News Release

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DBS FULL-YEAR 2012 NET PROFIT RISES TO RECORD SGD 3.81 BILLION

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Full-year net profit before divestment gains rises 11% to SGD 3.36 billion

SINGAPORE, 6 February 2013 – DBS Group Holdings' net profit for full-year 2012 reached a record SGD 3.81 billion, which included divestment gains of SGD 450 million. Excluding the gains, net profit rose 11% from the previous year to SGD 3.36 billion.

Total income crossed SGD 8 billion for the first time as net interest income reached a new high and customer-driven non-interest income continued to grow, reflecting DBS' deepening franchise across the region. Return on equity before the divestment gains rose to 11.2%, the best in five years.

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Full-year net profit growth driven by higher income and lower allowances

Net interest income grew 10% to SGD 5.29 billion. Loans expanded 12% in constant currency terms to SGD 211 billion from regional corporate borrowing and Singapore consumer loan growth. Net interest margin fell seven basis points to 1.70% as a result of market liberalisation in China and asset re-pricing in a soft interest rate environment, partially offset by an improved average loan-deposit ratio.

Non-interest income was little changed at SGD 2.78 billion as improved cross-selling was offset by lower equity capital market activities. Fee income from trade and remittances, wealth management product sales and cards recorded double-digit percentage increases, in line with efforts to grow these businesses. Income from customer flows for treasury products increased 6% to SGD 868 million and accounted for 44% of total treasury income. While weak equity markets affected stockbroking and investment banking income, DBS benefited from strong bond and real estate investment trust activity during the year as it led in both domestic and cross-border issuances.

Total income rose 6% to a record SGD 8.06 billion, led by a 31% rise in transaction banking income to SGD 1.41 billion and a 27% increase in wealth management income to SGD 786 million.

Expenses rose 9% to SGD 3.61 billion from the full-period impact of investments and staff increases made in the previous year to support business growth. The cost-income ratio was at 45%, with staff costs making up 23% of income.

Credit conditions remained benign and specific allowances were stable at SGD 198 million or 10 basis points of loans. General allowances of SGD 211 million were taken in tandem with SGD 16 billion of loan growth during the year.

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A gain of SGD 450 million was recorded for the partial divestment of a stake in the Bank of Philippine Islands.

Fourth-quarter profit before tax up 10% from a year ago

Fourth-quarter profit before tax rose 10% to SGD 923 million. Net profit rose by a lower 4% to SGD 760 million as the tax rate had halved in fourth quarter 2011 from a finalisation of prior years' tax assessments.

Total income rose 2% to SGD 1.96 billion. Net interest income was unchanged at SGD 1.29 billion as lower net interest margin offset the impact of loan growth. Non-interest income grew 6% to SGD 666 million with higher contributions from wealth management product sales and trade and remittances. Net gains on fixed asset disposals also rose.

Expenses grew 7% to SGD 943 million. Total allowances halved to SGD 114 million as both general and specific allowances registered declines.

Fourth-quarter net profit 11% below previous quarter

Fourth-quarter net profit was 11% below the previous quarter, partly reflecting seasonal trends. Total income declined while expenses and allowances increased.

Net interest income fell 3%. Loans rose 4% in constant currency terms led by regional corporate loans. Net interest margin fell five basis points to 1.62% due to a decline in corporate loan spreads, yields for investment securities and the average loan-deposit ratio. Non-interest income was little changed as lower investment banking income was offset by higher net gains from fixed assets.

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Expenses rose 5% from higher computerisation and seasonal expenses. Total allowances doubled, with general allowances rising in line with the higher loan growth compared to the previous quarter.

Balance sheet remains strong

Asset quality continued to be strong. Non-performing assets fell 6% from a year ago to SGD 2.7 billion, of which 46% were current in interest and principal. The non-performing loan rate declined slightly to 1.2%. The allowance coverage of non-performing assets rose to 142%, the highest on record.

Liquidity remained healthy as DBS built up funding from diversified sources. Strong liquidity buffers were maintained across currencies to protect against contingencies as well as support business growth. The loan-deposit ratio was at 87% as deposits rose 10% in constant currency terms from a year ago to SGD 243 billion. DBS continued to capture more than half of system Singapore-dollar savings deposits. Funding was supplemented by wholesale sources, including commercial papers and medium term notes.

Unrealised marked-to-market gains for the available-for-sale investment portfolio amounted to SGD 634 million, compared to SGD 411 million at end-2011. Gains of SGD 419 million were realised from the sale of investment securities during the year, compared to SGD 454 million in 2011.

DBS was also well capitalised. The Tier-1 ratio of 14.0% and total capital adequacy ratio of 17.1% were above regulatory requirements.

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Well-positioned to comply with Basel III capital and liquidity requirements

Basel III capital requirements came into effect in Singapore on 1 January 2013. Based on transitional arrangements prevailing on 1 January 2013, DBS' pro-forma Basel III core Tier-1 ratio as at 31 December 2012 was 13.5%. If all adjustments that are required by 1 January 2018 are made, DBS' pro-forma core Tier-1 ratio was 11.8%. Both ratios are above the minimum requirement, which progressively rises from 4.5% on 1 January 2013 to 9.0% on 1 January 2019 (including the capital conservation buffer).

In addition, DBS' leverage ratio, liquidity coverage ratio and net stable funding ratio are comfortably above the benchmarks set by the Basel Committee.

Delivering value to all stakeholders

CEO Piyush Gupta said, "DBS turned in yet another record-breaking year, with return on equity at a five-year high, notwithstanding the challenging operating environment. The solid, consistent performance over the past three years is testament to our ability to reshape the franchise, execute against strategy and deliver value to all our stakeholders. As the banking landscape continues to change and customer behaviours rapidly evolve, we will remain nimble as we deliver banking the Asian way and entrench our position as a leading bank in the region."

The Board declared a final dividend of 28 cents per share for approval by shareholders at the forthcoming annual general meeting. This would bring the full-year payout to 56 cents per share. The scrip dividend scheme will be applicable to the final dividend. Scrip dividends will be issued at the average of the last-dealt share price on each of 13, 14 and 15 May 2013.

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About DBS

DBS - Living, Breathing Asia

DBS is a leading financial services group in Asia, with over 200 branches across 15 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. In 2012, DBS was named “Asia’s Best Bank” by The Banker, a member of the Financial Times group, and Derivatives House of the Year, Asia ex-Japan, by Asia Risk. The bank has also been named “Safest Bank in Asia” by Global Finance for four consecutive years from 2009 to 2012.

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 also 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 believes that building lasting relationships with its customers is an integral part of banking the Asian way.

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 18,000 staff, representing over 30 nationalities. For more information, please visit www.dbs.com.

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