

# DBS Group Holdings Meet Expectations!

Bloomberg | Reuters | POEMS  
DBS SP | DBSM SI | DBS SG  
Industry: Regional Banks

Phillip Securities Research Pte Ltd

13 February 2012

## Report type: Quarterly Results

### Company Overview

DBS Group is the holding company for DBS Bank Ltd that provides various banking services for consumers, corporate, SMEs and wholesale banking activities mainly in Asia. Its main operations are in Singapore and Hong Kong, and its current focus is on China, Taiwan and India.

- FY11 NPAT was within our expectations, but higher than street's consensus.
- Group reported 4Q11 revenue of S\$1.916 billion (+10.8% y-y; -2.6% q-q)
- Net Interest Income increased to S\$1.290 billion (+16.6% y-y; +6.3% q-q)
- Fees and Commission decreased to S\$342 million (-4.5% y-y; -13.9% q-q)
- Net profit attributable to shareholders amounted to S\$731 million (+7.8% y-y; -4.1% q-q)
- Maintain Hold with new target price of S\$14.50

### What is the news?

DBS FY11 earnings were within our expectations. Net interest income beat expectations due to higher loans growth while NIMs were maintained at 1.73%. Fees and commission however missed estimates as we had expected higher customer flows. Net profit was within our expectations, with DBS sustaining the earnings momentum from previous quarters. Although profits decreased q-q, this is expected due to seasonal slowdown near year ends.

| Income Statement (Extract) |              |              |              |                          |
|----------------------------|--------------|--------------|--------------|--------------------------|
| (S\$m)                     | FY10         | FY11         | y-y (%)      | Comments                 |
| NII                        | 4,318        | 4,825        | 11.7%        | High loans growth        |
| Fees & Comm                | 1,397        | 1,542        | 10.4%        |                          |
| Others                     | 1,351        | 1,264        | -6.4%        | Lower trading income     |
| <b>Total Reveue</b>        | <b>7,066</b> | <b>7,631</b> | <b>8.0%</b>  |                          |
| Expenses                   | 2,920        | 3,303        | 13.1%        |                          |
| <b>Net Profit</b>          | <b>2,650</b> | <b>3,035</b> | <b>14.5%</b> | <b>Meet expectations</b> |

Source: Company, PSR

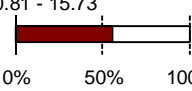
### How do we view this?

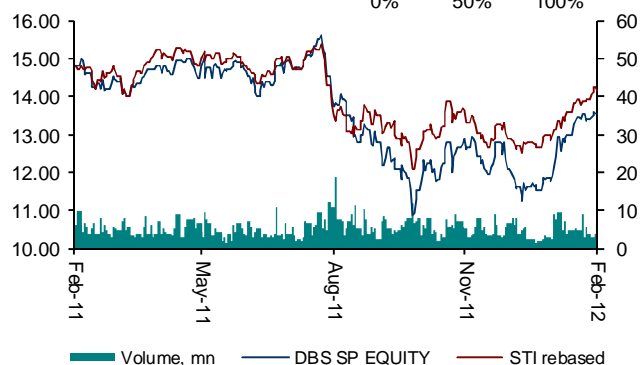
DBS has reported strong earnings despite the headwinds in the current economic environment. We believe DBS will be able to sustain strong earnings in the short term, but have doubts on earning for the medium term horizon.

### Investment Actions?

The strong performance of DBS, which met our expectation, may have already been priced in by the markets. We therefore see limited upward potential for the stock. Dividend yields of 4.1% at current prices may be attractive. We therefore maintain our Hold call with a new increased target price of \$14.50.

### DBS Group Holdings

|                                    |   |                |
|------------------------------------|---|----------------|
| <b>Rating</b>                      | <b>3</b>  | <b>Neutral</b> |
| - Previous Rating                  | 3   | Neutral        |
| <b>Target Price (SGD)</b>          | <b>14.5</b>   |                |
| - Previous Target Price (SGD)      | 13.38   |                |
| Closing Price (SGD)                | 13.55   |                |
| Expected Capital Gains (%)         | 7.0%  |                |
| Expected Dividend Yield (%)        | 4.1%  |                |
| <b>Expected Total Return (%)</b>   | <b>11.1%</b>  |                |
| Raw Beta (Past 2yrs weekly data)   | 1.02  |                |
| Market Cap. (USD mn / SGD mn)      | 25147 / 31731   |                |
| Enterprise Value (USD mn / SGD mn) | 27879 / 35289   |                |
| 3M Average Daily T/O (mn)          | 4.5   |                |
| 52 week range (SGD)                | 10.81 - 15.73   |                |
| Closing Price in 52 week range     |  |                |



### Major Shareholders

|                                | (%)  |
|--------------------------------|------|
| 1. Temasek Holdings Pte Ltd    | 27.5 |
| 2. Franklin Resources Inc      | 1.7  |
| 3. Harbor Capital Advisors Inc | 1.6  |

### Key Financial Summary

| FYE                       | 12/10 | 12/11 | 12/12F | 12/13F |
|---------------------------|-------|-------|--------|--------|
| Revenue (SGD mn)          | 7,066 | 7,631 | 8,383  | 8,926  |
| Net Profit, adj. (SGD mn) | 1,632 | 3,035 | 3,252  | 3,467  |
| EPS, adj. (SGD)           | 0.70  | 1.30  | 1.37   | 1.46   |
| P/E (X), adj.             | 11.8  | 10.4  | 9.9    | 9.3    |
| BVPS (SGD)                | 11.25 | 11.99 | 12.80  | 13.70  |
| P/B (X)                   | 1.2   | 1.1   | 1.1    | 1.0    |
| DPS (SGD)                 | 0.56  | 0.56  | 0.56   | 0.64   |
| Div. Yield (%)            | 4.1%  | 4.1%  | 4.1%   | 4.7%   |

Source: Bloomberg, PSR est.

\*All multiples & yields based on current market price

### Valuation Method

P/E, P/B

### Analyst

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Tel : (65) 6531 1793

### Summary – All's not rosy

Despite the optimism that DBS had been reporting to the press, we have a neutral outlook on the growth potential of the stock. NIMs have been stable this quarter but there are limited upward potential. NPLs and specific allowances made by the Group are too low. Growth may face several strong headwinds in the medium term horizon, and non-interest income may not be sustainable. Deposits however look bright and strong performance in this area will help ease NIM pressures.

**Fig 2. Y-Y and Q-Q comparison of FY11 results**

| \$m           | 4Q11  | 4Q10  | %y-y ch | 3Q11  | %q-q ch |
|---------------|-------|-------|---------|-------|---------|
| NII           | 1,290 | 1,106 | 16.6%   | 1,214 | 6.3%    |
| Fees & Comm   | 342   | 358   | -4.5%   | 397   | -13.9%  |
| Others        | 284   | 265   | 7.2%    | 357   | -20.4%  |
| Total Revenue | 1,916 | 1,729 | 10.8%   | 1,968 | -2.6%   |
| Expenses      | 885   | 775   | 14.2%   | 847   | 4.5%    |
| Net Profit    | 731   | 678   | 7.8%    | 762   | -4.1%   |

Source: Company, PSR

| Conso ending | Profits (SGM) | EPS (SG) | DPS (SG) | BV (SG) | ROE (%) | P/E (X) | Yield (%) | P/BV (X) |
|--------------|---------------|----------|----------|---------|---------|---------|-----------|----------|
| 12/09 A      | 2,049         | 0.89     | 0.56     | 10.85   | 8.4%    | 15.15   | 4.1%      | 1.25     |
| 12/10 A      | 1,632         | 1.15     | 0.56     | 11.25   | 10.2%   | 11.80   | 4.1%      | 1.20     |
| 12/11 A      | 3,036         | 1.30     | 0.56     | 11.99   | 11.0%   | 10.39   | 4.1%      | 1.13     |
| 12/11 E      | 3,253         | 1.37     | 0.56     | 12.52   | 11.1%   | 9.88    | 4.1%      | 1.08     |
| 12/12 E      | 3,467         | 1.46     | 0.64     | 13.42   | 11.1%   | 9.26    | 4.7%      | 1.01     |

Source: Company, PSR

### NIMs outlook (Neutral)

DBS has managed to maintain net interest margins in 4Q11. The increase in funding cost was neutralized by a similar rise in lending rates. Management has indicated that they have been able to push USD loans pricing upwards this quarter due to reasons such as the rollover of loans. Interest rates for floating rate loans, which are typically re-priced every 3 months, had been lagging due to the rapid rise in SOR, LIBOR, and other rates to which the loans are pegged to. HK NIMs decreased 27bp in the previous quarter but have recovered by 10bp in 4Q11.

However, NIMs for loans in Singapore remain low due to intense competition from the market. An increase in liquidity will also put further pressure on NIMs. Although we do not expect this to happen in the next quarter due to increasing capital requirements in US and Europe, we do not rule out the possibility of these cash rich banks from entering the markets during the next few years.

Interest rates in Singapore and Hong Kong are likely to remain low as the Fed commits to keeping interest rates low past 2014. With the volatile NIMs experiencing higher funding cost but uncertain upward pricing potential, we are neutral on our outlook.

### Deposits (Positive)

Total deposits have increased 2.8% q-q. Most notably, US dollar deposits have jumped 18.6%. This is remarkable, taking into account the tightening USD liquidity in the

previous few months. Management revealed the increase to be attributable to deposits from a few US MNCs, which had been lured due the Group's strong AA credit rating.

These deposits have provided a source of cheap funding, at around LIBOR - 15 bp. The increase in deposits decreased USD LDRs approximately 19.1% to 148.9%. With the heavy reliance on USD for the Group's trade finance and other businesses, this new source of funding will help elevate NIM pressures and reliance on the swap markets.

SGD loans also grew by a healthy S\$10.764 billion y-y, providing the liquidity and keeping SGD LDR low at 63.0% even with the rapid 16.8% growth of SGD loans in FY2011.

**Fig 3. Deposits by currencies**

| \$m                   | 4Q11           | 4Q10           | %y-y ch      | 3Q11           | %q-q ch     |
|-----------------------|----------------|----------------|--------------|----------------|-------------|
| Singapore dollar      | 122,992        | 112,228        | 9.6%         | 120,913        | 1.7%        |
| Hong Kong dollar      | 21,733         | 23,220         | -6.4%        | 23,286         | -6.7%       |
| US dollar             | 40,336         | 30,022         | 34.4%        | 34,019         | 18.6%       |
| Others                | 40,285         | 28,222         | 42.7%        | 40,996         | -1.7%       |
| <b>Total deposits</b> | <b>225,346</b> | <b>193,692</b> | <b>16.3%</b> | <b>219,214</b> | <b>2.8%</b> |

Source: Company, PSR

### NPLs and Provisions outlook (Neutral)

NPLs have been decreasing y-y, from 2.9% in FY2009, 1.9% in FY2010, to a new low of 1.3% in FY2011. Management has highlighted that asset quality is high. However, we are of the view that NPL of 1.3% is too low. The Group may have been too lenient in their credit ratings. Correspondingly, specific provisions should be higher to account for the higher NPLs.

DBS has been expanding its customer base and loans rapidly. In China, DBS acquired 16,000 new customers through the integration with RBS in FY2011, and recorded loans growth of 98% y-y. This poses a risk as credit reviews on the customers are typically performed only once yearly. In between, it is dependent on the relationship manager to ensure the customer remains financially healthy. Relationship managers may not have adequate understanding of new customers, and may overlook financial difficulties that customers may be experiencing. Also, there may be pressure on not recognizing loans are non-performing to maintain healthy relationships with these new customers. Shadow banking in China, which is informal and unregulated, accounts for approximately one-fifth of total credit. Customers involved in shadow banking may face financial difficulties should, for example, private leading loans to the system defaults.

Furthermore, there is significant exposure of SME clients in Singapore and Hong Kong, amounting to 15% - 20% of total loans as at 3Q11. With threats of Greek defaults, troubles in Iran, and softening of the major economies, it is probable that SMEs will start experiencing financial difficulties and start defaulting on payments. Furthermore, the unsecured loans portfolio in Hong Kong has also grown to be the 4<sup>th</sup> largest, and these loans are also likely to default in the current environment. NPLs of 0.6% and 0.8% for Singapore

and Hong Kong are therefore inadequate. A revision of the NPL would lead to an increase in specific allowances, and a higher risk weighted assets. As DBS has adequate capital requirements, the increase in RWA should not require raising more capital.

**Fig 4. NPL ratios by geography**

| %             | 4Q11       | 4Q10       | 4Q09       |
|---------------|------------|------------|------------|
| Singapore     | 0.6        | 0.8        | 1.2        |
| Hong Kong     | 0.8        | 1.0        | 1.7        |
| Greater China | 0.8        | 1.9        | 3.1        |
| S & SEA       | 0.9        | 1.2        | 1.3        |
| Others        | 7.3        | 9.5        | 13.1       |
| <b>Total</b>  | <b>1.3</b> | <b>1.9</b> | <b>2.9</b> |

Source: Company, PSR

We note that DBS has recognized general allowance of S\$131 million for 4Q11. Total allowance was S\$229 million, which met our expectation of S\$226 million for 4Q11. Management has indicated the S\$131 million to be a prudent adjustment. We however feel the allowance is necessary, to reflect the true total provision required for DBS's loans. We expect more total allowance provisions to be made in the next few quarters as the economy remains uncertain.

#### Opportunistic or Sustainable Non-II growth?

DBS has reported strong earnings for the last 2 quarters. Income has increased by double digit percentages in Indonesia, Taiwan, India and China. Its focus on Wealth has been showing results, with strong momentum in Private Banking, with total income in Wealth increasing 23% y-y, and aims for Wealth to make up 12% of total revenue. New branch operating models, whereby branches are not just for services but also to generate sales have also led to higher sales and higher revenue from cross-selling of products, such as mortgage protection for borrowers of mortgage loans.

Although management believes these to be sustainable growth and not opportunistic, we are not certain if DBS would be able to continue producing strong earnings in the medium term horizon.

DBS has, in recent quarters, experienced growth especially due to the problems in Europe. Trade finance has been growing, contributing to the 60.2% y-y growth of the USD loan book, as European traditional powerhouses experiencing capital adequacy difficulties have flat or negative growth. USD deposits for DBS have grown in the US due to MNCs fearing a banking crisis and currently preferring DBS for its high credit rating, as they fear a collapse of banks as potential write downs of exposures to Euro debts in the books of European banks may be massive and devastating. Private banking clients are similarly attracted to the stability of DBS for the above reason.

However, when the US and European economy picks up, and capital requirements loosen, the foreign banks may once again regain the confidence of the market and customers may shift back to these banks due to strong prior relationships enjoyed with these foreign banks, better brand name, and better rates that they may be able to offer due to their high liquidity and aggressiveness for growth. If DBS were to lose its customers to these traditional powerhouses, net profits will be affected, especially with the group aiming for Greater China to account for over one-third of the Group's revenue. In contrast, growth in Southeast Asia may be more stable due to geographical closeness breeding familiarity with the Group, and typically higher interest margins, even in the wake of the policy rate cuts in Indonesia, Thailand, and Philippines. We therefore have our doubts on the ability of the Group to deliver strong performances in Greater China and India with the eventual recovery of the US and Europe economy.

#### Future growth outlook (Neutral)

Management has also given some guidance on the future ROE and ROA outlook. ROE, which is improved from 10.2% for FY2010 to 11.0% for FY2011, is not expected to increase beyond 12.5%, which we concur with. First, though capital is adequate, it is not in excess such that it can be used for further growth. On the balance sheet, LDRs have increased from 78.5% to 86.4% y-y, and further increase in LDR may be limited due to reasons such as regulatory restrictions.

Second, NPLs are already at a minimum, and therefore there are limited credit cycle gains from recovery or previously written down loans. Lastly, increase in NIMs is limited as stated earlier in the report due to soft interest rates and intense competition. However, with most of the expenses already incurred in setting the foundation for growth in the foreign regions, the Group expects to see higher net profits due to lower growth in expenses.

#### Valuation

As DBS FY2011 has reported strong earnings, which met our full year forecast, factoring in the positive short term outlook but taking into account the negative medium term outlook and slowing economy in FY2012, we increase our EPS forecast to S\$1.37 for FY2012 from S\$1.32 for FY2011, EPS for FY2011 was S\$1.28. We expect dividend payouts for FY2012 to be the same, and maintain our forecasted payout ratio for FY2012 to be at 40%. Although current P/B and P/E ratios are low, we do not see opportunities for an increase to historical means due to the sharp decreases in NIMs from historical year. We however forecast P/B and P/E to increase slightly to 1.16X and 10.58X respectively. Based on these assumptions, we have a higher target price of S\$14.50.

**Table 1. Growth in revenue**

| \$m                    | 4Q11         | 4Q10         | %y-y ch      | 3Q11         | %q-q ch      |
|------------------------|--------------|--------------|--------------|--------------|--------------|
| Net interest inc       | 1,290        | 1,106        | 16.6%        | 1,214        | 6.3%         |
| Net fee and comm inc   | 342          | 358          | -4.5%        | 397          | -13.9%       |
| Other non-interest inc | 284          | 265          | 7.2%         | 357          | -20.4%       |
| <b>Total</b>           | <b>1,916</b> | <b>1,729</b> | <b>10.8%</b> | <b>1,968</b> | <b>-2.6%</b> |

**Table 2. Fee and commission income**

| \$m                   | 4Q11       | 4Q10       | %y-y ch      | 3Q11       | %q-q ch       |
|-----------------------|------------|------------|--------------|------------|---------------|
| Stockbroking          | 27         | 50         | -46.0%       | 38         | -28.9%        |
| Investment banking    | 32         | 60         | -46.7%       | 38         | -15.8%        |
| Trade and remittances | 74         | 56         | 32.1%        | 81         | -8.6%         |
| Loan related          | 68         | 52         | 30.8%        | 103        | -34.0%        |
| Guarantees            | 17         | 16         | 6.3%         | 18         | -5.6%         |
| Deposit related       | 17         | 23         | -26.1%       | 23         | -26.1%        |
| Credit card           | 48         | 40         | 20.0%        | 35         | 37.1%         |
| Fund management       | -          | 6          | -100.0%      | 5          | -100.0%       |
| Wealth management     | 47         | 44         | 6.8%         | 42         | 11.9%         |
| Others                | 12         | 11         | 9.1%         | 14         | -14.3%        |
| <b>Total</b>          | <b>342</b> | <b>358</b> | <b>-4.5%</b> | <b>397</b> | <b>-13.9%</b> |

**Table 3. Other non-interest income**

| \$m                            | 4Q11       | 4Q10       | %y-y ch     | 3Q11       | %q-q ch       |
|--------------------------------|------------|------------|-------------|------------|---------------|
| Trading income                 | 145        | 154        | -5.8%       | 138        | 5.1%          |
| Fin Invnt designated at FV     | (12)       | 10         | -220.0%     | 5          | -340.0%       |
| Net income on Fin Invnt        | 136        | 39         | 248.7%      | 152        | -10.5%        |
| Net gain on fixed assets       | 3          | 52         | -94.2%      | 1          | 200.0%        |
| Others (inc. rental inc)       | 12         | 10         | 20.0%       | 61         | -80.3%        |
| <b>Total other non int Inc</b> | <b>284</b> | <b>265</b> | <b>7.2%</b> | <b>357</b> | <b>-20.4%</b> |

**Table 4. Loans by Industries**

| \$m                       | 4Q11           | 4Q10           | %y-y ch      | 3Q11           | %q-q ch     |
|---------------------------|----------------|----------------|--------------|----------------|-------------|
| Manufacturing             | 24,872         | 19,217         | 29.4%        | 23,219         | 7.1%        |
| Building and construction | 28,527         | 21,385         | 33.4%        | 26,798         | 6.5%        |
| Housing loans             | 41,322         | 38,676         | 6.8%         | 40,749         | 1.4%        |
| General commerce          | 34,159         | 16,732         | 104.2%       | 31,217         | 9.4%        |
| Tpt, storage & comms      | 16,929         | 14,328         | 18.2%        | 16,961         | -0.2%       |
| FIs, invt & holding co    | 19,743         | 18,517         | 6.6%         | 19,222         | 2.7%        |
| Professionals & Pri inv   | 12,800         | 11,142         | 14.9%        | 11,926         | 7.3%        |
| Others                    | 12             | 10             | 20.0%        | 61             | -80.3%      |
| <b>Total loans</b>        | <b>178,364</b> | <b>140,007</b> | <b>27.4%</b> | <b>170,153</b> | <b>4.8%</b> |

**Table 5. Loans by currencies**

| \$m                | 4Q11           | 4Q10           | %y-y ch      | 3Q11           | %q-q ch     |
|--------------------|----------------|----------------|--------------|----------------|-------------|
| Singapore dollar   | 78,756         | 67,439         | 16.8%        | 74,831         | 5.2%        |
| Hong Kong dollar   | 31,511         | 30,478         | 3.4%         | 31,392         | 0.4%        |
| US dollar          | 61,007         | 38,094         | 60.1%        | 58,027         | 5.1%        |
| Others             | 12             | 10             | 20.0%        | 61             | -80.3%      |
| <b>Total loans</b> | <b>171,286</b> | <b>136,021</b> | <b>25.9%</b> | <b>164,311</b> | <b>4.2%</b> |

**Table 6. Revenue by Business segments**

| \$m                    | 4Q11         | 4Q10         | %y-y ch      | 3Q11         | %q-q ch      |
|------------------------|--------------|--------------|--------------|--------------|--------------|
| Consumer/ Priv Banking | 583          | 526          | 10.8%        | 546          | 6.8%         |
| Institutional Banking  | 978          | 885          | 10.5%        | 1,058        | -7.6%        |
| Treasury               | 309          | 167          | 85.0%        | 306          | 1.0%         |
| Others                 | 46           | 151          | -69.5%       | 58           | -20.7%       |
| <b>Total loans</b>     | <b>1,916</b> | <b>1,729</b> | <b>10.8%</b> | <b>1,968</b> | <b>-2.6%</b> |

**Table 7. Revenue by Geographical segments**

| \$m                | 4Q11         | 4Q10         | %y-y ch      | 3Q11         | %q-q ch      |
|--------------------|--------------|--------------|--------------|--------------|--------------|
| Singapore          | 1,170        | 1,121        | 4.4%         | 1,261        | -7.2%        |
| Hong Kong          | 362          | 349          | 3.7%         | 325          | 11.4%        |
| Greater China      | 161          | 92           | 75.0%        | 161          | 0.0%         |
| S & SEA            | 141          | 101          | 39.6%        | 161          | -12.4%       |
| Rest of the world  | 82           | 66           | 24.2%        | 60           | 36.7%        |
| <b>Total loans</b> | <b>1,916</b> | <b>1,729</b> | <b>10.8%</b> | <b>1,968</b> | <b>-2.6%</b> |

Source (tables 1-7): Company, Phillip Securities Research



Fig 1: Net interest margin

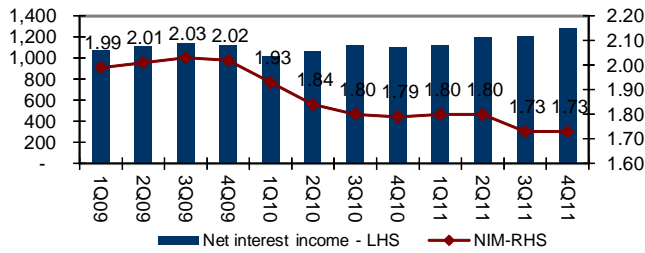


Fig 2: NonInt/Total revenue

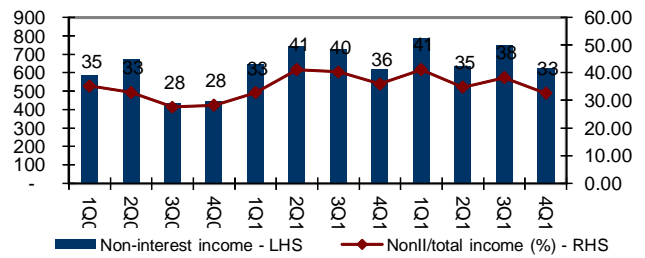


Fig 3: Efficiency ratio

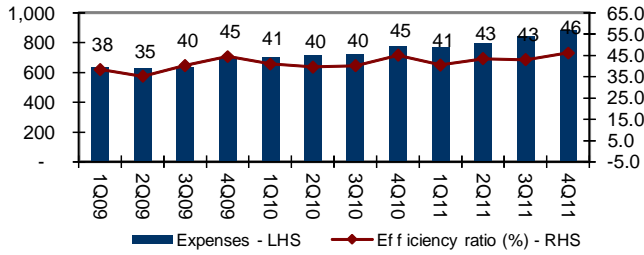


Fig 4: Net profit margin

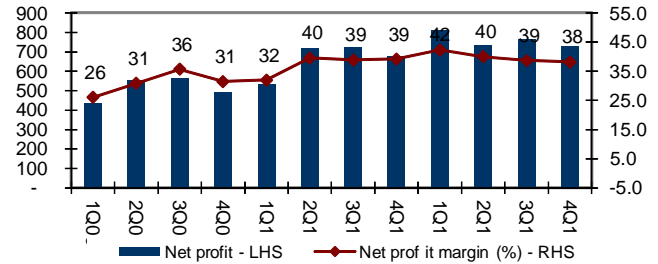


Fig 5: Deposits, Loans, LDR

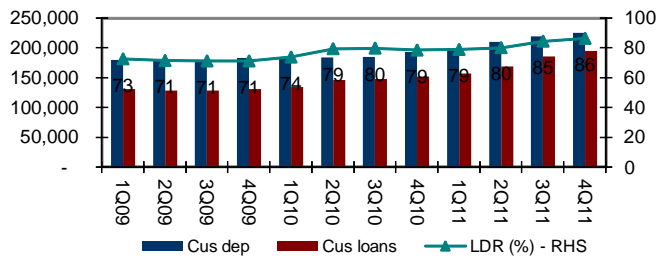


Fig 6: Total allowances/NPA, NPL

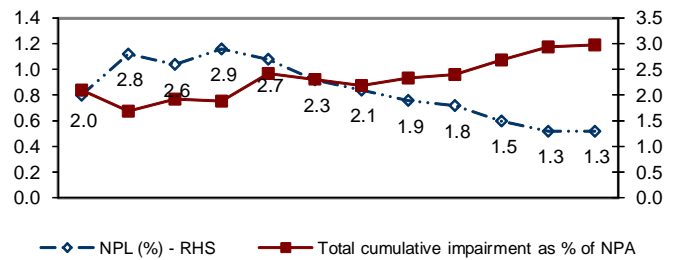


Fig 7: Growth in selected asset items

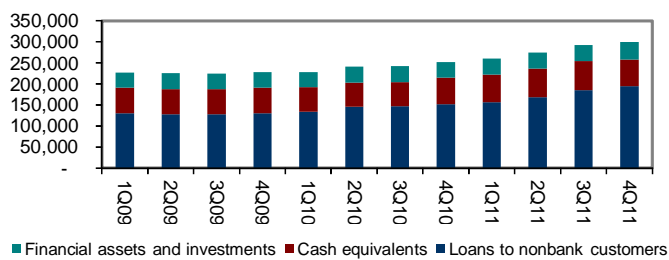


Fig 8: CAR

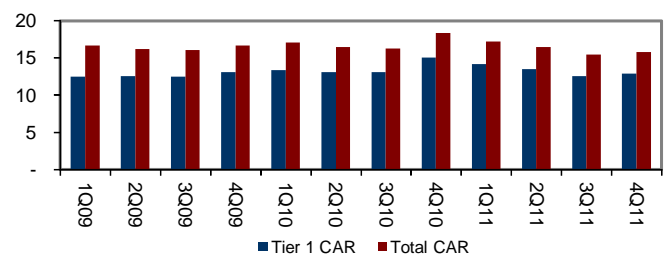


Fig 9: ROE and ROA

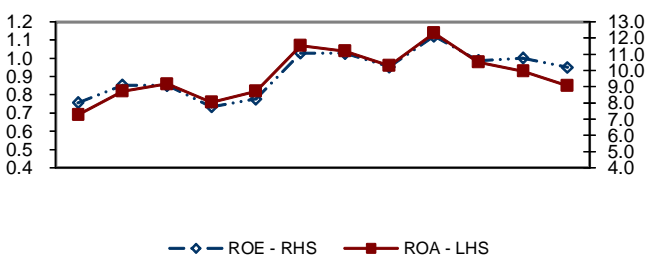


Fig 10: EPS and NBV

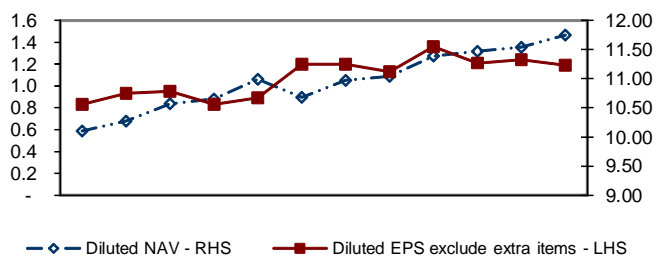


Fig 11: Revenue by geographical segment

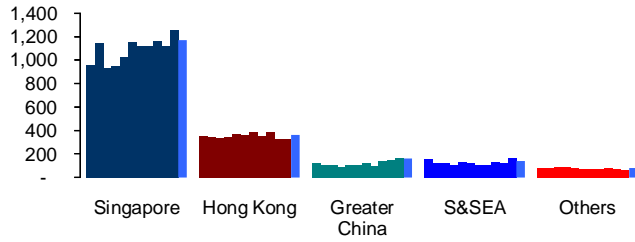


Fig 12: Geo segment breakdown

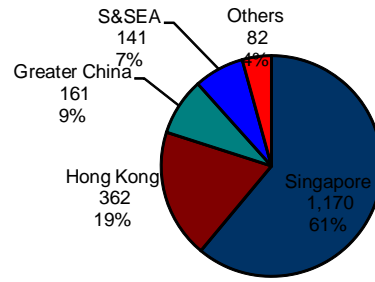
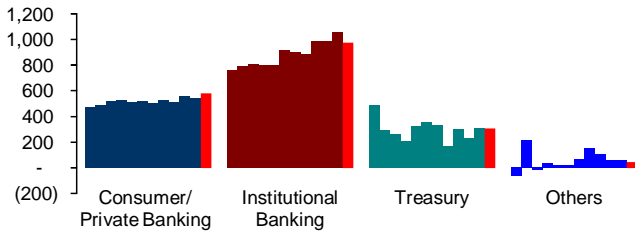


Fig 13: Revenue by Business segment



Growth trend

Fig 14: Net interest income trend

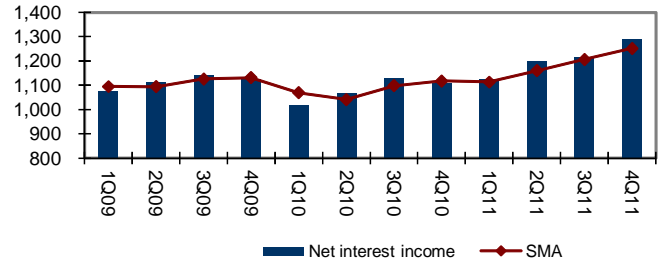


Fig 15: Fee and Commission trend

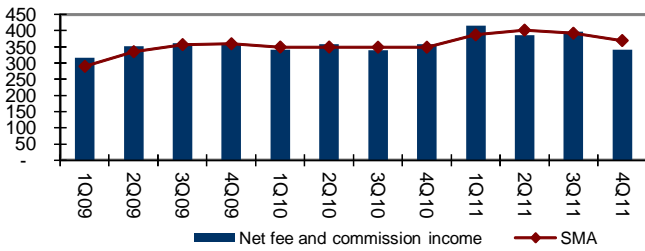
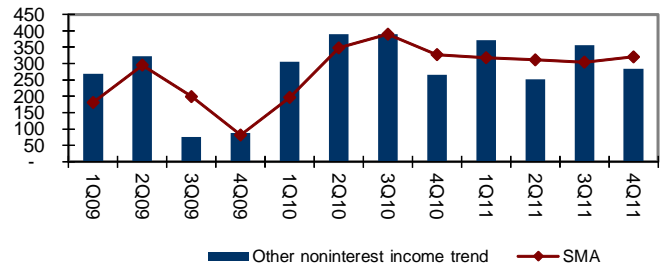


Fig 16: Other noninterest income trend



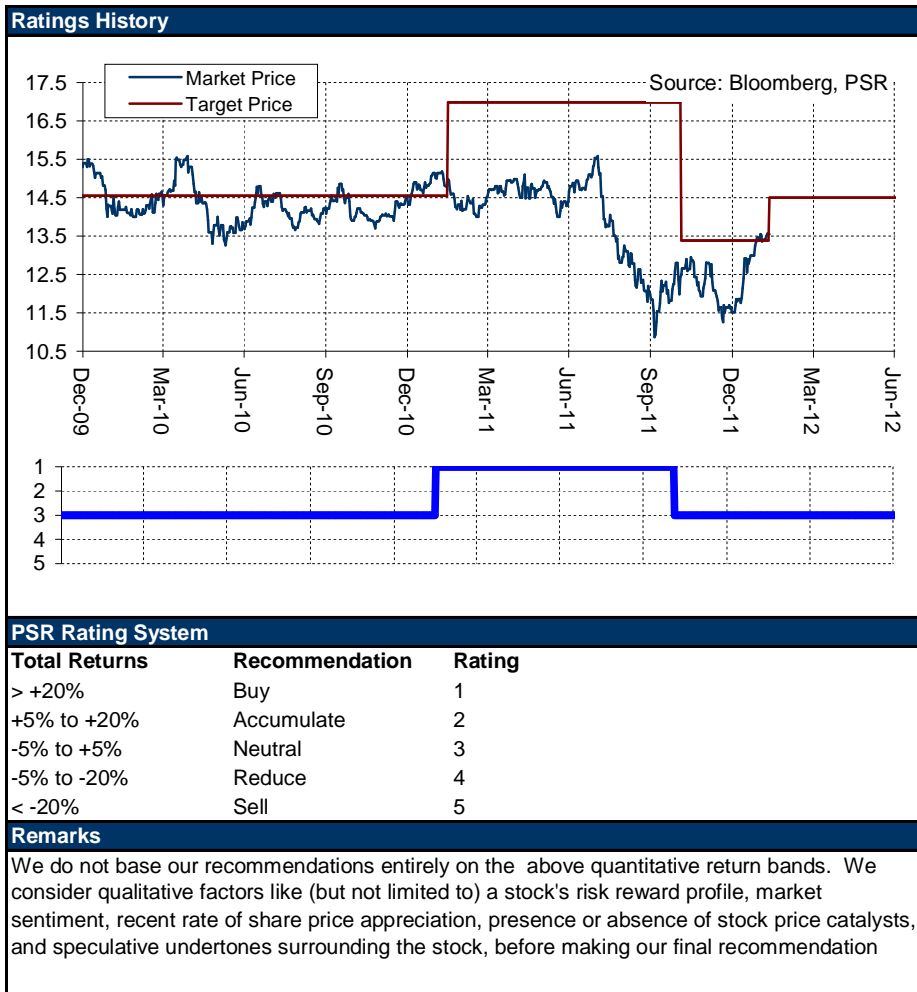
| FYE Dec                          | FY09         | FY10         | FY11         | FY12F        | FY13F        |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>Valuation Ratios</b>          |              |              |              |              |              |
| P/E (X), adj.                    | 15.1         | 11.8         | 10.4         | 9.9          | 9.3          |
| P/B (X)                          | 1.25         | 1.20         | 1.13         | 1.06         | 0.99         |
| Dividend Yield (%)               | 4.1%         | 4.1%         | 4.1%         | 4.1%         | 4.7%         |
| <b>Per share data (SGD)</b>      |              |              |              |              |              |
| EPS, reported                    | 0.88         | 0.70         | 1.30         | 1.37         | 1.46         |
| EPS, adj.                        | 0.89         | 1.15         | 1.30         | 1.37         | 1.46         |
| DPS                              | 0.56         | 0.56         | 0.56         | 0.56         | 0.64         |
| BVPS                             | 10.85        | 11.25        | 11.99        | 12.80        | 13.70        |
| <b>Growth &amp; Margins (%)</b>  |              |              |              |              |              |
| <b>Growth</b>                    |              |              |              |              |              |
| Net interest income              | 2.3%         | -3.0%        | 11.7%        | 13.0%        | 7.4%         |
| Non interest income              | 23.6%        | 28.5%        | 2.1%         | 4.4%         | 4.7%         |
| Pre provision operating profit   | 8.3%         | 7.3%         | 8.0%         | 9.9%         | 6.5%         |
| Operating income                 | -10.5%       | 31.6%        | 11.6%        | 10.3%        | 6.6%         |
| Net income, reported             | -5.4%        | -20.4%       | 86.0%        | 7.2%         | 6.6%         |
| <b>Margins</b>                   |              |              |              |              |              |
| Net interest margin              | 2.01%        | 1.84%        | 1.77%        | 1.74%        | 1.73%        |
| <b>Key Ratios (%)</b>            |              |              |              |              |              |
| ROE                              | 8.4%         | 10.2%        | 11.0%        | 10.9%        | 10.9%        |
| ROA                              | 0.8%         | 0.6%         | 1.0%         | 0.9%         | 0.9%         |
| RORWA                            | 1.1%         | 0.9%         | 1.5%         | 1.5%         | 1.5%         |
| Non-interest/total income ratio  | 32.5%        | 38.9%        | 36.8%        | 35.0%        | 34.4%        |
| Cost/income ratio                | 39.5%        | 41.4%        | 43.3%        | 44.3%        | 44.8%        |
| Loan/deposit ratio               | 71.2%        | 78.5%        | 86.4%        | 85.9%        | 87.6%        |
| NPL ratio                        | 2.91         | 1.86         | 1.33         | 1.45         | 1.52         |
| <b>Income Statement (SGD mn)</b> |              |              |              |              |              |
| Net Interest Income              | 4,450        | 4,318        | 4,825        | 5,453        | 5,856        |
| Fees and Commission              | 1,384        | 1,397        | 1,542        | 1,645        | 1,753        |
| Other Non interest income        | 754          | 1,351        | 1,264        | 1,285        | 1,316        |
| <b>Total operating income</b>    | <b>6,588</b> | <b>7,066</b> | <b>7,631</b> | <b>8,383</b> | <b>8,926</b> |
| Operating expenses               | 2,604        | 2,925        | 3,303        | 3,711        | 4,002        |
| Provisions                       | 1,529        | 911          | 722          | 694          | 681          |
| <b>Operating profit</b>          | <b>2,455</b> | <b>3,230</b> | <b>3,606</b> | <b>3,979</b> | <b>4,243</b> |
| Associates & JVs                 | 66           | 102          | 127          | 120          | 120          |
| Goodwill charges                 | -            | 1,018        | -            | -            | -            |
| <b>Profit Before Tax</b>         | <b>2,521</b> | <b>2,314</b> | <b>3,733</b> | <b>4,099</b> | <b>4,363</b> |
| Taxation                         | 285          | 454          | 443          | 615          | 654          |
| <b>Profit After Tax</b>          | <b>2,236</b> | <b>1,860</b> | <b>3,290</b> | <b>3,484</b> | <b>3,708</b> |
| Non-controlling Interest         | 187          | 228          | 255          | 231          | 241          |
| <b>Net Income, reported</b>      | <b>2,049</b> | <b>1,632</b> | <b>3,035</b> | <b>3,252</b> | <b>3,467</b> |

Source: PSR

| FYE Dec  | FY9            | FY10           | FY11           | FY12F          | FY13F          |
|--|----------------|----------------|----------------|----------------|----------------|
| <b>Balance Sheet (SGD mn)</b>                              |                |                |                |                |                |
| Cash, balances and placements with central banks           | 22,515         | 31,203         | 25,304         | 36,047         | 38,873         |
| Singapore Government treasury bills and securities         | 15,960         | 11,546         | 12,503         | 12,450         | 12,776         |
| Due from banks   | 22,203         | 20,306         | 25,571         | 35,740         | 36,520         |
| Financial assets at fair value through profit or loss      | 11,257         | 10,179         | 11,927         | 16,819         | 17,186         |
| Positive fair values for financial derivatives             | 16,015         | 16,767         | 21,164         | 21,164         | 21,164         |
| Financial investments                                      | 25,731         | 26,550         | 30,491         | 31,124         | 31,359         |
| Securities pledged   | 784            | 1,982          | 2,634          | 3,395          | 3,775          |
| Other assets   | 6,011          | 6,379          | 9,730          | 9,620          | 10,163         |
| Loans to non-bank customers                                | 129,973        | 151,698        | 194,275        | 216,277        | 238,302        |
| Investment in associates                                   | 672            | 813            | 949            | 1,069          | 1,189          |
| Goodwill on consolidation                                  | 5,847          | 4,802          | 4,802          | 4,802          | 4,802          |
| Properties and other fixed assets                          | 1,134          | 1,025          | 976            | 927            | 853            |
| Investment properties                                      | 398            | 358            | 372            | 372            | 372            |
| Deferred tax assets  | 144            | 102            | 149            | 149            | 149            |
| <b>Total Assets</b>  | <b>258,644</b> | <b>283,710</b> | <b>340,847</b> | <b>389,954</b> | <b>417,481</b> |
| Due to banks   | 9,108          | 18,811         | 27,601         | 36,793         | 39,354         |
| Due to non-bank customers                                  | 178,448        | 187,695        | 218,992        | 251,367        | 272,771        |
| Financial liabilities at fair value through profit or loss | 9,217          | 10,228         | 11,912         | 17,314         | 18,519         |
| Negative fair values for financial derivatives             | 16,406         | 17,222         | 22,207         | 22,207         | 22,207         |
| Bills payable  | 501            | 601            | 254            | 254            | 254            |
| Current tax liabilities                                    | 807            | 879            | 837            | 837            | 837            |
| Deferred tax liabilities                                   | 54             | 40             | 30             | 30             | 30             |
| Other liabilities  | 6,489          | 6,574          | 10,287         | 10,287         | 10,287         |
| Other debt securities in issue                             | 413            | 2,160          | 10,354         | 10,354         | 10,354         |
| Subordinated term debts                                    | 7,702          | 6,398          | 5,304          | 5,304          | 5,304          |
| <b>Total liabilities</b>                                   | <b>229,145</b> | <b>250,608</b> | <b>307,778</b> | <b>354,747</b> | <b>379,917</b> |
| Share capital  | 8,321          | 8,696          | 9,196          | 9,196          | 9,196          |
| Other reserves   | 6,879          | 7,084          | 7,075          | 7,075          | 7,075          |
| Revenue reserves/ Retained earnings                        | 10,173         | 10,819         | 12,523         | 14,429         | 16,546         |
| Non-controlling interest                                   | 4,126          | 6,503          | 4,275          | 4,506          | 4,747          |
| <b>Shareholder Equity</b>                                  | <b>29,499</b>  | <b>33,102</b>  | <b>33,069</b>  | <b>35,207</b>  | <b>37,564</b>  |
| <b>Cashflow Statements (SGD mn)</b>                        |                |                |                |                |                |
| CFO  |                |                |                |                |                |
| PBT  | 2,213          | 1,855          | 3,285          | 3,484          | 3,708          |
| Adjustments  | 1,699          | 2,061          | 716            | 1,364          | 1,383          |
| Cash from ops before WC changes                            | 3,912          | 3,916          | 4,001          | 4,848          | 5,091          |
| WC changes   | 1,504          | 1,313          | (5,172)        | 7,982          | (167)          |
| <b>Cashflow from ops</b>                                   | <b>5,095</b>   | <b>4,847</b>   | <b>(1,682)</b> | <b>12,216</b>  | <b>4,270</b>   |
| <b>Cashflow from investments</b>                           | <b>(81)</b>    | <b>134</b>     | <b>(139)</b>   | <b>(127)</b>   | <b>(93)</b>    |
| <b>Cashflow from financing</b>                             | <b>1,557</b>   | <b>920</b>     | <b>(4,386)</b> | <b>(1,346)</b> | <b>(1,351)</b> |
| <b>Net change in cash</b>                                  | <b>6,571</b>   | <b>5,901</b>   | <b>(6,207)</b> | <b>10,743</b>  | <b>2,826</b>   |
| <b>CCE, end</b>  | <b>19,281</b>  | <b>25,112</b>  | <b>18,886</b>  | <b>29,629</b>  | <b>32,455</b>  |
| <b>Supplementary items</b>                                 |                |                |                |                |                |
| Risk-weighted assets (SGD mn)                              | 177,222        | 182,694        | 213,722        | 226,030        | 236,596        |
| Tier 1 capital (SGD mn)                                    | 23,265         | 27,643         | 27,535         | 29,441         | 31,558         |
| Total capital (SGD mn)                                     | 29,628         | 33,627         | 33,828         | 35,734         | 37,851         |
| Core Tier 1 CAR (%)  | 11.0%          | 11.8%          | 12.9%          | 11.2%          | 11.6%          |
| Tier 1 CAR (%)   | 13.1%          | 15.1%          | 12.9%          | 13.0%          | 13.3%          |
| Total CAR (%)  | 16.7%          | 18.4%          | 15.8%          | 15.8%          | 16.0%          |

Source: PSR





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