News Release

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DBS FIRST-HALF EARNINGS RISE TO RECORD SGD 2.39 BILLION

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Second-quarter net profit of SGD 1.12 billion underpinned by a 16% rise in total income

SINGAPORE, 27 July 2015 – A strong second quarter, similar to the record first quarter, propelled DBS Group's first-half 2015 net profit to a new high of SGD 2.39 billion. Excluding a one-time gain, net profit rose 12% to SGD 2.25 billion. First-half total income exceeded SGD 5 billion for the first time. Improved net interest margin, broad-based fee income growth and stronger treasury contributions resulted in a 14% increase in total income to SGD 5.43 billion.

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Co. Reg. No. 199901152M

For the second quarter, net profit rose 15% from a year ago to SGD 1.12 billion. Total income grew 16% to SGD 2.69 billion as net interest income and fee income reached new quarterly highs.

Asset quality remained strong. The non-performing loan rate stayed at 0.9% and allowance coverage was at 160%. Return on equity for the first half was 11.9% compared to 11.7% a year ago.

First-half earnings rise 12%

For the first six months, net interest income increased 13% to SGD 3.43 billion. Net interest margin improved six basis points to 1.72%. Loans grew by a reported 9% to SGD 280 billion. In constant-currency terms, loan growth was 5% as an increase in Singapore housing and regional corporate loans was partially offset by a decline in trade loans.

Non-interest income rose 16% to SGD 1.99 billion. Net fee income increased 13% to SGD 1.14 billion. Wealth management fees grew 34% to SGD 342 million from increased unit trust and insurance sales, while card fees increased 21% to SGD 207 million with higher customer transactions. Brokerage commissions rose 19% to SGD 101 million with higher regional equity market activity.

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Trading income increased 17% to SGD 629 million as the Group was well-positioned in foreign exchange and interest rates during a period marked by central bank action. Gains on investment securities rose 46% to SGD 146 million from higher profits booked on government securities.

All business units' income achieved new highs. Consumer Banking / Wealth Management income increased 28% to SGD 1.76 billion, with the Wealth Management customer segment rising 41% to SGD 743 million as assets under management increased 22% to SGD 143 billion. Institutional Banking income grew 7% to SGD 2.67 billion with contributions from lending and cash management activities leading the increase. Treasury income rose 28% to SGD 663 million.

Expenses were 15% higher at SGD 2.40 billion and the cost-income ratio was unchanged at 44%. Profit before allowances increased 13% to SGD 3.03 billion.

Total allowances rose 14% to SGD 318 million. Specific allowances rose to 20 basis points of loans from 14 basis points of loans a year ago, when there had been specific allowance write-backs from loan resolutions.

A one-time gain of SGD 136 million was recorded in the first quarter for the disposal of a property investment in Hong Kong.

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Second-quarter net profit up 15% from year ago

Net profit for the second quarter rose 15% from a year ago to SGD 1.12 billion. A 16% increase in total income to SGD 2.69 billion resulted in a 17% rise in profit before allowances to SGD 1.47 billion. The stronger performance was partially offset by lower associate contributions, which had been boosted a year ago by a non-recurring gain of SGD 39 million from the divestment of the operating entities of Hwang Capital (Malaysia).

Net interest income rose 12% to SGD 1.74 billion from an eight basis point increase in net interest margin to 1.75%. Loan and deposit volumes were also higher.

Non-interest income increased 25% to SGD 947 million. Net fee income rose 16% to SGD 582 million as contributions from most activities recorded double-digit percentage growth. Stronger trading income resulted in a 44% increase in other non-interest income to SGD 365 million.

Expenses rose 16% to SGD 1.22 billion. Allowances were 7% higher at SGD 137 million as loan resolutions a year ago had resulted in specific allowance write-backs.

Second-quarter earnings little changed from record in previous quarter

Second-quarter net profit was 1% below the record earnings in the previous quarter. Higher net interest income and fee income as well as lower allowances were offset by a decline in trading income.

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Net interest income rose 3% during the quarter. Loans were 1% higher in constant-currency terms as trade and Singapore housing loans grew. Net interest margin increased six basis points to 1.75%, the highest in 13 quarters, as more SGD loans were re-priced in line with the recent rise in interbank and swap offer rates. In addition, balance sheet efficiency improved as excess liquidity resulting from surplus deposits and the sharp decline in trade loans was managed out.

Net fee income increased 4%. Investment banking fees doubled mainly from debt capital market activities while brokerage commissions rose with increased equity market activities. The momentum in wealth management and card contributions was sustained as they rose to quarterly highs. Other non-interest income declined 25% as trading income and gains from investment securities declined from a high base in the previous quarter.

Total income fell 2% while expenses rose 3%. Total allowances were 24% below the previous quarter as both specific and general allowances fell.

Balance sheet remains strong

Asset quality remained strong. The non-performing rate of 0.9% was unchanged from recent quarters while allowance coverage was 160%. If collateral was considered, allowance coverage was 304%.

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The Group had ample liquidity for supporting business growth and meeting contingencies. Total deposits fell to SGD 306 billion as high-cost surplus deposits were managed out. Liquidity was supplemented by wholesale funds including medium term notes and commercial papers. Based on liquidity requirements effective 1 January 2015 under the Basel framework, the Group's average liquidity coverage ratio during the second quarter was 131%, which was comfortably above the final regulatory minimum of 100% effective 1 January 2019. The Group has also met the net stable funding ratio requirement which will come into effect on 1 January 2018.

Capital remained healthy with the Common Equity Tier-1 ratio at 13.4%, Tier-1 ratio at 13.4% and the total capital adequacy ratio at 15.3%. The leverage ratio of 7.3% was twice the minimum of 3% currently envisaged by the Basel Committee.

The Board declared a first-half dividend of 30 cents per share compared to 28 cents a year ago. The increase is in line with the Group's policy of paying sustainable dividends in line with its capital management objectives and long-term growth prospects. The scrip dividend scheme will be applicable to the dividend. Scrip dividends will be issued at the average of the last dealt prices on each of 31 July, 3 and 4 August 2015.

DBS CEO Piyush Gupta said, "Despite slowing growth across the region, DBS achieved record earnings in the first half of the year driven by strong broad-based income growth. Notably, net interest margin is at its highest in 13 quarters. In a reflection of our confidence in the sustainability of our earnings, we are pleased to raise first-half dividends to reward shareholders."

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About DBS

DBS - Living, Breathing Asia
DBS is a leading financial services group in Asia, with over 280 branches across 18 markets. Headquartered and listed in Singapore, DBS has a growing presence in the three key Asian axes of growth: Greater China, Southeast Asia and South Asia. The bank's capital position, as well as "AA-" and "Aa1" credit ratings, is among the highest in Asia-Pacific. DBS has been recognised for its leadership in the region, having been named "Asia's Best Bank" by The Banker, a member of the Financial Times group, and "Best Bank in Asia-Pacific" by Global Finance. The bank has also been named "Safest Bank in Asia" by Global Finance for six consecutive years from 2009 to 2014.

DBS provides a full range of services in consumer, SME and corporate banking activities across Asia. As a bank born and bred in Asia, DBS understands the intricacies of doing business in the region's most dynamic markets. These market insights and regional connectivity have helped to drive the bank's growth as it sets out to be the Asian bank of choice. DBS is committed to building lasting relationships with customers, and positively impacting communities through supporting social enterprises, as it banks the Asian way. It has also established a SGD 50 million foundation to strengthen its corporate social responsibility efforts in Singapore and across Asia.

With its extensive network of operations in Asia and emphasis on engaging and empowering its staff, DBS presents exciting career opportunities. The bank acknowledges the passion, commitment and can-do spirit in all of our 21,000 staff, representing over 40 nationalities. For more information, please visit www.dbs.com.

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