (%)</b>	<b>3.0</b>	<b>3.0</b>	<b>5.9</b>	<b>4.6</b>

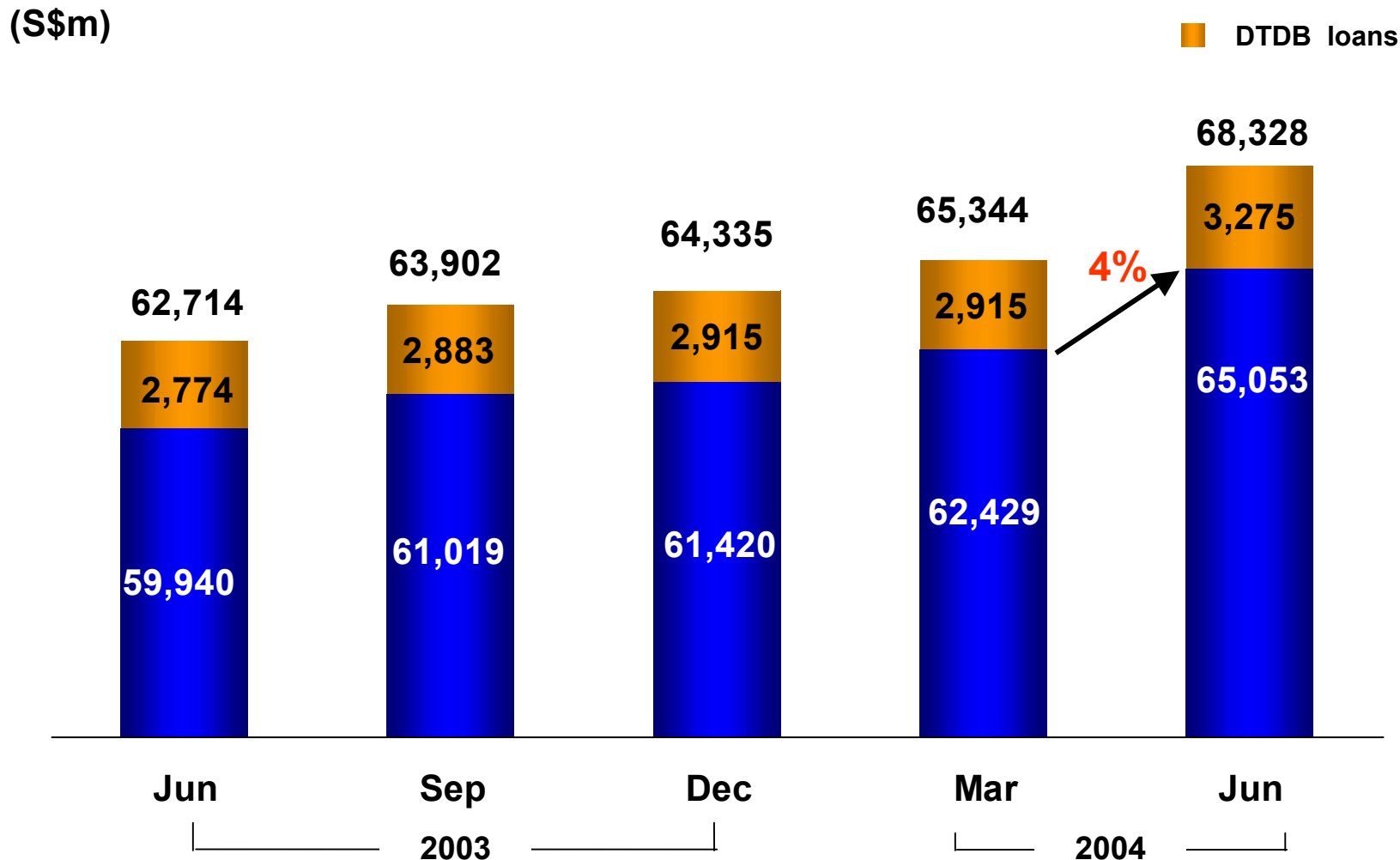
(a) Excluding exceptional gains of \$497m in 2Q04

# Interest income highest in seven quarters, margins steady

(S\$m)



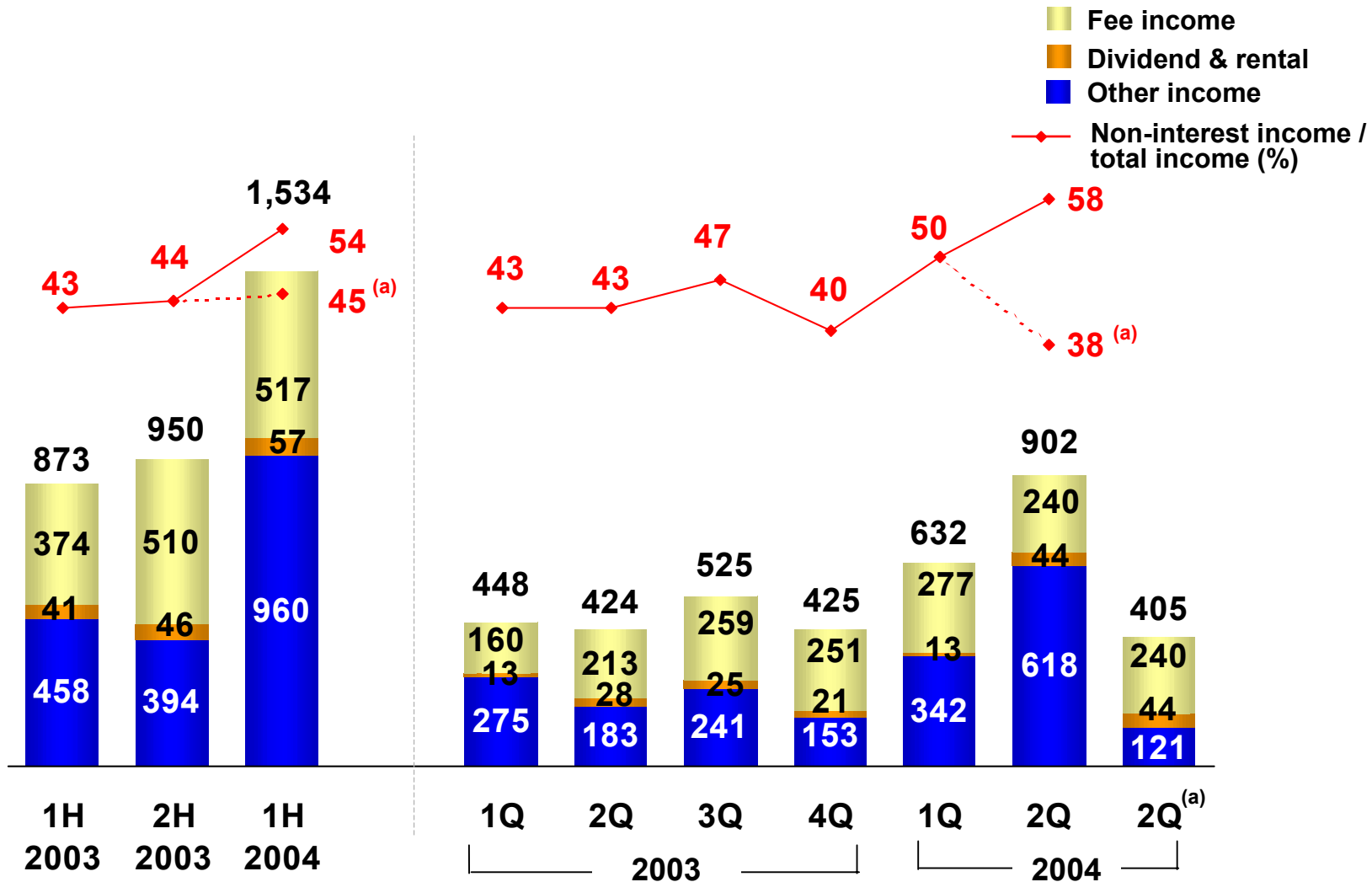
# Customer loans 9% higher than a year ago, loan mix improves





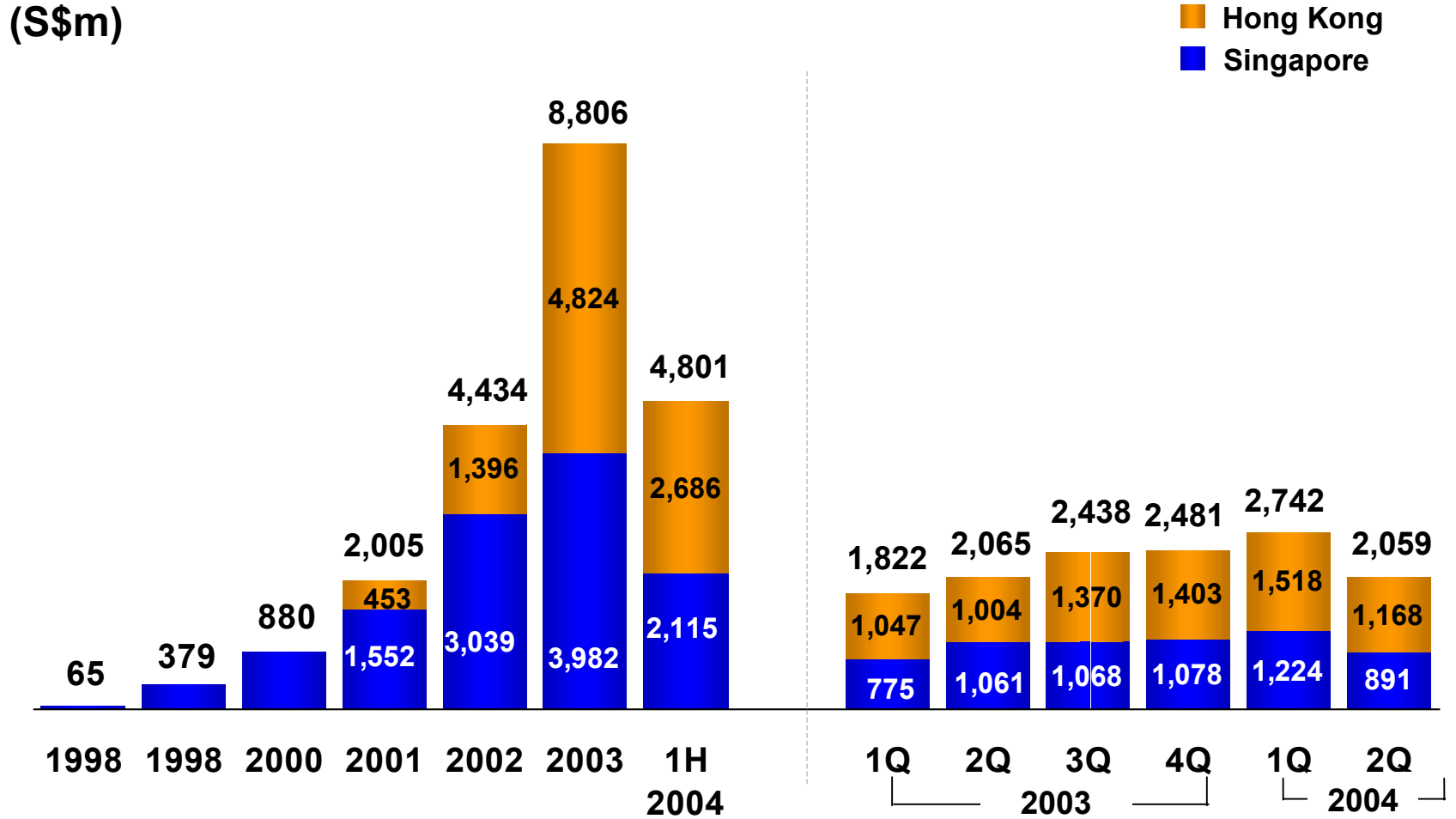
# Recurrent non-interest income declined as a result of difficult trading markets

(S\$m)



(a) Excluding exceptional gains of \$497m in 2Q04

# Retail wealth management sales moderate in 2Q



# Treasury income muted by interest rate uncertainty

- Difficult trading environment from interest rate uncertainty
- Client activities remained strong, our business model is intact
- Rise in DEaR was temporary, due to interest rate volatility and block purchase of SGS in June

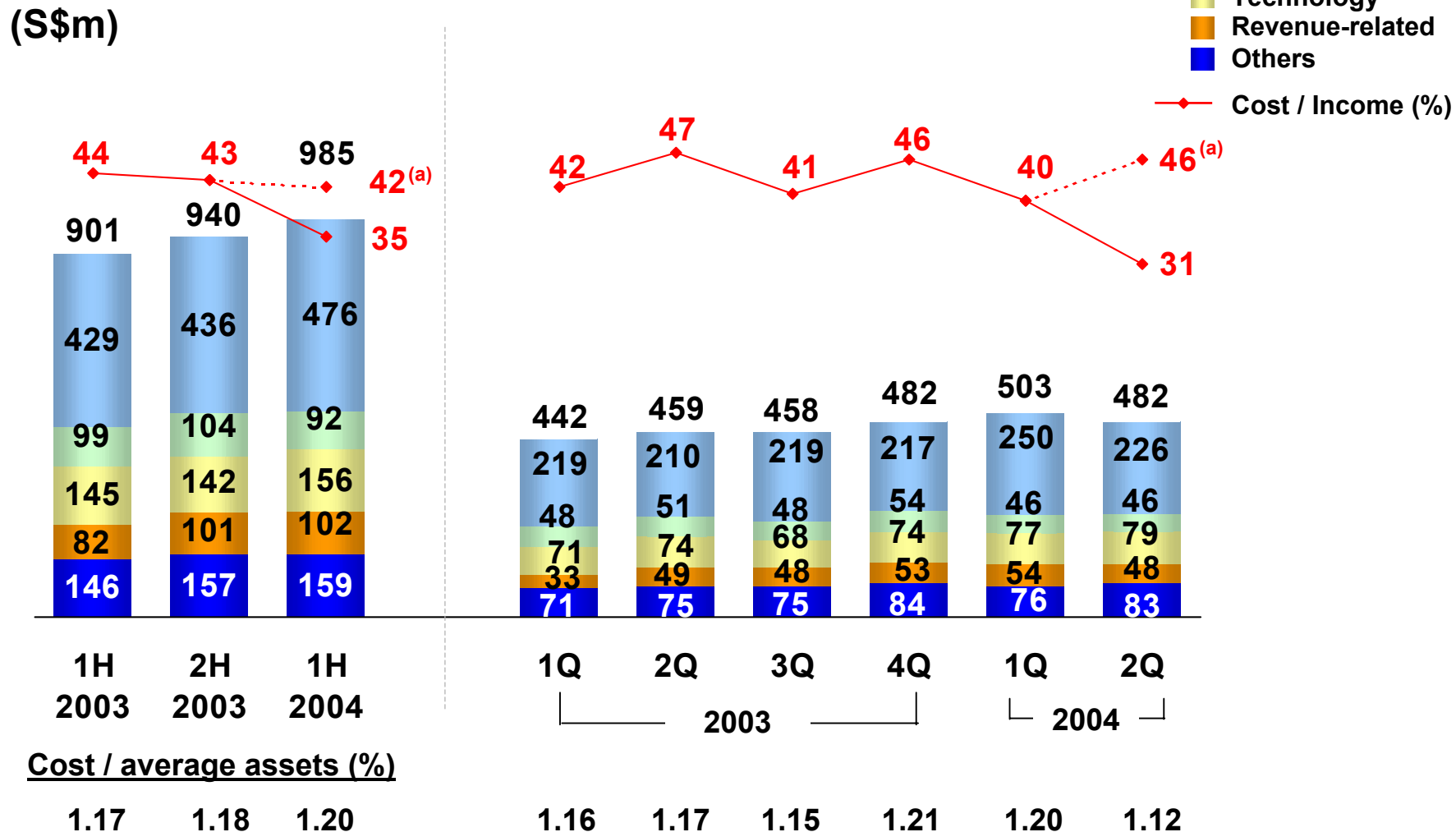
	Average DEaR		
	April 1, 2003 to March 31, 2004	July 1, 2003 to June 30, 2004	DEaR as at June 30, 2004
(S\$m)			
Interest rate	24.5	26.1	39.8
FX	6.9	6.9	6.7
Equity	3.8	4.6	6.2
Diversification effect	(12.9)	(13.3)	(14.3)
<b>Total</b>	<b>22.3</b>	<b>24.3</b>	<b>38.4</b>

# Revenues for core activities continue to grow

Revenue by businesses (S\$m)	2Q 2004	2Q 2003	Change	1Q 2004	Change
Consumer Banking	386	348	38	384	2
Enterprise Banking	183	153	30	182	1
Investment Banking	189	169	20	176	13
Treasury & Markets	13	88	(75)	246	(232)
Funding Portfolio	104	81	23	87	17
<b>Total T&amp;M</b>	<b>117</b>	<b>169</b>	<b>(52)</b>	<b>333</b>	<b>(216)</b>
Central Operations <sup>(a)</sup>	181	145	36	191	(10)
<b>Total</b>	<b>1,056</b>	<b>984</b>	<b>72</b>	<b>1,266</b>	<b>(210)</b>

(a) Including Central Treasury Unit, DBS Vickers and DBS Asset Management and other subsidiaries and associates but excluding exceptional gains of \$497m in 2Q04

# We continue to maintain cost discipline



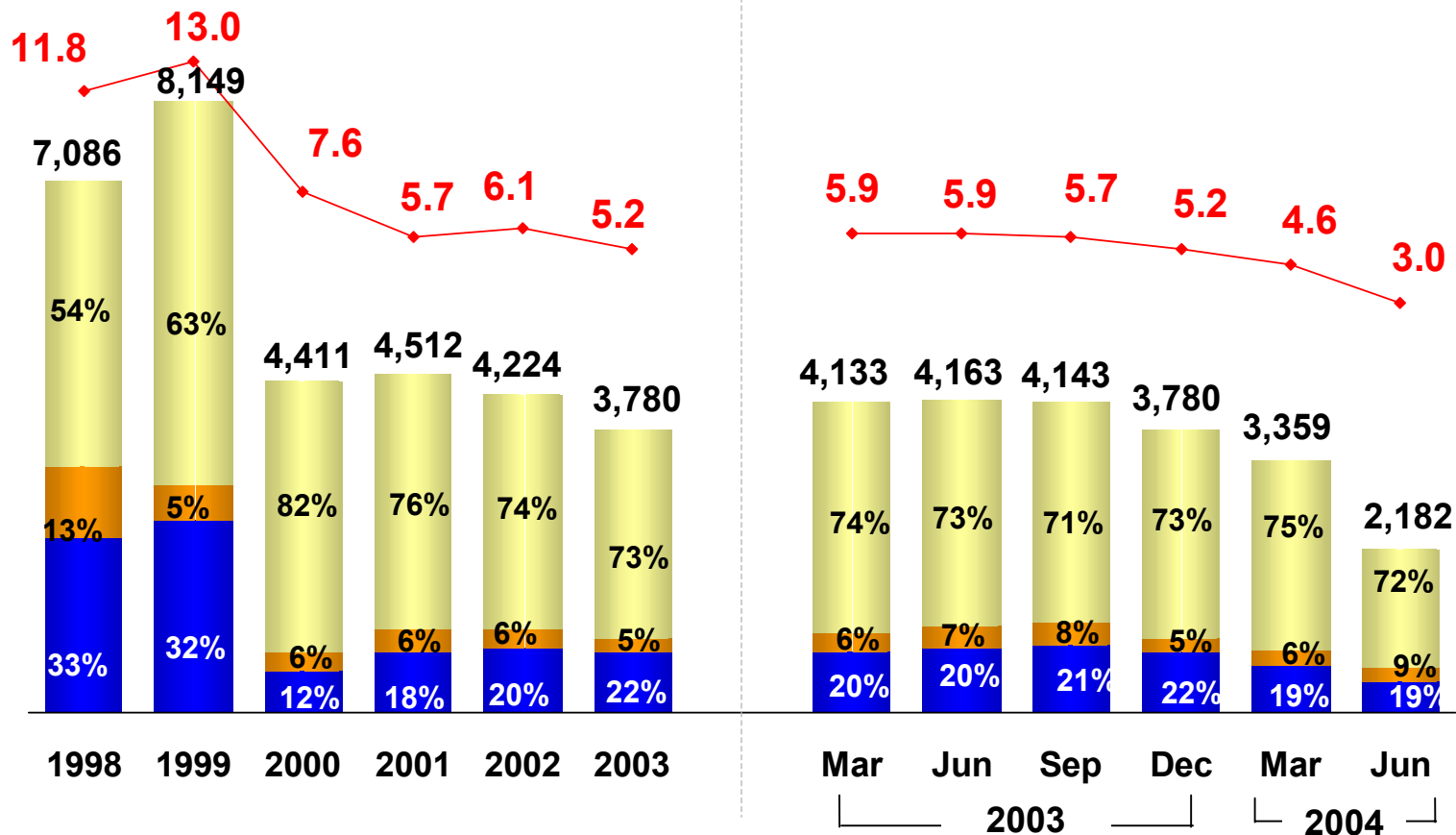
# Building momentum across products, geography

- ❑ Core earnings continue to strengthen
- ❑ Asset quality improves towards pre-Asian crisis levels
- ❑ Progress in regional operations
- ❑ Stronger capital adequacy, higher dividends

# NPLs fall to lowest level since 1998

(S\$m)

- Substandard
- Doubtful
- Loss
- ◆ NPL rate (%)

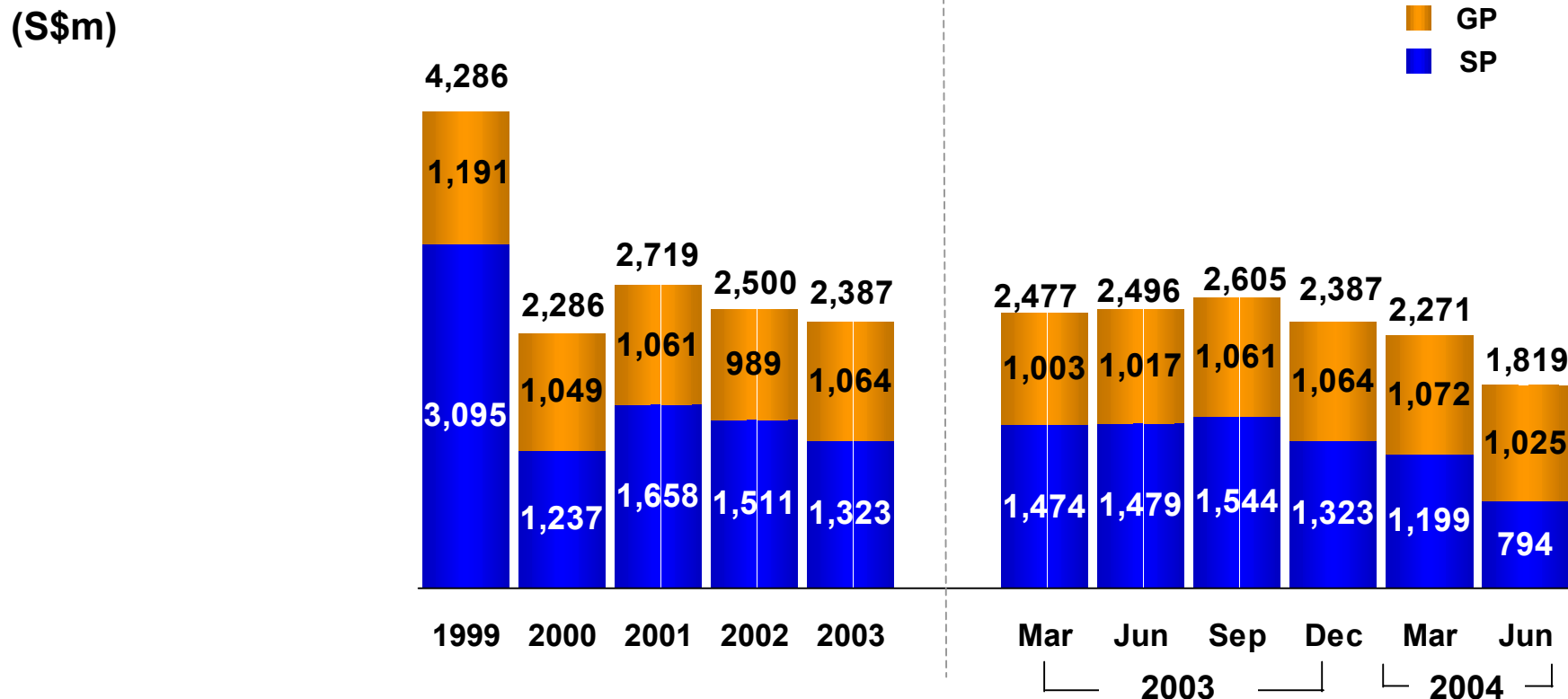


# NPL movements show asset quality improvement

(S\$m)	2Q 2004	2Q 2003	1Q 2004
NPLs at start of period	3,359	4,133	3,780
New NPLs	99	390	150
Net recoveries of existing NPLs	(229)	(276)	(396)
Write-offs	(100)	(84)	(175)
DTDB deconsolidation	(947)	-	-
<b>NPLs at end of period</b>	<b>2,182</b>	<b>4,163</b>	<b>3,359</b>



# 83% provision coverage highest since 1998



## Coverage ratios (%)

SP+GP / Unsec NPLs	118	130	143	121	124	121	119	122	124	132	156
SP+GP / NPLs	53	52	60	59	63	60	60	63	63	68	83

# Specific provision charges fell with asset quality improvement

(S\$m)

	2Q 2004	2Q 2003	1Q 2004
<b><u>Add charges for</u></b>			
New NPLs	39	83	52
Existing NPLs	47	76	61
	<b>86</b>	<b>159</b>	<b>113</b>
<b><u>Subtract charges for</u></b>			
Loan upgrading	14	5	5
Settlements	42	39	72
Recoveries	7	4	6
	<b>63</b>	<b>48</b>	<b>83</b>
<b>Total SP charges</b>	<b>24</b>	<b>112</b>	<b>29</b>

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# DBS HK's earnings resilient despite lower interest margins and investment product sales

(S\$m)

	2Q 2004	2Q 2003	% change	1Q 2004	% change
Net interest income	215	198	9	218	(1)
Non-interest income	97	85	14	110	(12)
Operating income	312	283	10	328	(5)
Operating expenses	125	126	(1)	126	(1)
Operating profit	187	157	19	202	(7)
Provisions	29	62	(53)	25	16
Net profit after tax	142	79	80	153	(7)

# DBS HK's half-year earnings continue to grow

(S\$m)

	1H 2004	1H 2003	% change	2H 2003	% change
Net interest income	433	392	10	408	6
Non-interest income	207	167	24	217	(5)
Operating income	640	559	14	625	2
Operating expenses	251	238	5	244	3
Operating profit	389	321	21	381	2
Provisions	54	104	(48)	76	(29)
Net profit after tax	295	179	65	261	13

## DBS HK's ratios still strong

	<b>2Q 2004</b>	<b>2Q 2003</b>	<b>1Q 2004</b>
<b>Net interest margin (%)</b>	<b>2.45</b>	<b>2.36</b>	<b>2.49</b>
<b>Cost / income (%)</b>	<b>40</b>	<b>45</b>	<b>39</b>
<b>Non-interest inc. / operating inc. (%)</b>	<b>31</b>	<b>30</b>	<b>34</b>
<b>ROE (%)</b>	<b>14.9</b>	<b>9.2</b>	<b>16.7</b>
<b>ROA (%)</b>	<b>1.52</b>	<b>0.90</b>	<b>1.65</b>
<b>Loans / deposits (%)</b>	<b>83</b>	<b>76</b>	<b>77</b>
<b>NPLs / loans (%)</b>	<b>1.9</b>	<b>2.6</b>	<b>2.2</b>

# DTDB transaction results in S\$310m gain

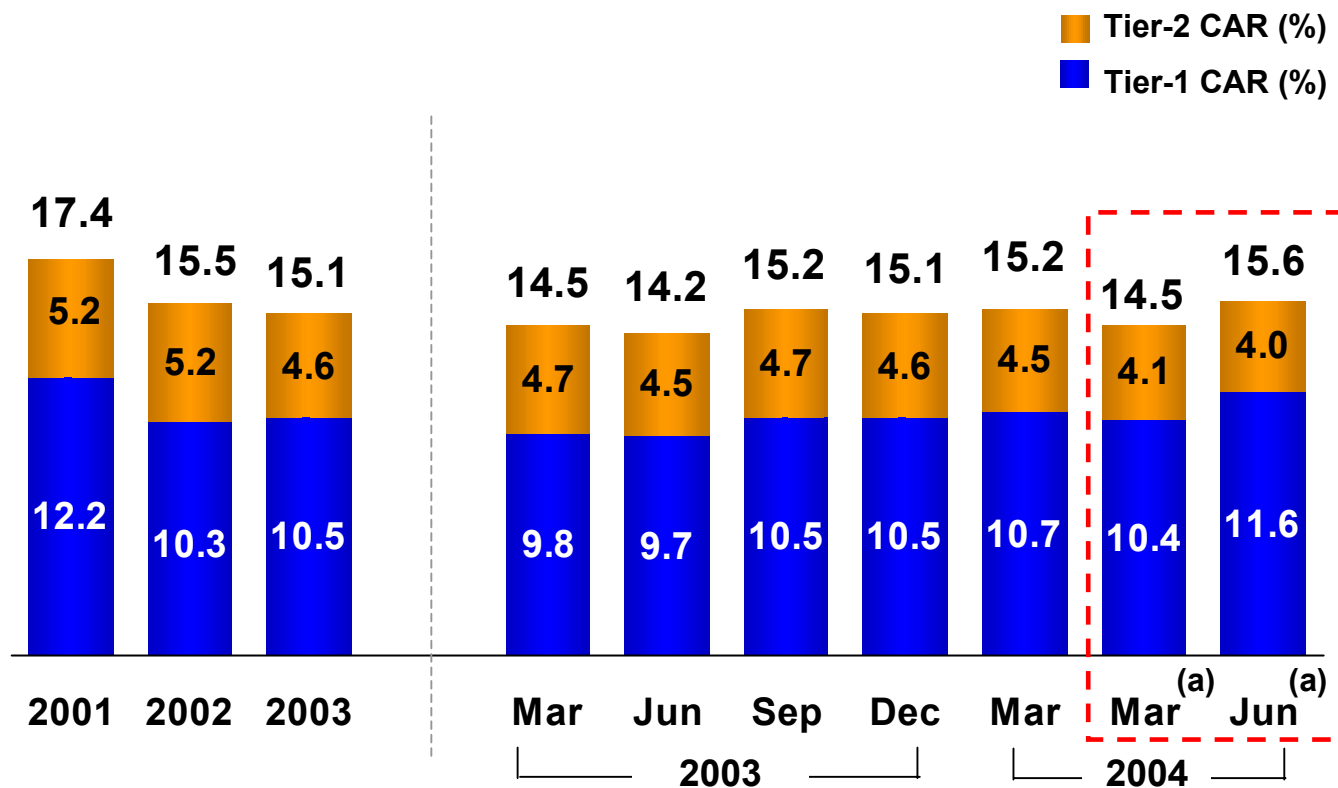
	(S\$m)
<b>Consideration for DTDB stake (value of TMB stake)</b>	<b>349</b>
<b>Less: Adjusted NTA of DTDB stake</b>	<b>(31)</b>
<b>Accounting gain</b>	<b>310</b>
<hr/>	
<b>Special general provisions for DTDB at DBSH Group level</b>	<b>148</b>
<b>Re-allocation of provisions to other regional loan exposures</b>	<b>108</b>
<b>Write-back through profit and loss account</b>	<b>40</b>

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# Capital adequacy ratios strong



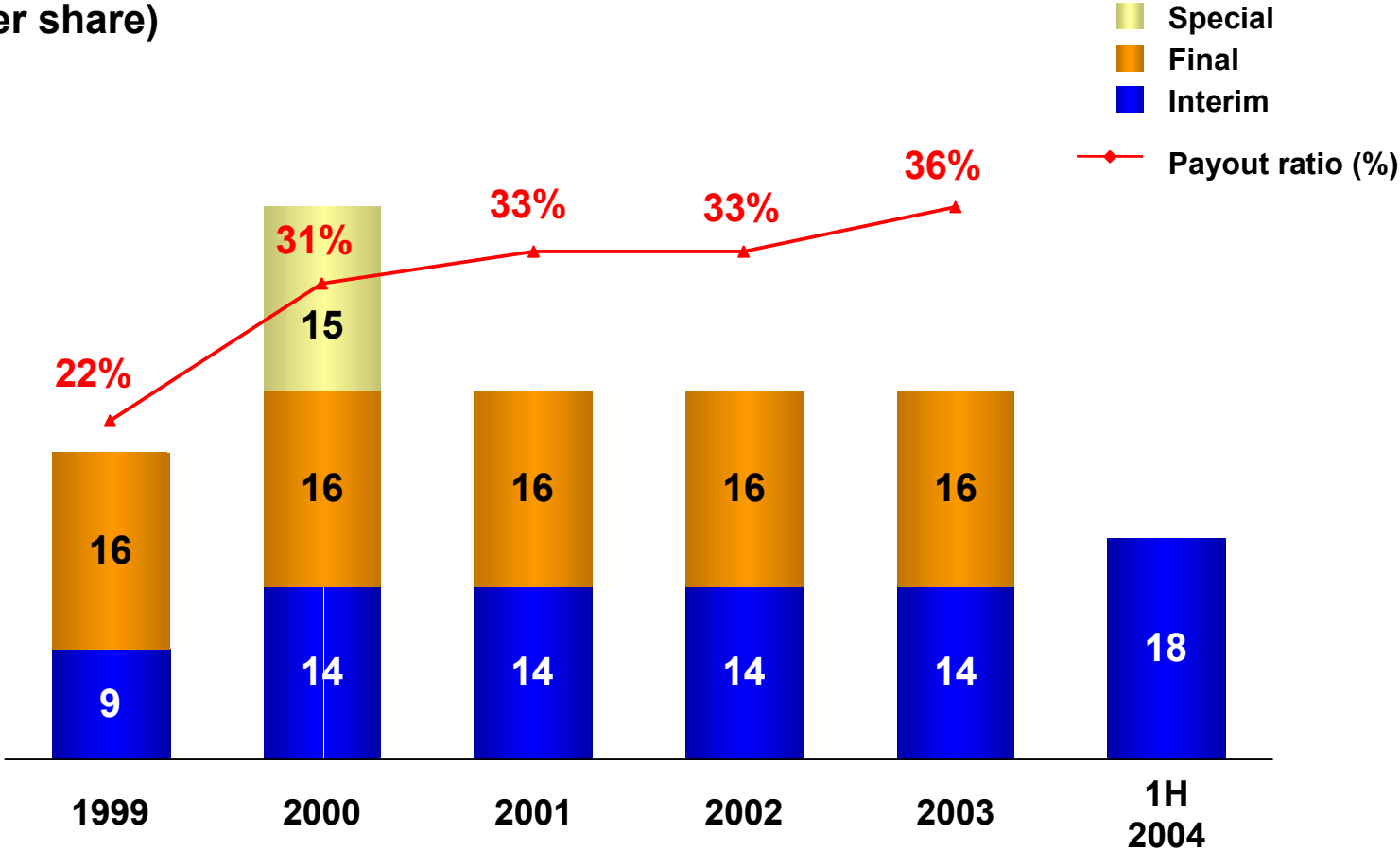
## Group capital (S\$bn)

Tier-1 capital	10.5	8.4	9.6	8.9	9.1	9.5	9.6	10.2	10.2	11.2
RWA	85.9	81.2	92.1	90.8	93.9	90.5	92.1	95.5	97.8	96.6

(a) Ratios for 2004 were computed based on the revised MAS capital framework. Comparatives for 2003 were not adjusted to the new basis and were computed using BIS guidelines

# Interim dividends increase 29% to 18 cents

(Cents per share)



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