

# **Sustained regional growth across businesses**

**October 29, 2004**

## **DBS Group Holdings 3Q 2004 Financial Results Presentation to Media and Analysts**

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# Sustained regional growth across businesses

- ❑ **One of our best quarterly earnings**
- ❑ **Continued progress in regional operations**
- ❑ **Asset quality and capital ratios strengthen further**

# One of our best quarterly earnings

(S\$m)	3Q 2004	3Q 2003	% change	2Q 2004 <sup>a</sup>	% change
Net interest income	645	588	10	651	(1)
Non-interest income	442	525	(16)	405	9
<b>Operating income</b>	<b>1,087</b>	<b>1,113</b>	<b>(2)</b>	<b>1,056</b>	<b>3</b>
Staff costs	241	219	10	226	7
Other operating expenses	250	239	5	256	(2)
<b>Operating expenses</b>	<b>491</b>	<b>458</b>	<b>7</b>	<b>482</b>	<b>2</b>
<b>Operating profit</b>	<b>596</b>	<b>655</b>	<b>(9)</b>	<b>574</b>	<b>4</b>
Goodwill amortisation	110	107	3	110	0
Provisions	17	154	(89)	11	55
<b>NPAM</b>	<b>362</b>	<b>291</b>	<b>24</b>	<b>350</b>	<b>3</b>
<b>Cash NPAM</b>	<b>472</b>	<b>398</b>	<b>19</b>	<b>460</b>	<b>3</b>

(a) Excluding one-time gains of \$497m

# 9M recurrent earnings up 64%

(S\$m)	9M 2004 <sup>a</sup>	9M 2003	% change
<b>Net interest income</b>	<b>1,930</b>	<b>1,747</b>	<b>10</b>
<b>Non-interest income</b>	<b>1,479</b>	<b>1,398</b>	<b>6</b>
<b>Operating income</b>	<b>3,409</b>	<b>3,145</b>	<b>8</b>
Staff costs	717	648	11
Other operating expenses	759	711	7
<b>Operating expenses</b>	<b>1,476</b>	<b>1,359</b>	<b>9</b>
<b>Operating profit</b>	<b>1,933</b>	<b>1,786</b>	<b>8</b>
<b>Goodwill amortisation</b>	<b>330</b>	<b>320</b>	<b>3</b>
<b>Provisions</b>	<b>78</b>	<b>459</b>	<b>(83)</b>
<b>NPAM</b>	<b>1,200</b>	<b>733</b>	<b>64</b>
<b>Cash NPAM</b>	<b>1,530</b>	<b>1,053</b>	<b>45</b>

(a) Excluding one-time gains of \$497m in 2Q04

## Most key operating ratios were better

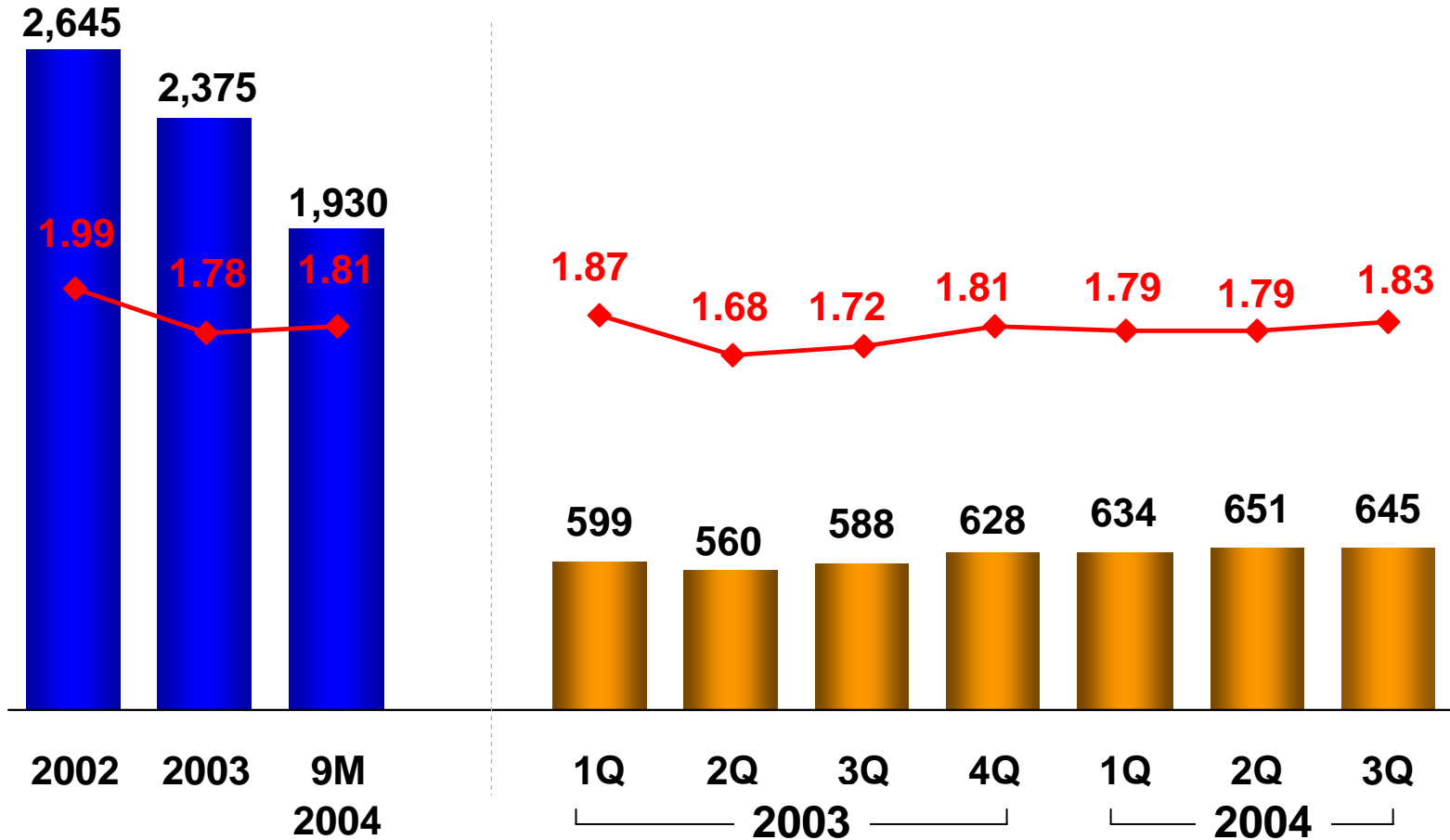
(%)	3Q 2004	2Q 2004 <sup>a</sup>	3Q 2003	9M 2004 <sup>a</sup>	9M 2003
Net interest margin	1.83	1.79	1.72	1.81	1.76
Non-interest income/total income	41	38	47	43	45
Cost/income	45	46	41	43	43
GAAP ROE	9.0	9.0	8.0	10.5	6.8
Cash ROE	11.7	11.9	10.9	13.3	9.7
Loans/deposits	63	60	60	63	60
Loan + non-trading debt securities/ deposits	84	81	78	84	78
NPL ratio	2.6	3.0	5.7	2.6	5.7

(a) Excluding one-time gains of \$497m in 2Q04

# Interest margins highest in six quarters

(S\$m)

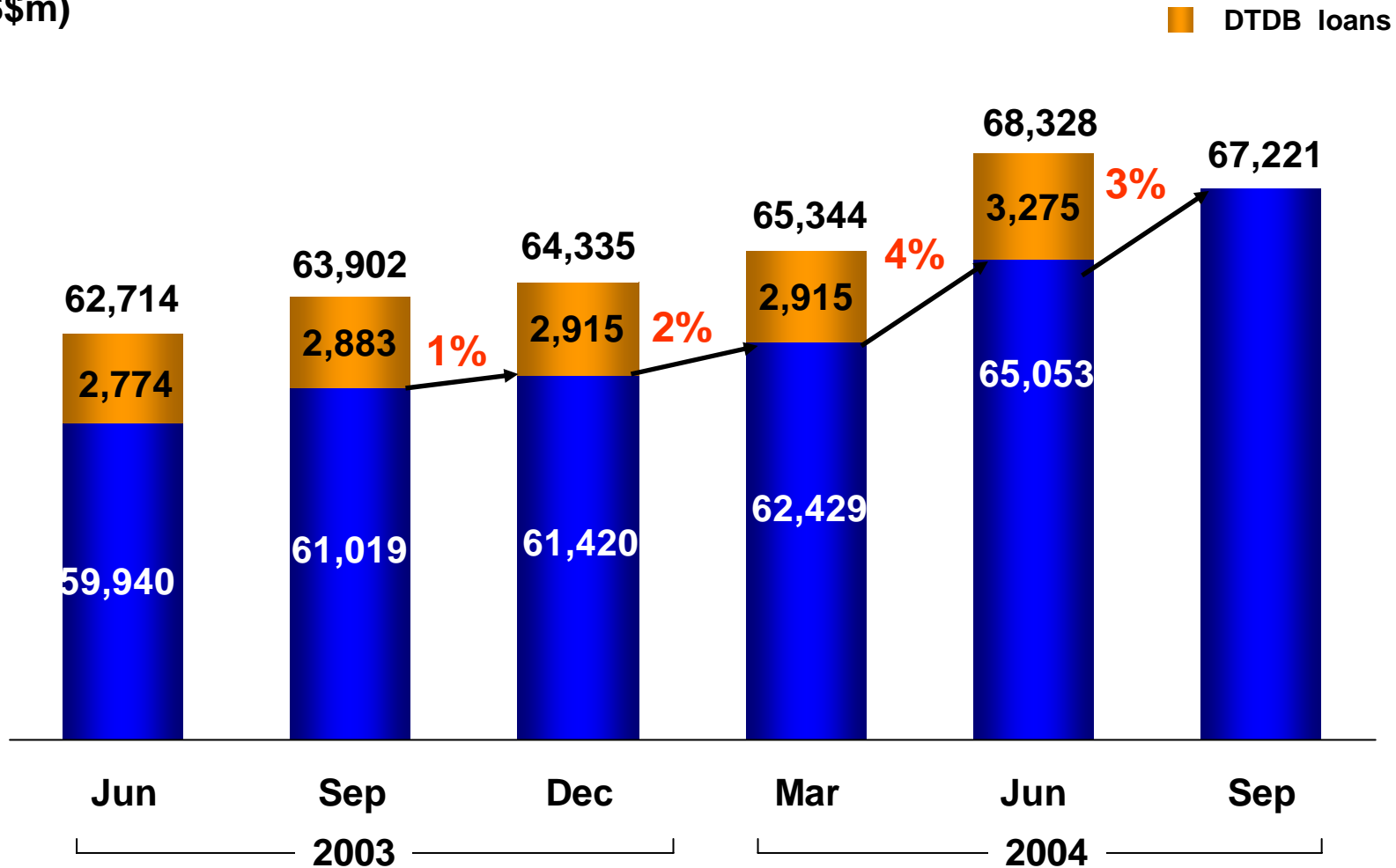
—◆— Net interest margin (%)



If DTDB had been deconsolidated, net interest income would have been \$566m in 3Q03 and \$627m in 2Q04. Net interest margin would have been 1.70% and 1.77% respectively.

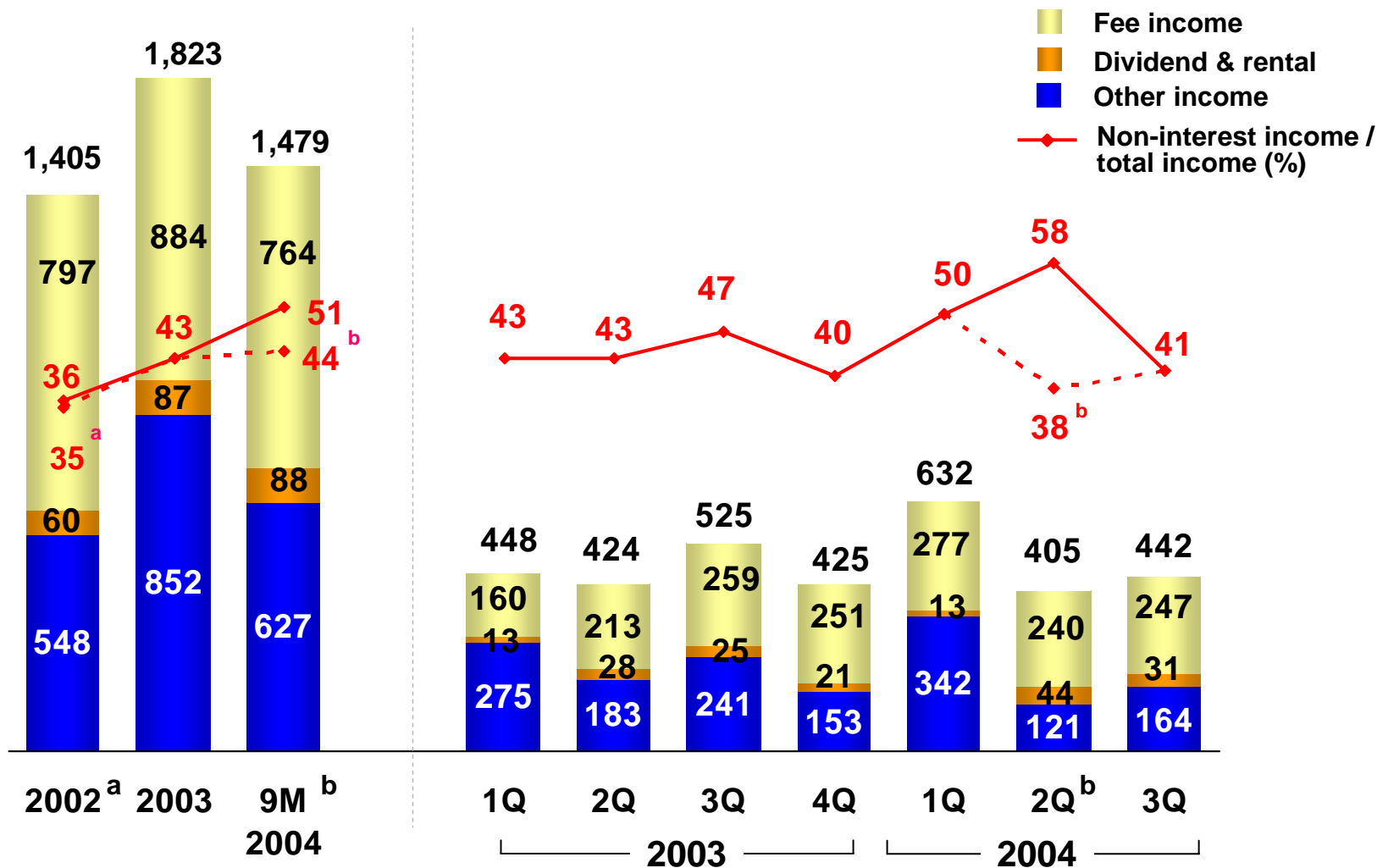
# Customer loans rose 10% from year ago (ex-DTDB)

(S\$m)



# Non-interest income boosted by better treasury income and wealth management revenue in 3Q

(S\$m)

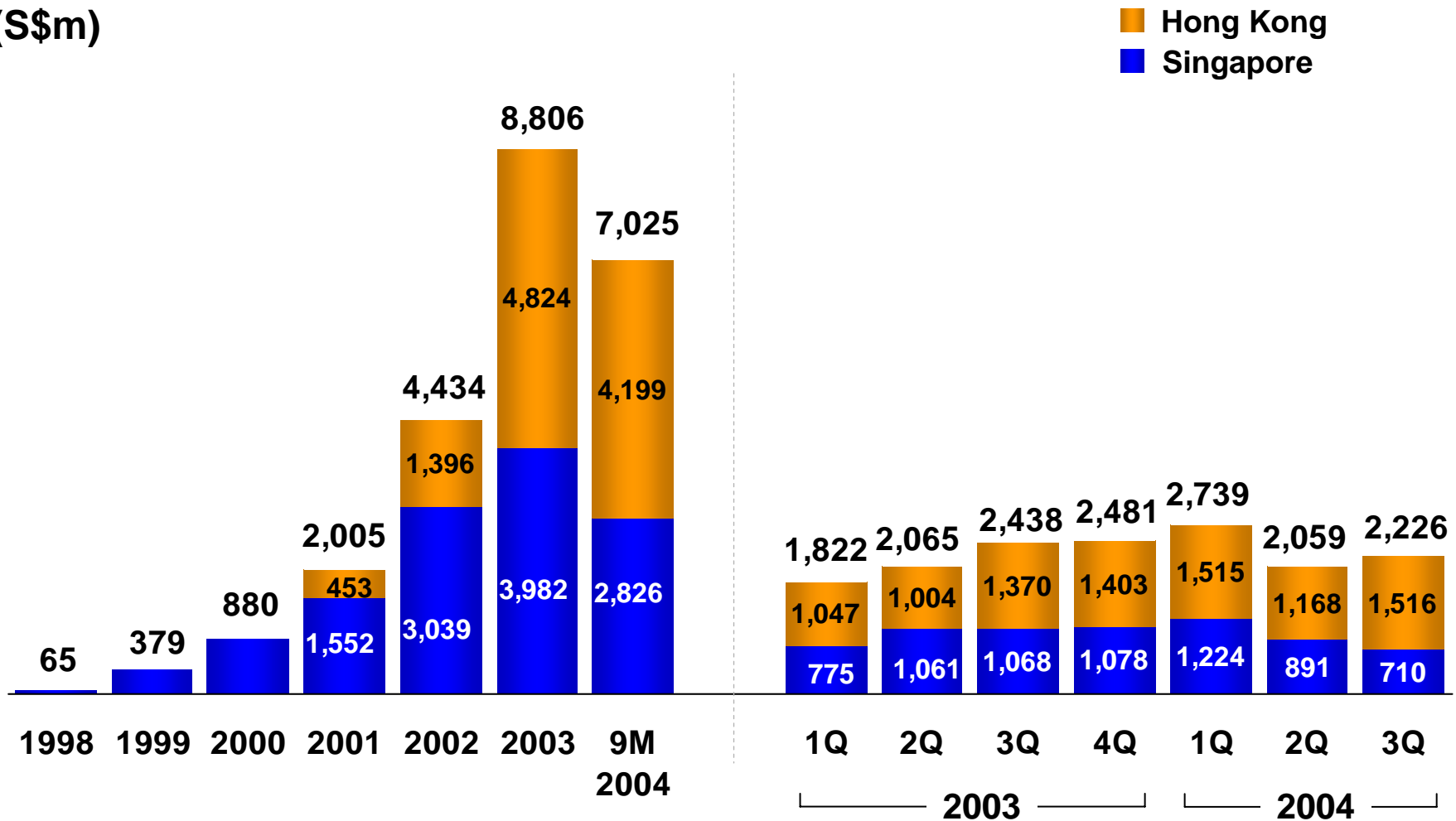


(a) Excluding one-time gains of \$96m  
 (b) Excluding one-time gains of \$497m



# Retail wealth management sales picked up in 3Q

(S\$m)



# Treasury income better than 2Q04

- Better Treasury non-interest income compared to 2Q04 from higher trading gains
- Treasury non-interest income lower compared to favourable 3Q03 base
- DEaR returned to more normal levels after temporary rise at end-2Q04

	Average DEaR		
	1 Oct 2003 to 30 Sep 2004	1 Jul 2003 to 30 Jun 2004	DEaR as at 30 Sep 2004
(S\$m)			
Interest rate	27.2	26.1	28.6
FX	6.0	6.9	3.4
Equity	5.2	4.6	6.2
Diversification effect	(13.3)	(13.3)	(11.6)
<b>Total</b>	<b>25.1</b>	<b>24.3</b>	<b>26.6</b>

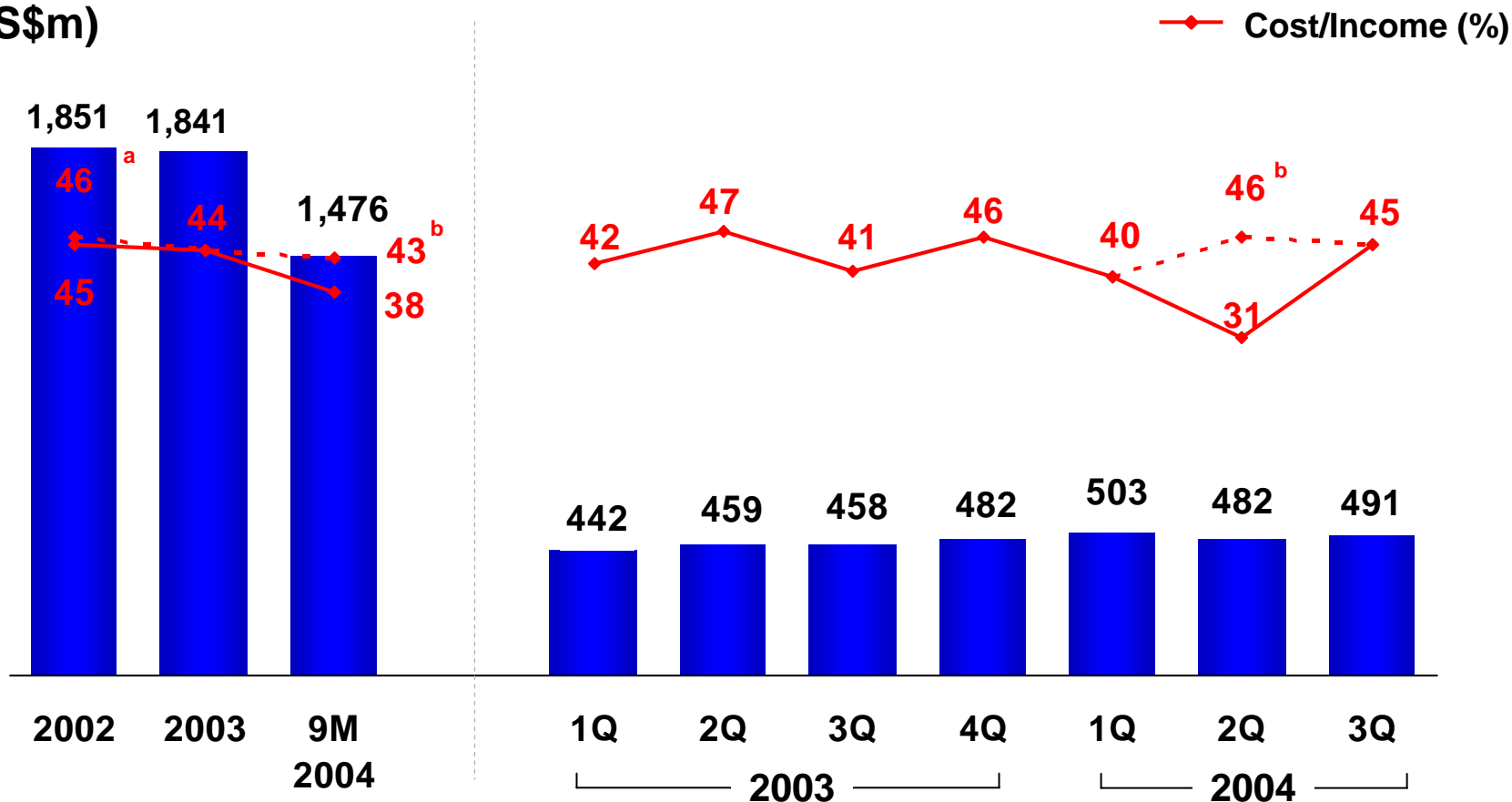
## Revenues for most core activities rose

Revenue by businesses (S\$m)	3Q 2004	3Q 2003	Change	9M 2004	9M 2003	Change
Consumer Banking	395	362	33	1,165	1,050	115
Enterprise Banking	184	156	28	549	458	91
Investment Banking	176	190	(14)	541	501	40
Treasury & Markets	102	115	(13)	317	406	(89)
Funding Portfolio	90	90	0	325	273	52
<b>Total T&amp;M</b>	<b>192</b>	<b>205</b>	<b>(13)</b>	<b>642</b>	<b>679</b>	<b>(37)</b>
<b>Central Operations <sup>a</sup></b>	<b>140</b>	<b>200</b>	<b>(60)</b>	<b>512</b>	<b>456</b>	<b>56</b>
<b>Total</b>	<b>1,087</b>	<b>1,113</b>	<b>(26)</b>	<b>3,409</b>	<b>3,144</b>	<b>265</b>

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

# Cost-income ratio stable at 45% as expenses kept in line with business growth

(S\$m)



Annualised cost / average assets (%)

- (a) Excluding one-time gains of \$96m in 2002
- (b) Excluding one-time gains of \$497m in 2Q04 and 9M04

# Sustained regional growth across businesses

- ❑ One of our best quarterly earnings
- ❑ Continued progress in regional operations
- ❑ Asset quality and capital ratios strengthen further

# DBS Hong Kong's net profit up 14%

(S\$m)	3Q 2004	3Q 2003	% change	2Q 2004	% change
Net interest income	204	197	3	212	(4)
Non-interest income	94	112	(16)	95	(1)
Operating income	298	309	(4)	307	(3)
Operating expenses	130	118	10	123	6
Operating profit	168	191	(12)	184	(9)
Provisions	21	51	(59)	28	(25)
Net profit after taxation	131	115	14	140	(6)

Exchange rate at HK\$1 to S\$0.2168. Based on Hong Kong GAAP

# 9M earnings up 45%

(S\$m)	9M 2004	9M 2003	% change
Net interest income	630	582	8
Non-interest income	298	276	8
Operating income	928	858	8
Operating expenses	377	353	7
Operating profit	551	505	9
Provisions	74	152	(52)
Net profit after taxation	421	291	45

Exchange rate at HK\$1 to S\$0.2168. Based on Hong Kong GAAP

## DBS HK's ratios remain better than group average

(%)	3Q 2004	2Q 2004	3Q 2003	9M 2004	9M 2003
Net interest margin	2.28	2.45	2.34	2.40	2.36
Non-interest income/total income	32	31	36	32	32
Cost/income	44	40	38	41	41
ROE	13.8	15.4	14.3	15.4	11.4
ROA	1.39	1.52	1.31	1.52	1.12
Loans/deposits	81	83	75	81	75
NPL ratio	1.8	1.9	2.6	1.8	2.6



# Regional contributions growing faster than group average

	Amount (S\$m)		YoY change (%)
	2003	2004	
<b><u>9M revenues</u></b>			
Region and rest of world <sup>a</sup>	145	178	23
Hong Kong <sup>b</sup>	987	1,039	5
Singapore <sup>c</sup>	1,913	2,122	11
<b>Total</b>	<b>3,045</b>	<b>3,339</b>	<b>10</b>
<b><u>9M cash profit</u></b>			
Region and rest of world <sup>a</sup>	51	80	57
Hong Kong <sup>b</sup>	327	468	43
Singapore <sup>c</sup>	650	956	47
<b>Total</b>	<b>1,028</b>	<b>1,504</b>	<b>46</b>

(a) Excluding DTDB in all periods

(b) Including non-DBS Bank (HK) operations

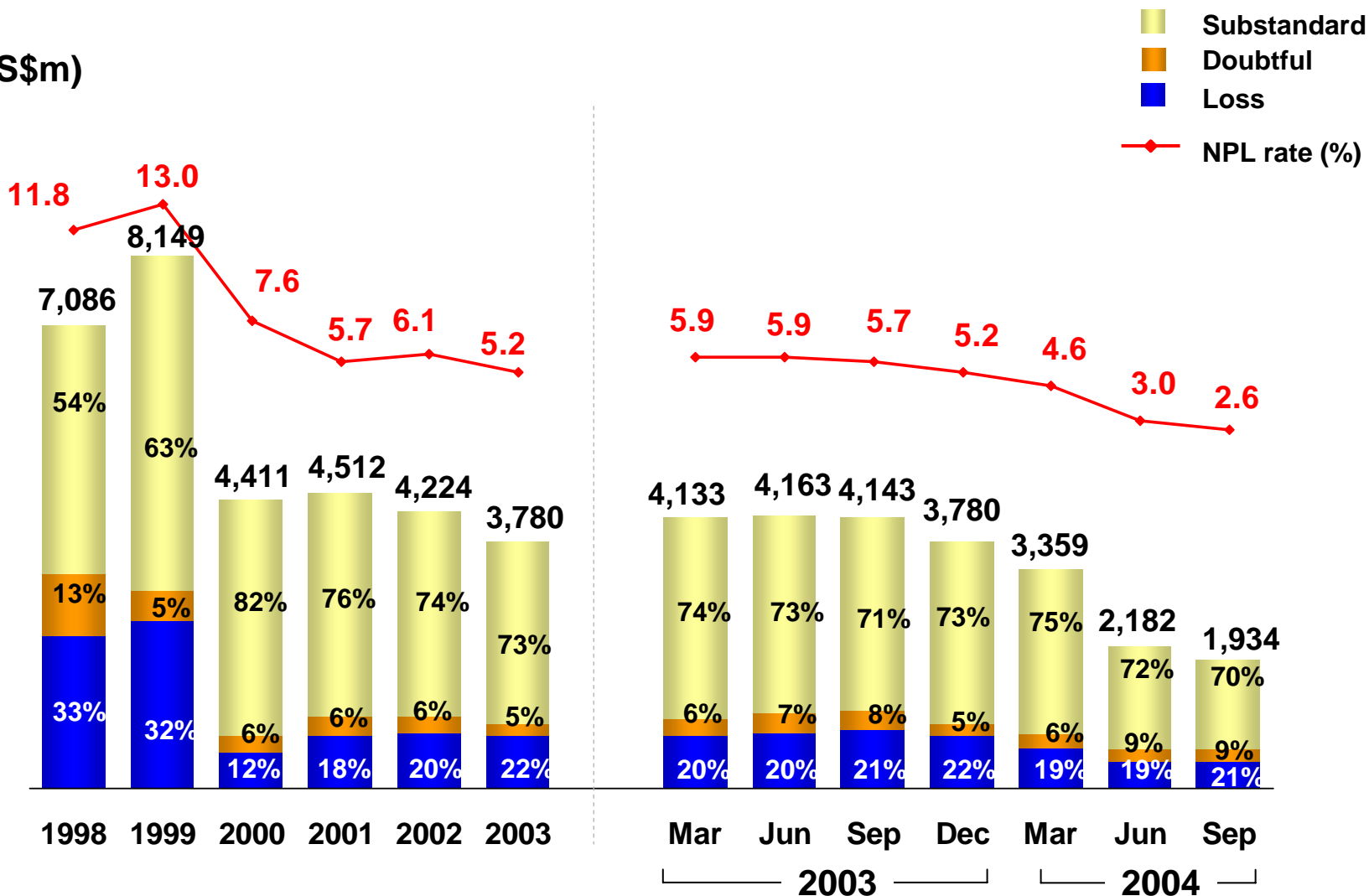
(c) Excluding one-time gains of \$497m in 2Q04

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# NPLs at lowest level since 1997

(S\$m)



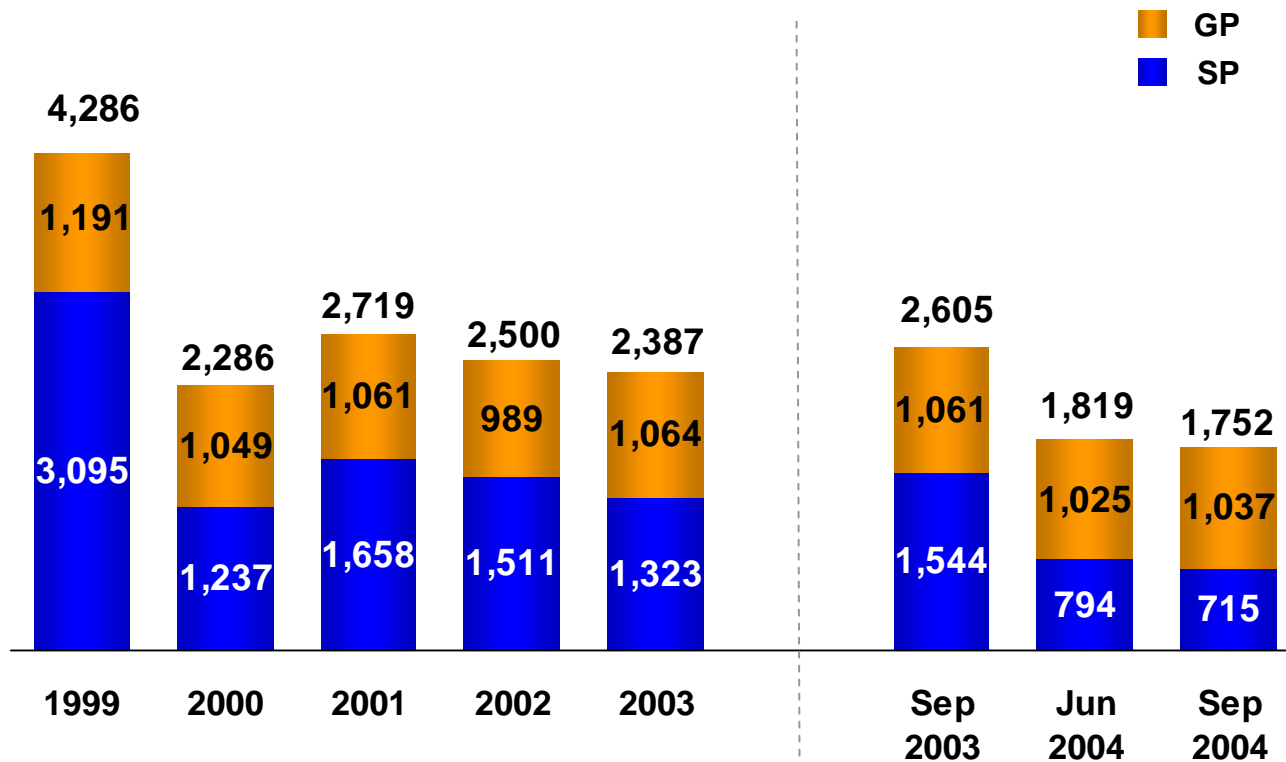
# NPLs fell 11% over 2Q04 as recoveries accelerated

(S\$m)

	3Q 2004	3Q 2003	2Q 2004
NPLs at start of period	2,182	4,163	3,359
New NPLs	114	218	99
Net recoveries of existing NPLs	(283)	(163)	(229)
Write-offs	(79)	(75)	(100)
DTDB deconsolidation	-	-	(947)
NPLs at end of period	1,934	4,143	2,182

# Provision coverage of 91% highest since 1997

(S\$m)



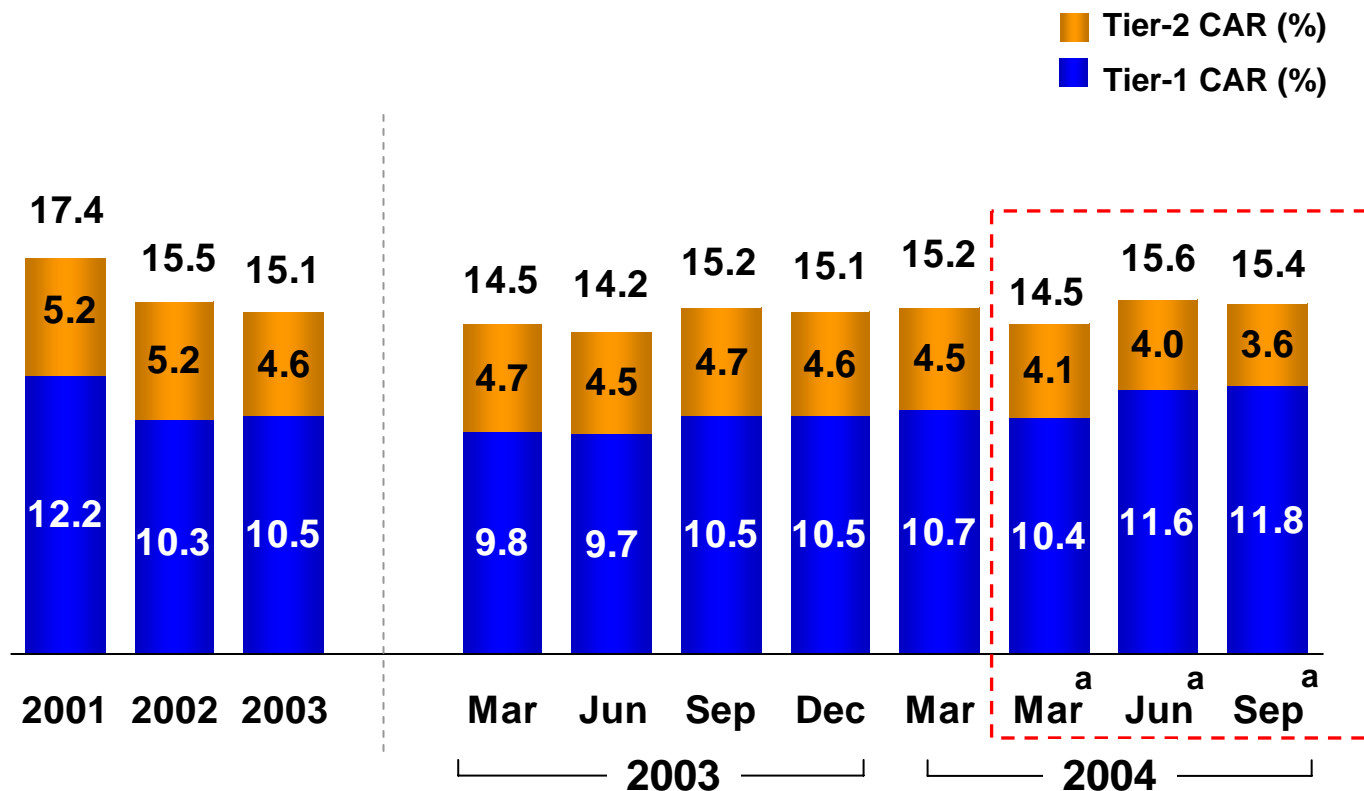
## Coverage ratios (%)

SP+GP / Unsec NPLs	118	130	143	121	124	122	156	183
SP+GP / NPLs	53	52	60	59	63	63	83	91

# Specific provision write-backs greater than charges

(S\$m)	3Q 2004	3Q 2003	2Q 2004
<b><u>Add charges for</u></b>			
<b>New NPLs</b>	46	84	39
<b>Existing NPLs</b>	28	79	47
	74	163	86
<b><u>Subtract charges for</u></b>			
<b>Loan upgrading</b>	3	2	14
<b>Settlements</b>	67	34	42
<b>Recoveries</b>	7	6	7
	77	42	63
<b>Total SP charges</b>	<b>(3)</b>	<b>121</b>	<b>24</b>

# Capital adequacy ratios maintained



## 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	11.5
RWA	85.9	81.2	92.1	90.8	93.9	90.5	92.1	95.5	97.8	96.6	97.5

(a) Ratios from March 2004 based on MAS framework. Earlier periods based on BIS guidelines. September 2004 excludes recent US\$750m tier-2 issue

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