

How are Asian Banks different and their Role on the Global Stage

CHNG Sok Hui
Chief Financial Officer
DBS Group

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Banking Post-Crisis: Re-assessment of Fundamental Drivers of Value Creation

Pre-crisis	Post-crisis: Emphasis on fundamental drivers of value creation
Revenue growth	Risk-reward trade-off
Maximizing shareholder value	Building sustainable business models
Asset growth	Optimizing balance sheet while maintaining prudent capital and liquidity positions
Cross-sell	Financial solutions for customers and fair-dealing practices

Banks in Asia remain strong after the crisis...



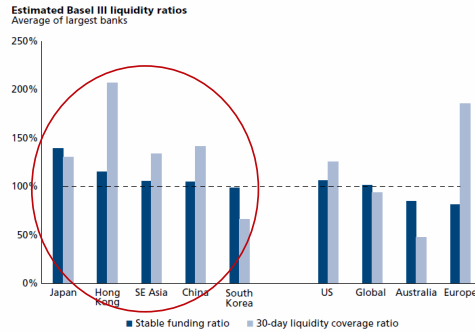
Asian Banks: Success Factors

- **Less affected by 2008-9 financial crisis**
 - Of the total US\$1.5trn in writedowns and credit losses reported from Jul 2007 to Jul 2009, only 2.7% came from Asian financial institutions
- **Strong capital and liquidity positions**
 - Asian banks well capitalized; revamped credit risk management practices - e.g. scoring, exposure consolidation - since 1997 financial crisis
 - Strong liquidity position underpinned by high Asian savings rates
 - More ready than their western peers to meet Basel III capital and liquidity requirements
- **Macro-financial tail-risks contained by financial policymakers**
 - Prudent fiscal policy
 - Appropriate monetary policy
 - Macro-prudential measures

Structural bank indicators of emerging Asia⁽¹⁾ (2000 – 2009)

Year	NPL (%)	CAR (%)	ROA (%)
2000	16.6%	13.5%	0.7%
2009	4.1%	14.2%	1.8%

Comparison of banking sector positioning for Basel III rules⁽²⁾



⁽¹⁾ Emerging Asia: China, Hong Kong, India, Indonesia, Korea, Malaysia, Philippines, Singapore, Thailand ; Source: BIS

⁽²⁾ Source: Oliver Wyman



Asian Banks: Success Factors (cont'd)

Examples of assertive policy by Asian financial policymakers to contain macro-financial tail-risks and dampen effects of volatile capital flows

Measures to control capital inflows



- South Korea imposed taxes on interest incomes earned by foreigners on foreign currency bonds issued in the country

Tightened monetary policies to control inflation



- China: 5 interest rate hikes since Oct 2010, raised required reserve ratio 6 times this year
- India: raised cost of borrowing in Sep 2011, the 12th interest rate hike since Mar 2010

Austerity measures to control property prices



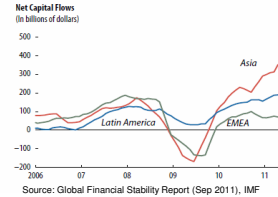
- China: higher down payments, ban on multiple home purchases with tax measures
- Singapore: 4 rounds of cooling measures with the latest in Jan 2011
- Hong Kong: additional taxes and higher down-payments implemented in Nov 2010; further measures on down-payments implemented in Jun 2011



Potential Clouds on the Horizon

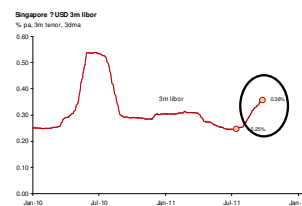
- **Eurozone debt crisis and global economic slowdown**
 - Uncertainties around Greece's solvency and implications on European banking system, e.g. French banks' overall exposure to Greek public and private sector debt stood at about €65 billion
 - Potential risk of financial contagion from Eurozone
 - Early signs of a global economic slowdown
- **Poor post-Bretton Woods international financial coordination: Trade imbalances and volatile capital flows (hot money)**
 - Huge capital inflows to Asia, seen as a safe haven, at early of the year → creating market volatility and stoking inflation
 - Seeing recent capital outflows in some Asian countries e.g. nearly \$2bn Indonesian bonds have been sold from \$78bn in 10 days in Sep 2011
- **Inflation still high in some countries – possibly creating a gap between slower growth and policy easing**
 - India: 9.8%, a 13-month high, in Aug 2011 vs 8.5% in Aug 2010 (9.2% in Jul 2011)
 - China: 6.2% in Aug 2011 vs 3.5% in Aug 2010 (6.5% in Jul 2011)

Net capital flows to emerging markets (2006 – 1H 2011)

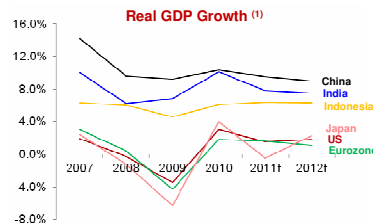


But Strong Asian Fundamentals and Favourable Medium Term Outlook

- **RMB internationalization to reduce reliance on USD for Asian cross-border trade & investment**
 - RMB-denominated cross border trade and investments to increase relative to USD as China economic weight increases
 - USD funding imbalance for Asian banks a manageable transitory phenomenon that will ease with continued RMB internationalisation
 - RMB deposits: Share of RMB deposits in HK has grown from 1% (RMB64bn) to 9% (RMB572bn) from Jan 2010 to Jul 2011
 - RMB trade settlement: Volume of RMB trade settlement in HK grew 15 times from RMB10bn in Jul 2010 to RMB149bn in Jul 2011



- **Asian economies growth projected to continue:**
 - Productivity catch-up and favourable demographic trends
 - China: 9.5% in 2011 and 9.0% in 2012
 - India: 7.8% in 2011 and 7.5% in 2012
 - US: 1.5% in 2011 and 1.8% in 2012
 - Eurozone: 1.6% in 2011 and 1.1% in 2012



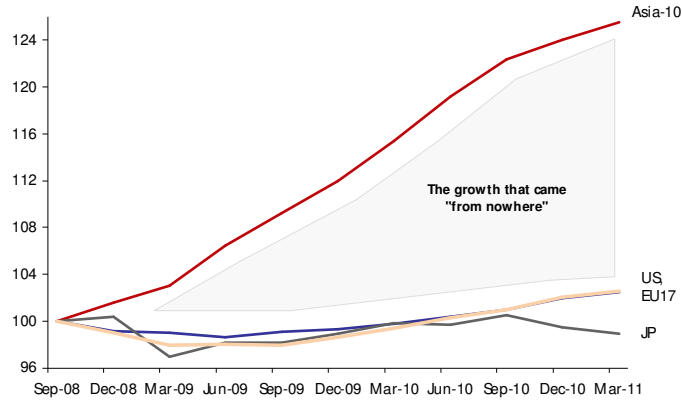
(1) Source : IMF projections

Asia Rising - Growth Increasingly Driven by Consumption

Asia is the largest contributor to global consumption since Sep-08

Real global consumption

3Q08=100, seas adj



Asia-10: CH, HK, TW, KR, SG, MY, TH, ID, PH, IN
Source: DBS Research



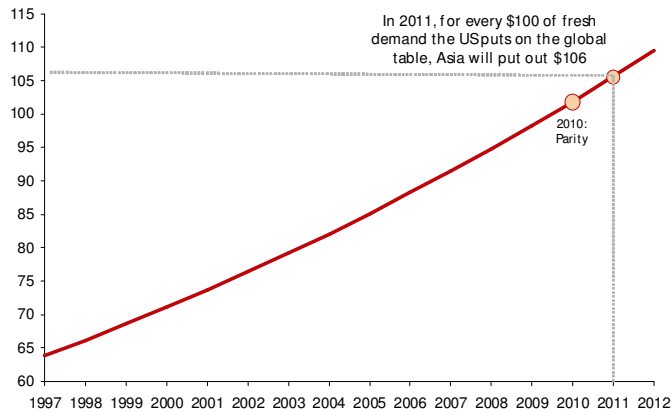
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Asia Rising - Not Just a Short Term Story

The biggest structural change underway in the global economy today

Asia 10 ? domestic demand growth as % of US domestic demand growth

Incremental Asia Dom Dem as % of incremental US Dom Dem, structural terms

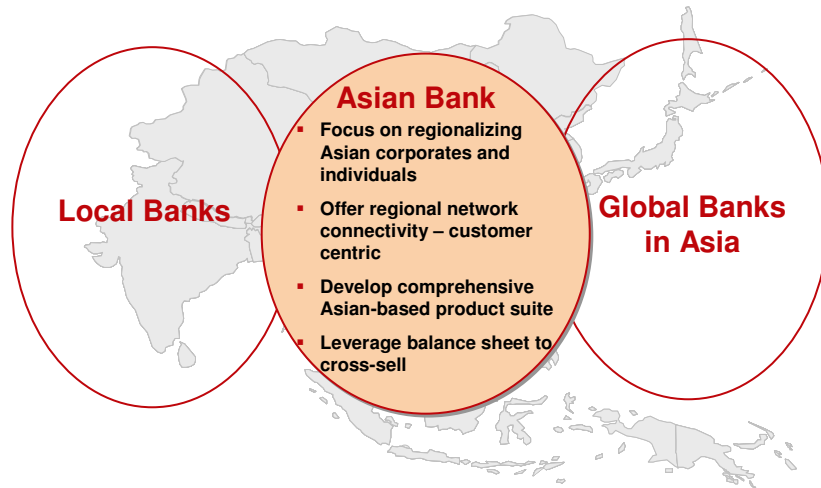


Asia-10: CH, HK, TW, KR, SG, MY, TH, ID, PH, IN
Source: DBS Research



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Building the Asian Bank of Choice for the New Asia



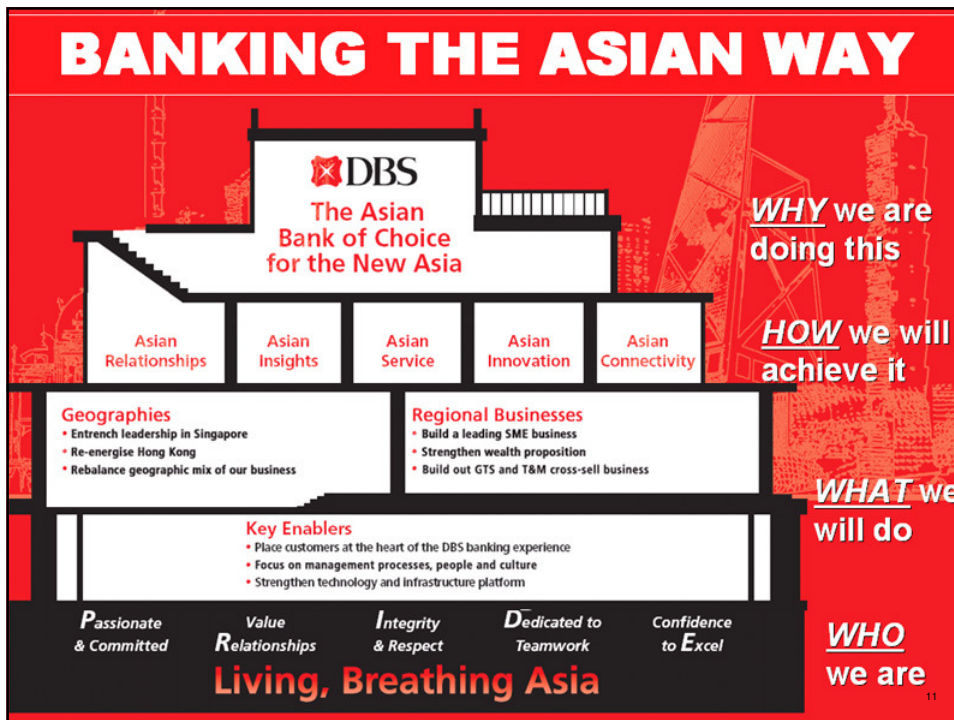
DBS Today: A Leading Financial Services Group in Asia, with over 200 branches across 15 markets

Key Facts

- Market leader in Singapore with over four million customers
- Growing presence in 3 key Asian axes of growth -- Greater China, Southeast Asia and South Asia
- More than 17,000 staff representing over 30 nationalities
- Strong capital position
- "AA-" and "Aa1" credit ratings among the highest in Asia
- Assets of S\$309 bn, loans of S\$169 bn, market capitalization of S\$36.4 bn ^(a)
- Named Global Finance's "Safest Bank in Asia" in 2009, 2010, 2011

DBS' Footprint in Asia





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