

# Record quarterly revenues and cost discipline

**DBS Group Holdings**  
**2Q 2009 financial results**  
**Aug 7, 2009**

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# Record quarterly revenues and cost discipline

- Record revenues and cost discipline offset higher allowances**
- Earnings from Hong Kong improve on quarter; growth momentum in other regions sustained**
- Balance sheet well buffered against risks**

## Net profit up 21% on quarter, down 17% on year

(S\$m)	2Q 2009	YoY %	QoQ %
<b>Net interest income</b>	<b>1,112</b>	<b>5</b>	<b>3</b>
Fee income	358	5	13
Trading income	172	26	15
Other income	150	>100	26
<b>Non-interest income</b>	<b>680</b>	<b>26</b>	<b>16</b>
<b>Income</b>	<b>1,792</b>	<b>12</b>	<b>8</b>
Staff expenses	330	(11)	1
Other expenses	301	(5)	(3)
<b>Expenses</b>	<b>631</b>	<b>(8)</b>	<b>(1)</b>
<b>Profit before allowances</b>	<b>1,161</b>	<b>27</b>	<b>13</b>
<b>Allowances for credit &amp; other losses</b>	<b>466</b>	<b>&gt;100</b>	<b>13</b>
<b>Net profit</b>	<b>552</b>	<b>(17)</b>	<b>21</b>

Excluding one-time gains and impairment charges

# First-half net profit up 28% from previous half

(S\$m)	1H 2009	YoY %	HoH %
<b>Net interest income</b>	<b>2,188</b>	<b>3</b>	<b>0</b>
Fee income	675	(3)	17
Trading income	322	>100	nm
Other income	269	(8)	89
<b>Non-interest income</b>	<b>1,266</b>	<b>21</b>	<b>85</b>
<b>Income</b>	<b>3,454</b>	<b>9</b>	<b>20</b>
Staff expenses	657	(9)	23
Other expenses	612	(1)	(17)
<b>Expenses</b>	<b>1,269</b>	<b>(6)</b>	<b>0</b>
<b>Profit before allowances</b>	<b>2,185</b>	<b>20</b>	<b>36</b>
<b>Allowances for credit &amp; other losses</b>	<b>880</b>	<b>&gt;100</b>	<b>50</b>
<b>Net profit</b>	<b>1,008</b>	<b>(21)</b>	<b>28</b>

Excluding one-time gains and impairment charges

# Better operating ratios offset by higher NPLs

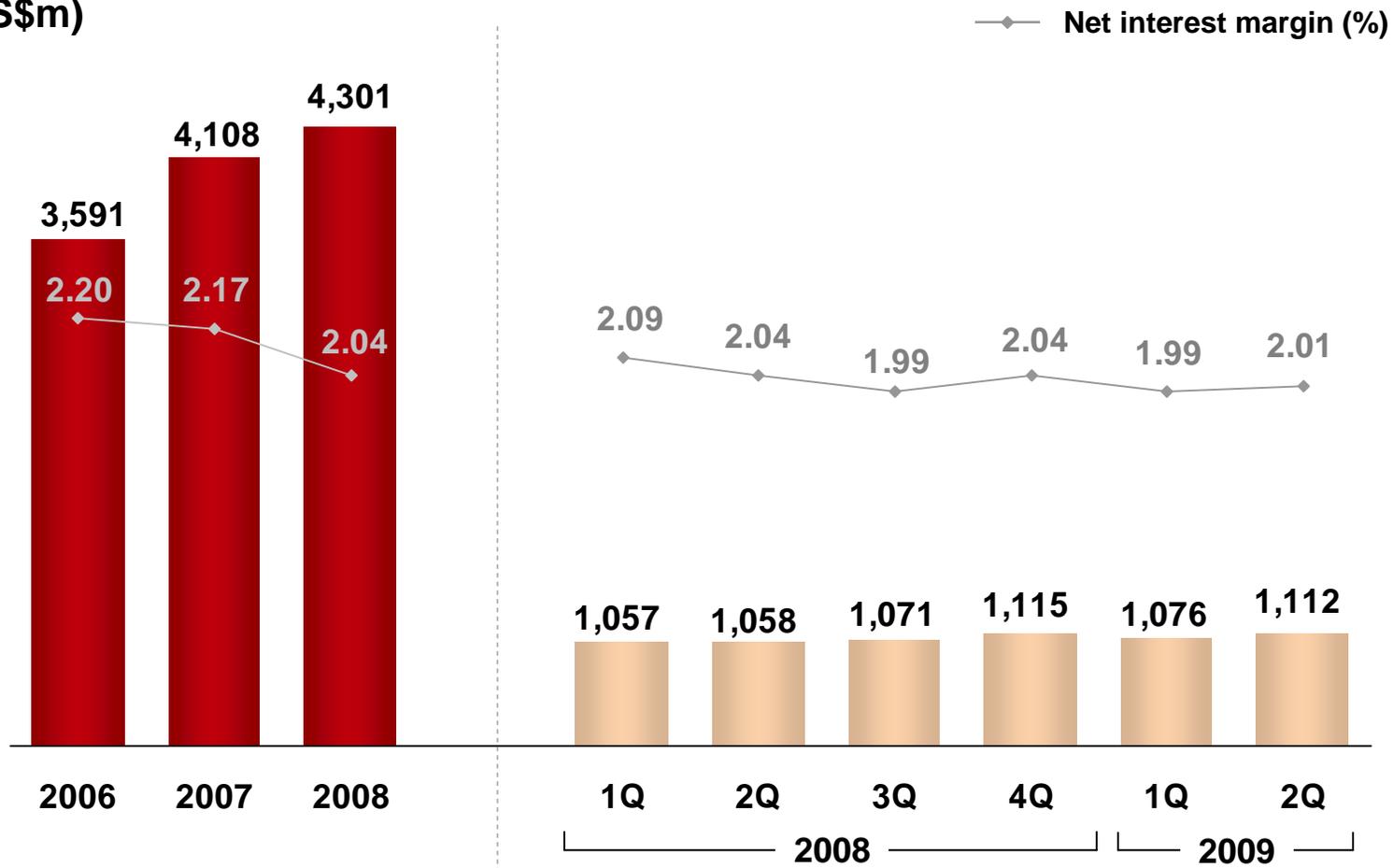
(%)	2Q 2009	1Q 2009	2Q 2008	1H 2009	2H 2008	1H 2008
Net interest margin	2.01	1.99	2.04	2.01	2.02	2.07
Fee income/total income	20	19	21	20	20	22
Non-interest income/total income	38	35	34	37	24	33
Cost/income	35	38	43	37	44	42
ROE	9.1	8.0	13.0	8.5	7.8	12.4
Loans/deposits	71	73	75	71	74	75
NPL ratio	2.8	2.0	1.4	2.8	1.5	1.4

Excluding one-time gains and impairment charges



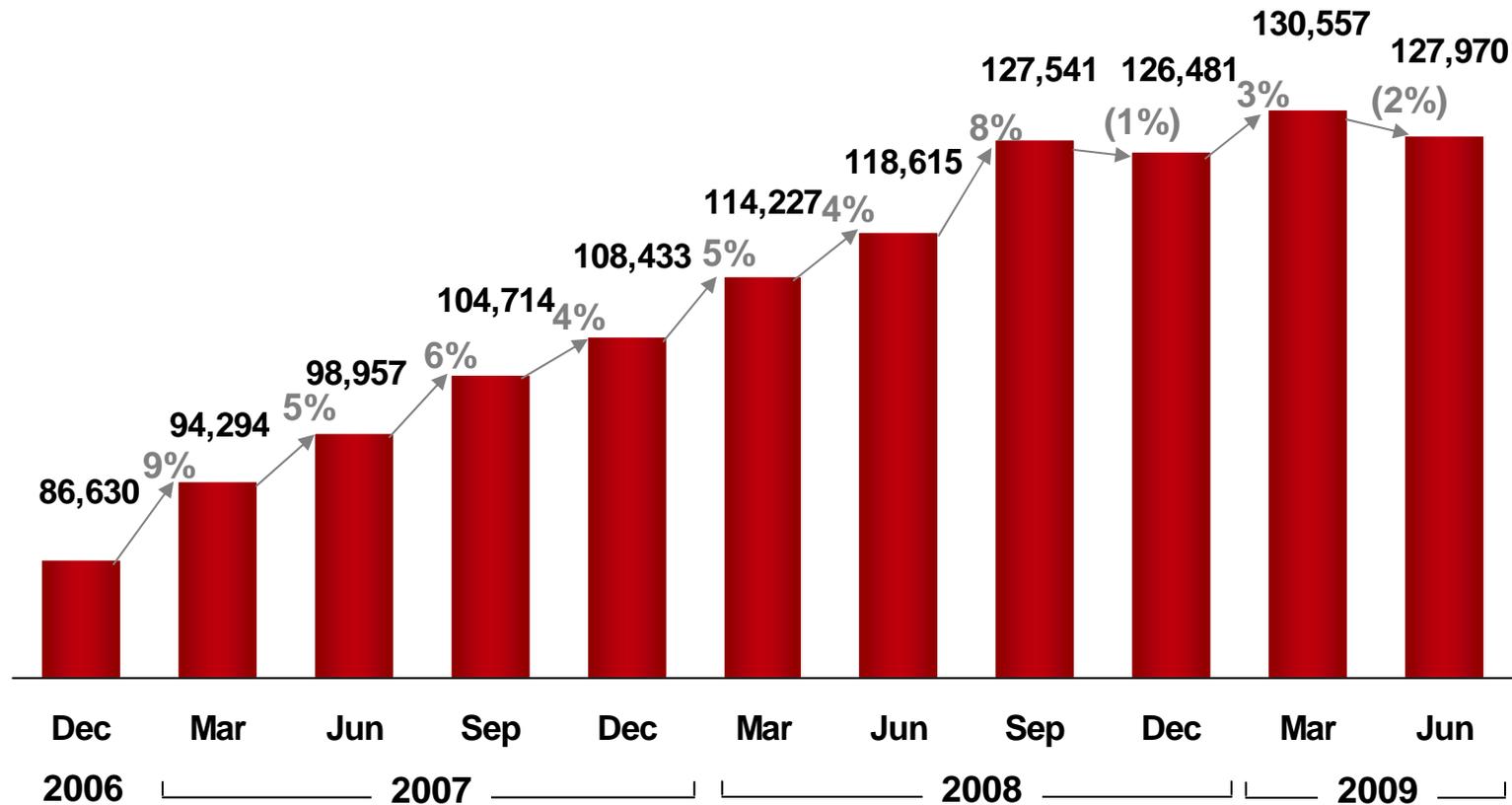
# Net interest income near record highs

(S\$m)



# Loans down 2% on quarter from currency effects but remain 8% higher on year

(S\$m)



## Loans flat and deposits up 1% on quarter excluding currency translation effects

	Jun 09 (S\$m)	Mar 09 (S\$m)	Reported QoQ (%)	Underlying QoQ (%)
<b>Loans</b>				
SGD	56,448	56,469	(0)	(0)
HKD	29,141	30,272	(4)	1
USD	28,076	29,194	(4)	1
Others	16,741	16,849	(1)	(0)
<b>Total</b>	<b>130,406</b>	<b>132,784</b>	<b>(2)</b>	<b>0</b>
<b>Deposits</b>				
SGD	99,415	98,356	1	1
HKD	25,414	25,147	1	6
USD	29,013	30,615	(5)	(1)
Others	25,191	25,700	(2)	(2)
<b>Total</b>	<b>179,033</b>	<b>179,818</b>	<b>(0)</b>	<b>1</b>

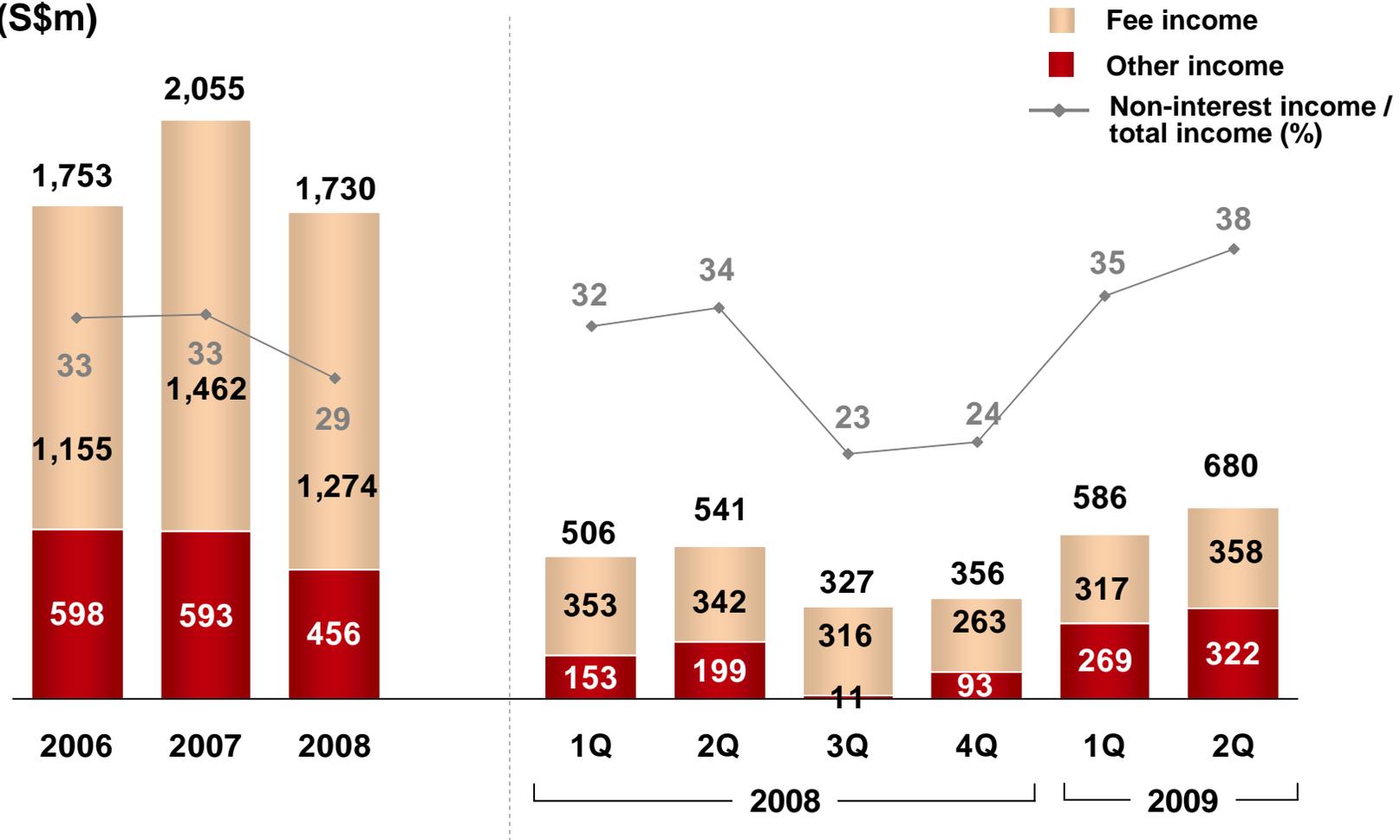
Underlying excluding currency translation effects

# Prudent approach to loan growth

	S\$m	% mix	% growth since			% contribution to growth since		
	Jun 09	Jun 09	Dec 06	Dec 07	Dec 08	Dec 06	Dec 07	Dec 08
<b>By industry</b>								
Manufacturing	15,589	12	43	8	(2)	11	5	(18)
Construction	18,220	14	67	40	2	17	25	14
Housing	29,821	23	19	13	2	11	17	22
Commerce	12,117	9	36	21	(7)	8	10	(47)
Transport	13,043	10	69	17	5	13	9	29
Financials	17,107	13	74	23	18	17	15	>100
Individuals	10,660	8	31	9	2	6	4	9
Others	13,849	11	>100	25	(5)	17	14	(37)
<b>Total</b>	<b>130,406</b>	<b>100</b>	<b>48</b>	<b>19</b>	<b>2</b>	<b>100</b>	<b>100</b>	<b>100</b>

# Non-interest income up 16% on quarter as capital market activities recover

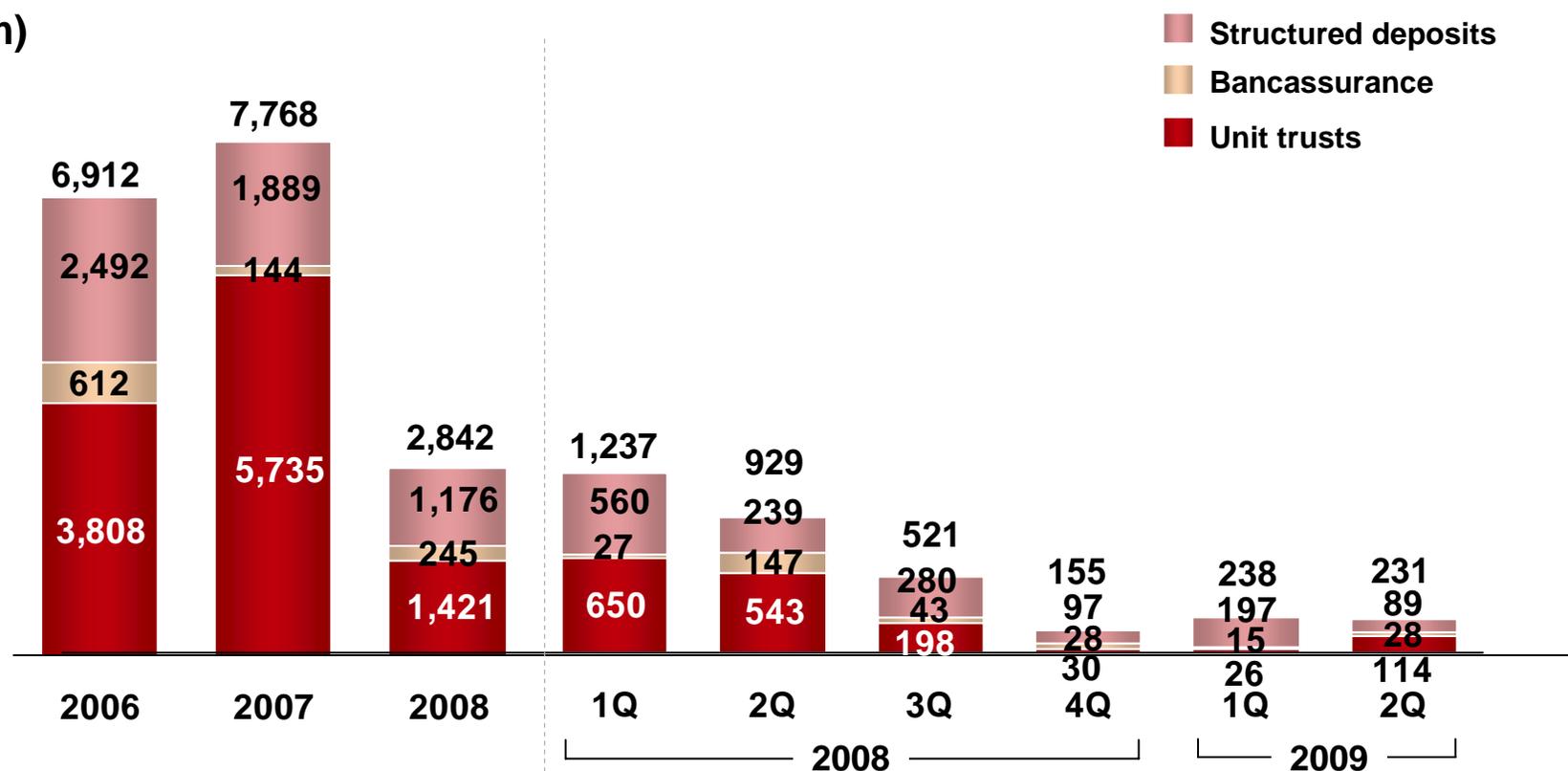
(S\$m)



Excluding one-time gains

# Modest improvement in unit trust sales

(S\$m)



## Sales (all products)

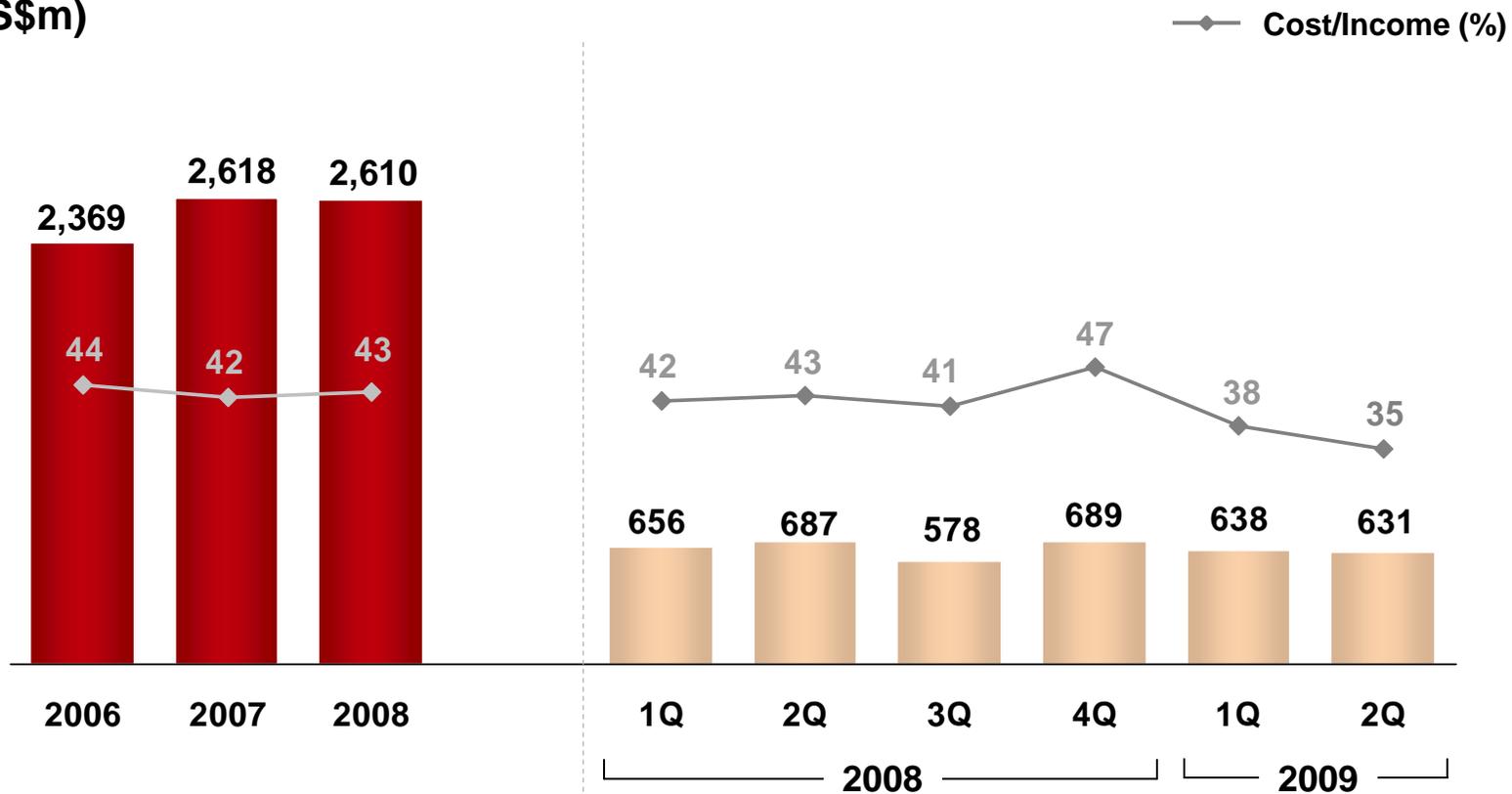
S'pore	3,477	3,924	1,587	662	480	334	111	123	122
HK	3,435	3,844	1,255	575	449	187	44	115	109

## Fees (unit trusts and bancassurance only)

S'pore + HK	170	249	137	40	45	35	17	16	21
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# Cost-income ratio improves to 35%

(S\$m)



Cost-income ratio excluding one-time gains



# Record quarterly revenues and cost discipline

- ❑ Record revenues and cost discipline offset higher allowances

- ❑ Earnings from Hong Kong improve on quarter; growth momentum in other regions sustained

- ❑ Balance sheet well buffered against risks

# Hong Kong's earnings up on quarter as allowances decline

(S\$m)	2Q 2009	YoY %	QoQ %
Net interest income	222	4	(1)
Non-interest income	120	(13)	(6)
Income	342	(3)	(3)
Expenses	151	(14)	1
Profit before allowances	191	8	(5)
Allowances for credit & other losses	71	78	(19)
Net profit	99	(16)	5

Figures for Hong Kong geographical basis and converted to S\$ using monthly closing rates.  
Based on Singapore GAAP. Excluding one-time gains



# Hong Kong's first-half net profit improves from previous half

(S\$m)	1H 2009	YoY %	HoH %
Net interest income	446	2	3
Non-interest income	247	(22)	11
Income	693	(8)	5
Expenses	301	(14)	(20)
Profit before allowances	392	(3)	39
Allowances for credit & other losses	159	>100	(9)
Net profit	193	(35)	>100

Figures for Hong Kong geographical basis and converted to S\$ using monthly closing rates.  
Based on Singapore GAAP. Excluding one-time gains



# Hong Kong's key ratios improve on quarter

(%)	2Q 2009	1Q 2009	2Q 2008	1H 2009	2H 2008	1H 2008
Net interest margin	1.94	1.91	1.92	1.92	1.82	1.90
Non-interest income/total income	35	36	39	36	34	42
Cost/income	43	43	50	43	57	46
ROA	0.79	0.70	0.93	0.74	0.34	1.13
Loans/deposits	81	80	85	81	84	85

Excluding one-time gains



# First-half regional earnings continue to grow

(S\$m)	1H 2009	YoY %	HoH %
Net interest income	414	68	32
Non-interest income	244	16	36
<b>Income</b>	<b>658</b>	<b>44</b>	<b>34</b>
<b>Expenses</b>	<b>233</b>	<b>28</b>	<b>(2)</b>
<b>Profit before allowances</b>	<b>425</b>	<b>55</b>	<b>67</b>
<b>Allowances for credit &amp; other losses</b>	<b>123</b>	<b>&gt;100</b>	<b>24</b>
<b>Net profit</b>	<b>236</b>	<b>11</b>	<b>&gt;100</b>

(%)	1H 2009	2H 2008	1H 2008
<b>Cost/income</b>	<b>35</b>	<b>48</b>	<b>40</b>
<b>Net profit contribution to Group</b>	<b>23</b>	<b>14</b>	<b>17</b>

Figures for operations outside of Singapore and Hong Kong. Excluding one-time gains

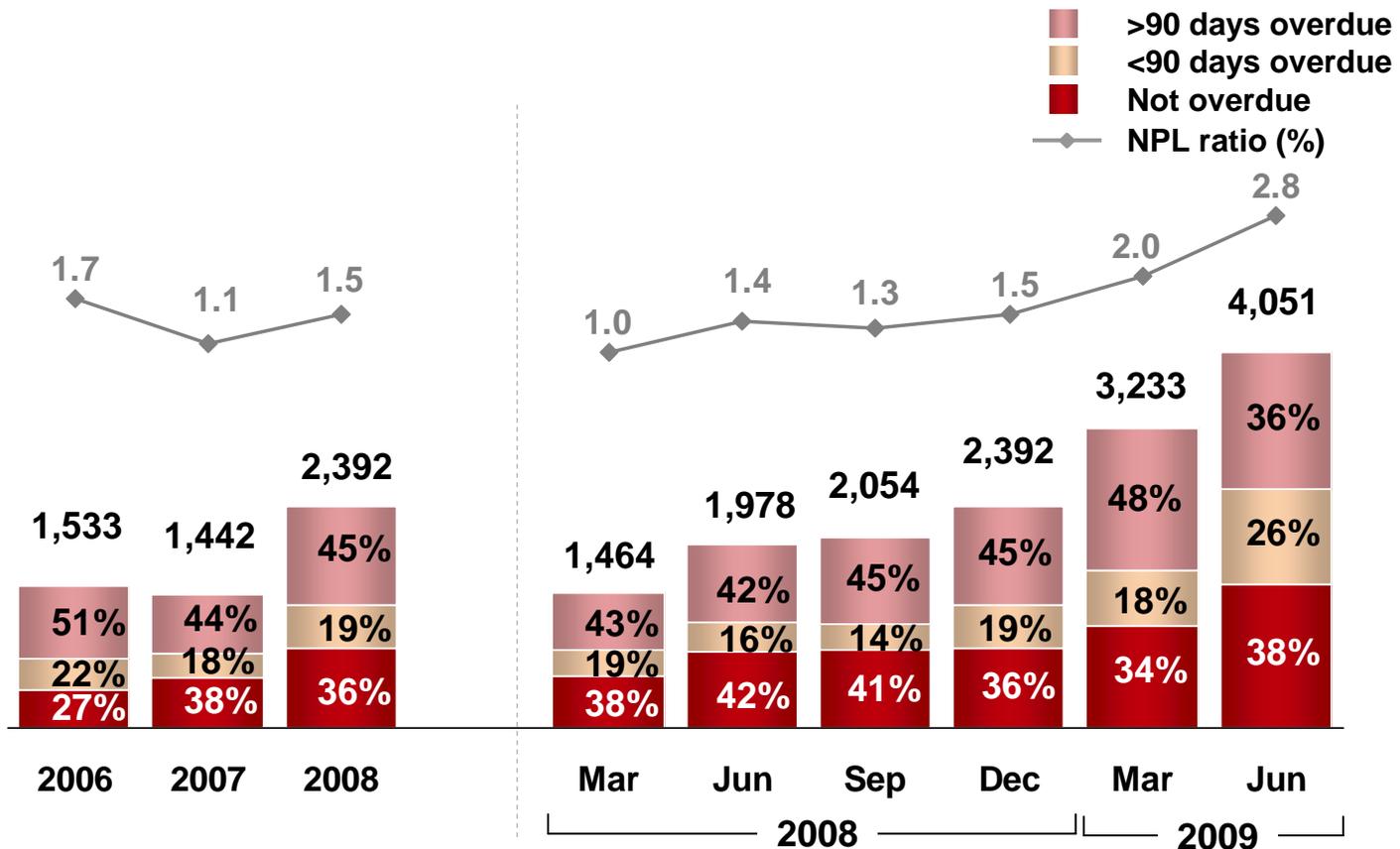


# Record quarterly revenues and cost discipline

- ❑ Record revenues and cost discipline offset higher allowances
- ❑ Earnings from Hong Kong improve on quarter; growth momentum in other regions sustained
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# NPAs rise with unsecured allowance coverage at 119%

(S\$m)



Cumulative general and specific allowances as % of:

NPAs	115	135	114	138	116	123	114	97	81
Unsecured NPAs	237	245	176	241	195	209	176	156	119

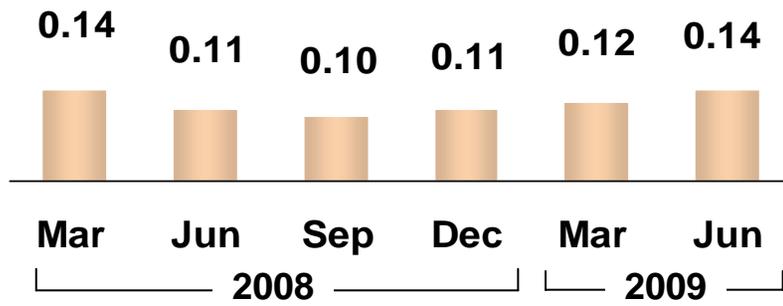
# New NPA formation led by corporate exposures

(S\$m)

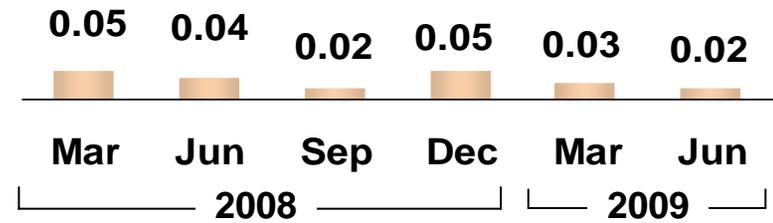
	2Q 2009	1Q 2009	2Q 2008
<b>NPAs at start of period</b>	<b>3,233</b>	<b>2,392</b>	<b>1,464</b>
<b>New NPAs</b>	<b>1,451</b>	<b>926</b>	<b>669</b>
<b>Net recoveries of existing NPAs</b>	<b>(313)</b>	<b>(11)</b>	<b>(128)</b>
<b>Write-offs</b>	<b>(320)</b>	<b>(74)</b>	<b>(27)</b>
<b>NPAs at end of period</b>	<b>4,051</b>	<b>3,233</b>	<b>1,978</b>

# Housing loan delinquencies remain low

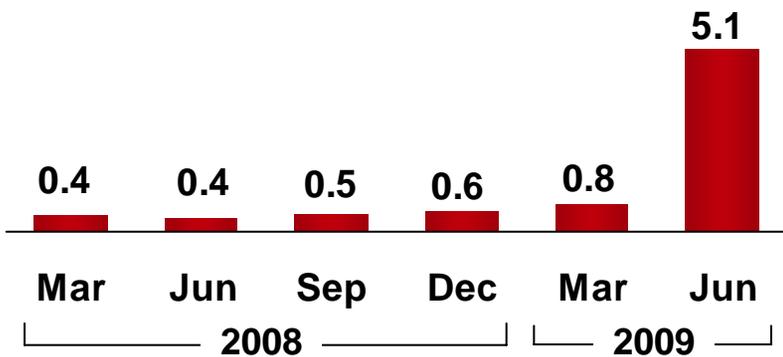
**Delinquency rate – Singapore (%)**



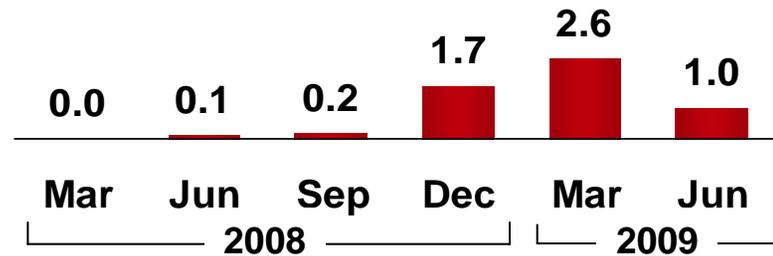
**Delinquency rate – Hong Kong (%)**



**Negative equity – Singapore (%)**



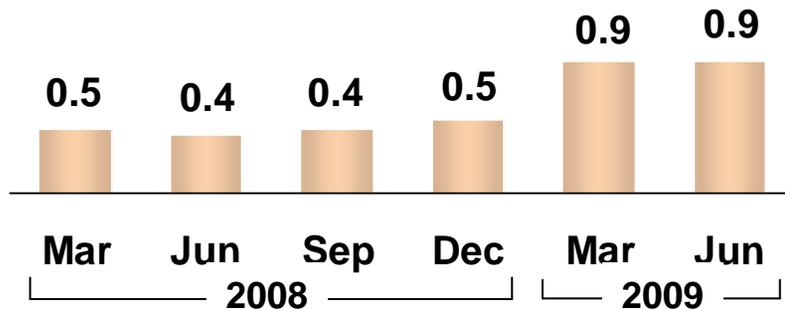
**Negative equity – Hong Kong (%)**



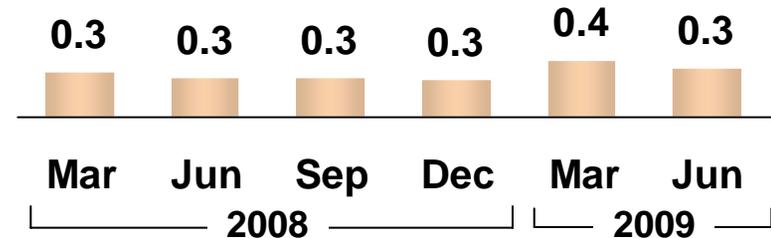
Delinquency defined as past due for 90 days

# Credit card asset quality stays sound

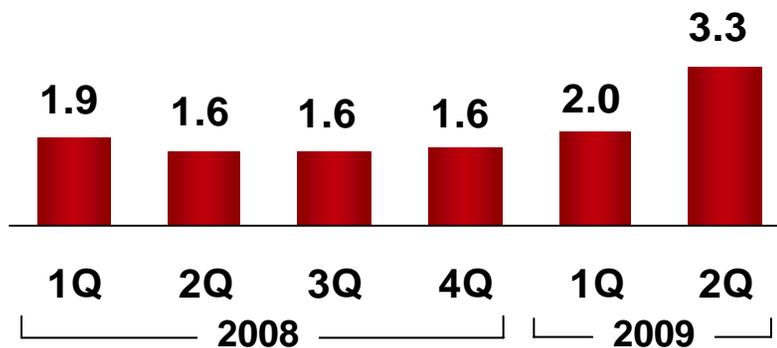
Delinquency rate – Singapore (%)



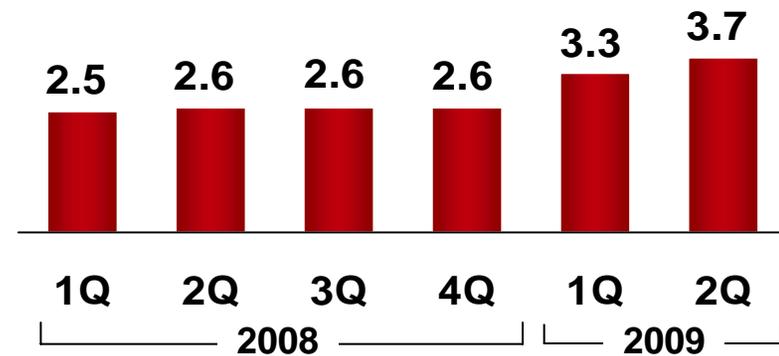
Delinquency rate – Hong Kong (%)



Charge-off rate – Singapore (%)



Charge-off rate – Hong Kong (%)



Delinquency defined as past due for 90 days

## Specific allowances for loans higher as additions for new and existing NPLs rise

(S\$m)	2Q 2009	1Q 2009	2Q 2008
<u>Add charges for</u>			
New NPLs	176	160	46
Existing NPLs	153	111	40
	329	271	86
<u>Subtract charges for</u>			
Upgrading	0	0	1
Settlements	50	37	29
Recoveries	7	9	4
	57	46	34
<b>Total SP charges</b>	<b>272</b>	<b>225</b>	<b>52</b>
<b>SP / Average loans (bp)</b>	<b>83</b>	<b>70</b>	<b>18</b>

## AFS portfolio well-balanced between investment-grade government and corporate debt

	<b>Jun 09 (S\$m)</b>	<b>Mar 09 (S\$m)</b>
<b>Singapore government securities</b>	<b>12,805</b>	<b>11,180</b>
<b>Other government securities</b>	<b>6,650</b>	<b>6,343</b>
<b>Corporate debt securities</b>	<b>12,805</b>	<b>12,350</b>
<b>Equities</b>	<b>865</b>	<b>1,081</b>
<b>Total</b>	<b>33,125</b>	<b>30,954</b>

# CDO allowance coverage adequate

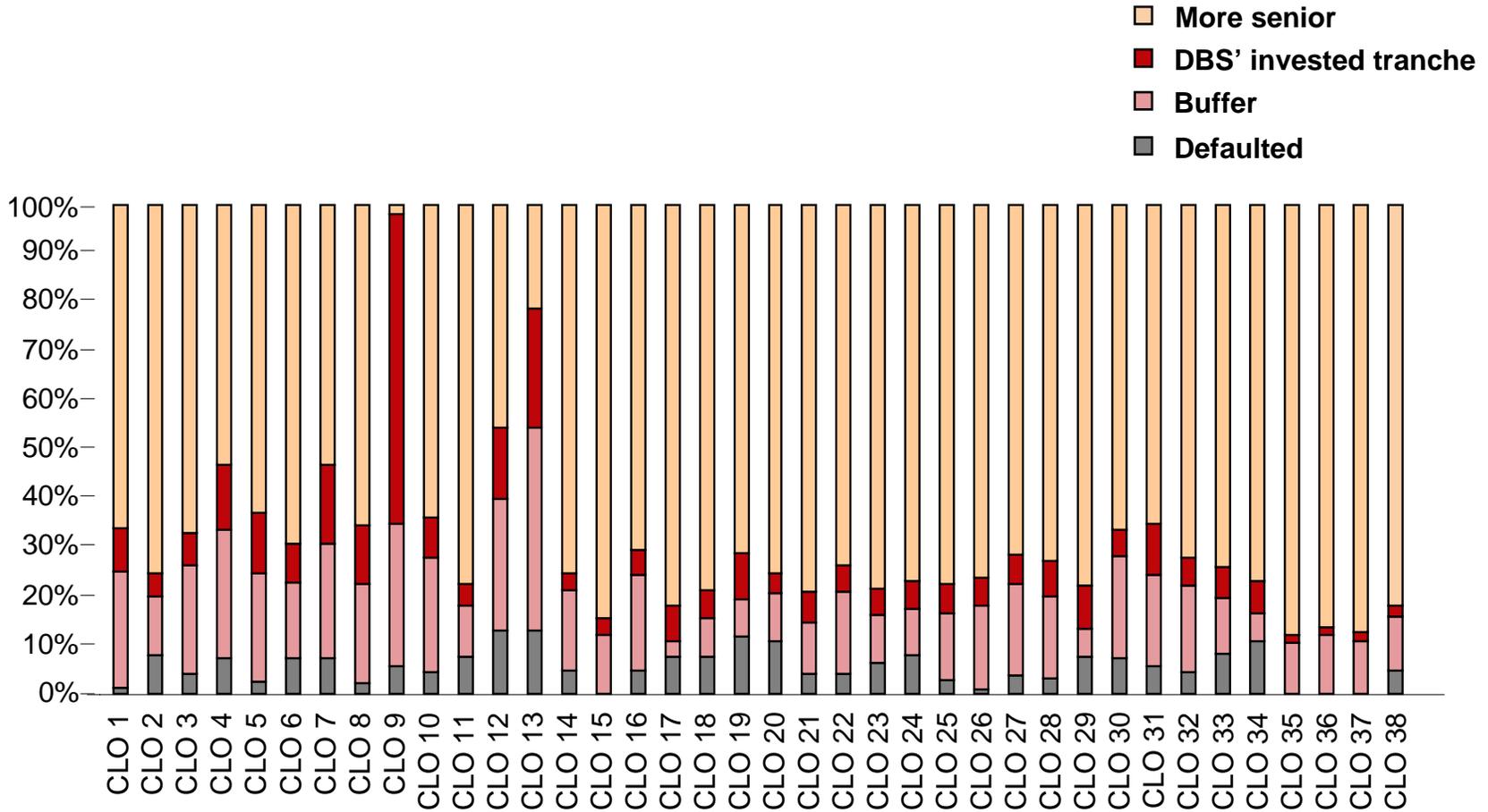
(S\$m)	Amount as at		Cumulative allowances	% coverage
	Jun 09	Mar 09		
<b>Investment portfolio</b>	<b>869</b>	<b>1,012</b>	<b>401</b>	<b>46</b>
ABS CDOs	154	276	139	90
Non-ABS CDOs	715	736	262	37
– CLOs	686	706	242	35
– Others	29	30	20	69
<b>Trading portfolio</b>	<b>302</b>	<b>218</b>	–	–
<b>Total</b>	<b>1,171</b>	<b>1,230</b>	<b>401</b>	–

## Non-ABS CDOs in investment portfolio

70% are investment grade under Moody's revised methodology

Hedges amounting to S\$228m of exposure in place

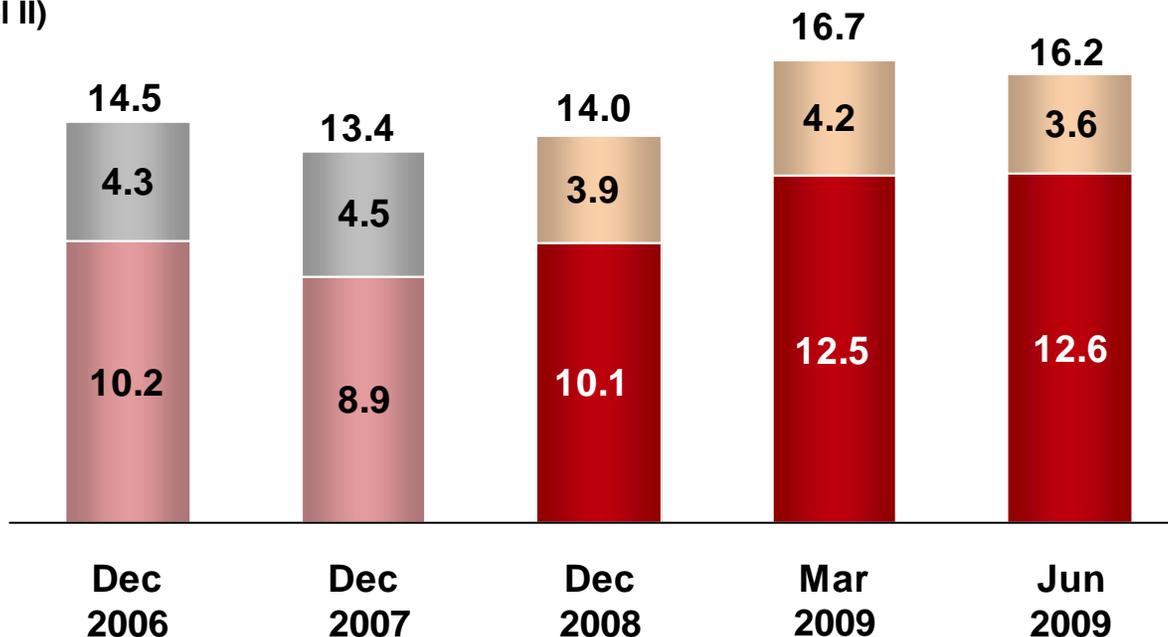
# All CLOs still current



# Capital ratios remain strong

(%)

- Tier 2 (Basel I)
- Tier 1 (Basel I)
- Tier 2 (Basel II)
- Tier 1 (Basel II)



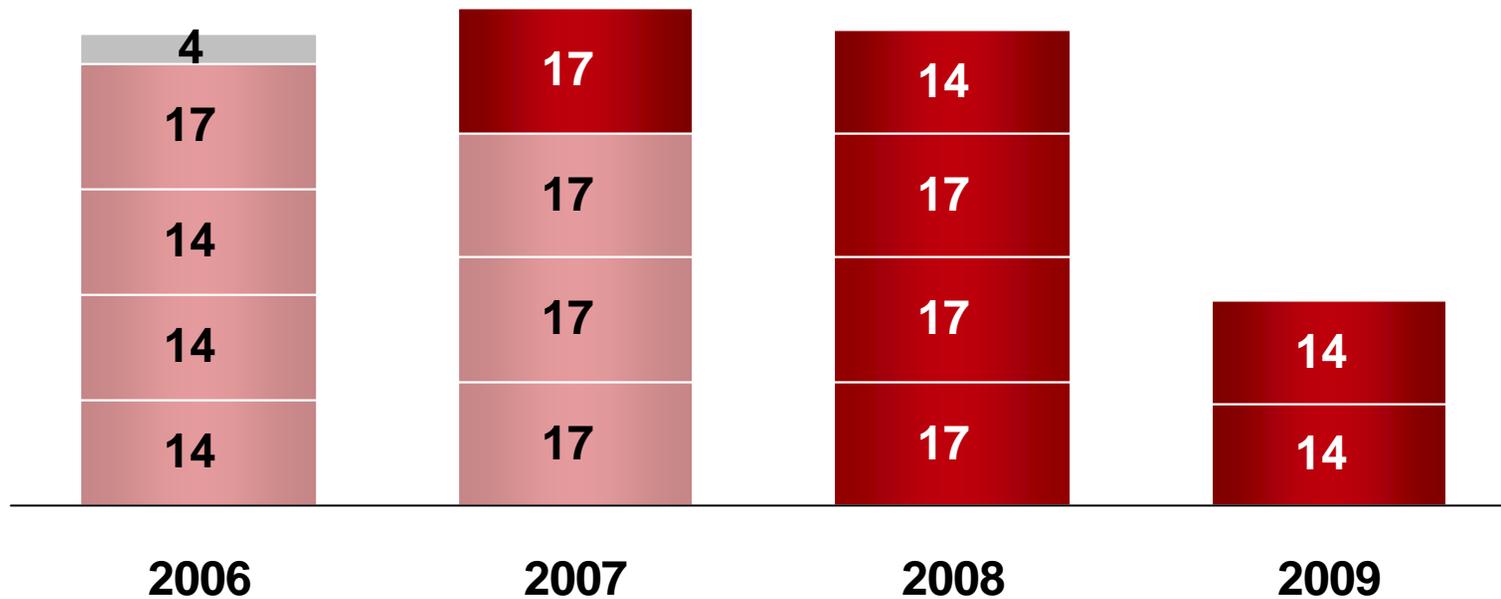
(S\$bn)

	Dec 2006	Dec 2007	Dec 2008	Mar 2009	Jun 2009
Tier-1 capital	14.8	16.4	18.4	22.8	22.9
RWA	144.1	184.6	182.7	181.9	182.6

# Quarterly dividend of 14 cents per share

(S¢)

- Special (gross)
- Ordinary (gross)
- Ordinary (one-tier)



Adjusted for rights issue

# **In summary – strong revenues and cost discipline offset higher allowances**

**Broad-based revenue growth reflects franchise strength and depth of customer relationships**

**Continued focus on customers, productivity and risk management**

**NPL increase due to corporate exposures, further general allowances taken to reinforce balance sheet; loan book remains strong with improving NPL trend in core markets**

**Well-positioned to capture growth opportunities while weathering uncertainties**

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