

Strong operating performance in challenging environment

**DBS Group Holdings
4Q 2016 financial results
February 16, 2017**

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Highlights

Strong full-year operating performance underpinned by broad-based income growth and productivity gains

- Total income up 6% to record \$11.5 billion from broad-based growth
- Productivity gains improve cost-income ratio by two percentage points to 43%
- Profit before allowances up 10% to \$6.52 billion

Improved 4Q operating performance on year provides headroom for higher SP; performance on quarter affected by seasonal factors

- 4Q total income up 5% on year to \$2.78 billion, and declines 5% on quarter from seasonal factors
- Expenses contained, declining 2% on year and increasing 2% on quarter
- Profit before allowances up 10% on year and fall 10% on quarter to \$1.55 billion
- Higher allowances from stresses in oil and gas support services sector

Balance sheet remains sound

- NPL at 1.4%, LCR at 133%, NSFR above 100%, fully phased-in CET 1 at 13.3%, leverage ratio at 7.7%

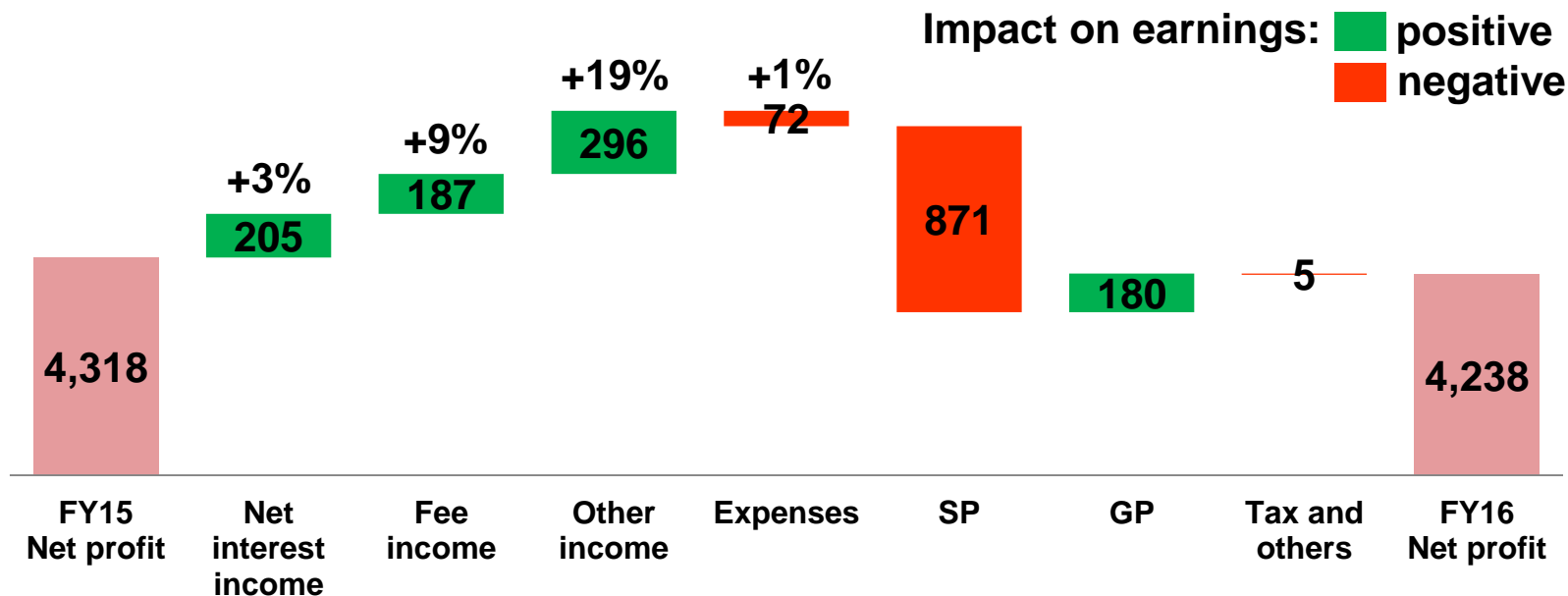
Subsequent event

- Divestment gains from investment property of \$350 million set aside as general allowances, raising GP reserves to \$3.52 billion and allowance coverage to 104%

Full-year profit before allowances up 10%

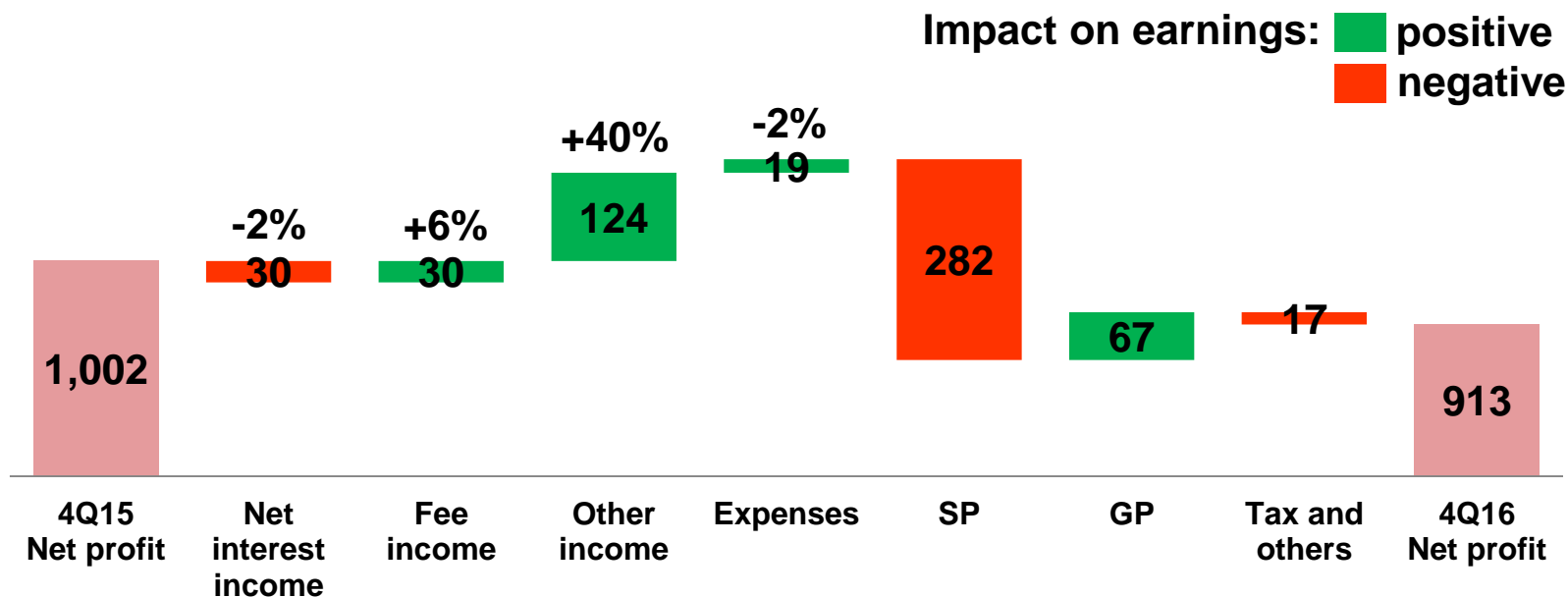
(S\$m)	<u>FY16</u>	<u>YoY %</u>
Total income	11,489	6
Expenses	4,972	1
Profit before allowances	6,517	10
Allowances	1,434	93
Net profit	4,238	(2)

- Profit before allowances up 10% from broad-based total income growth and productivity gains
- Cost-income ratio improves to 43% from 45%
- Higher SP from stresses in oil and gas support services sector



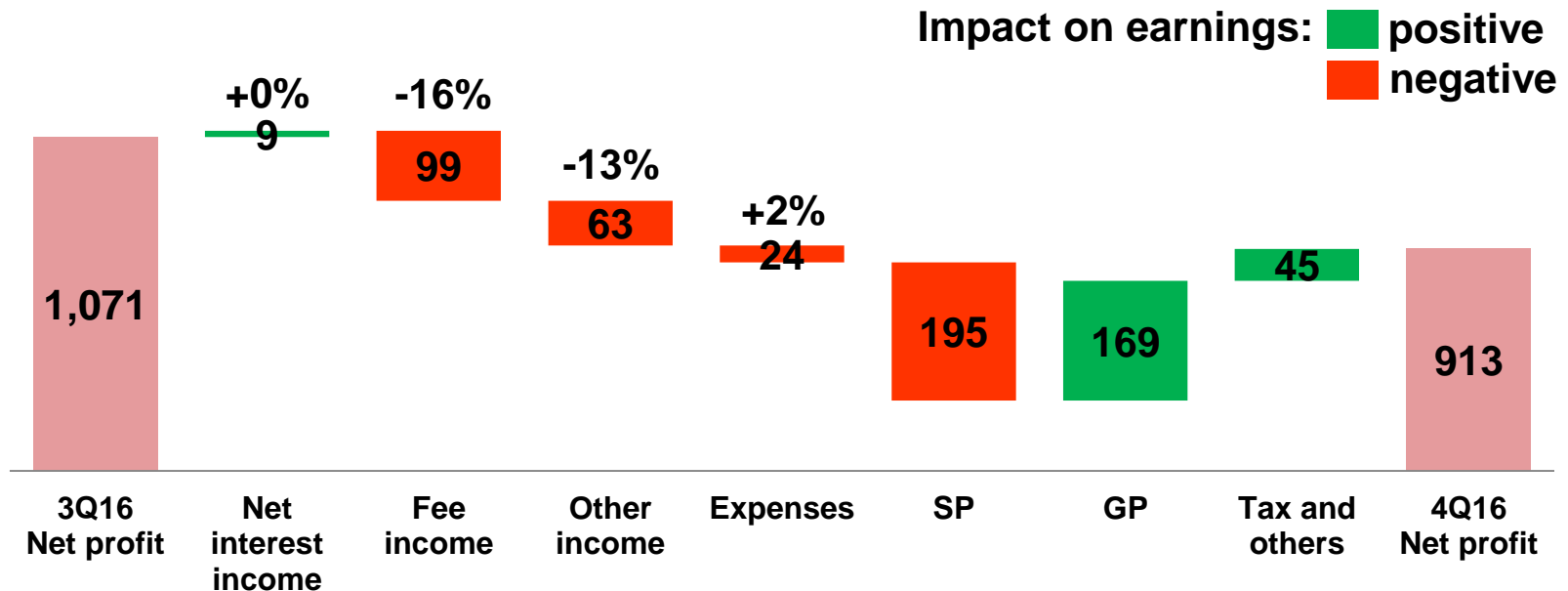
4Q profit before allowances up 10% on year

(S\$m)	4Q16	YoY %	
Total income	2,776	5	<ul style="list-style-type: none"> Profit before allowances up 10% from loan growth, higher non-interest income and lower costs
Expenses	1,223	(2)	
Profit before allowances	1,553	10	
Allowances	462	87	<ul style="list-style-type: none"> Strong performance provides headroom for higher SP
Net profit	913	(9)	



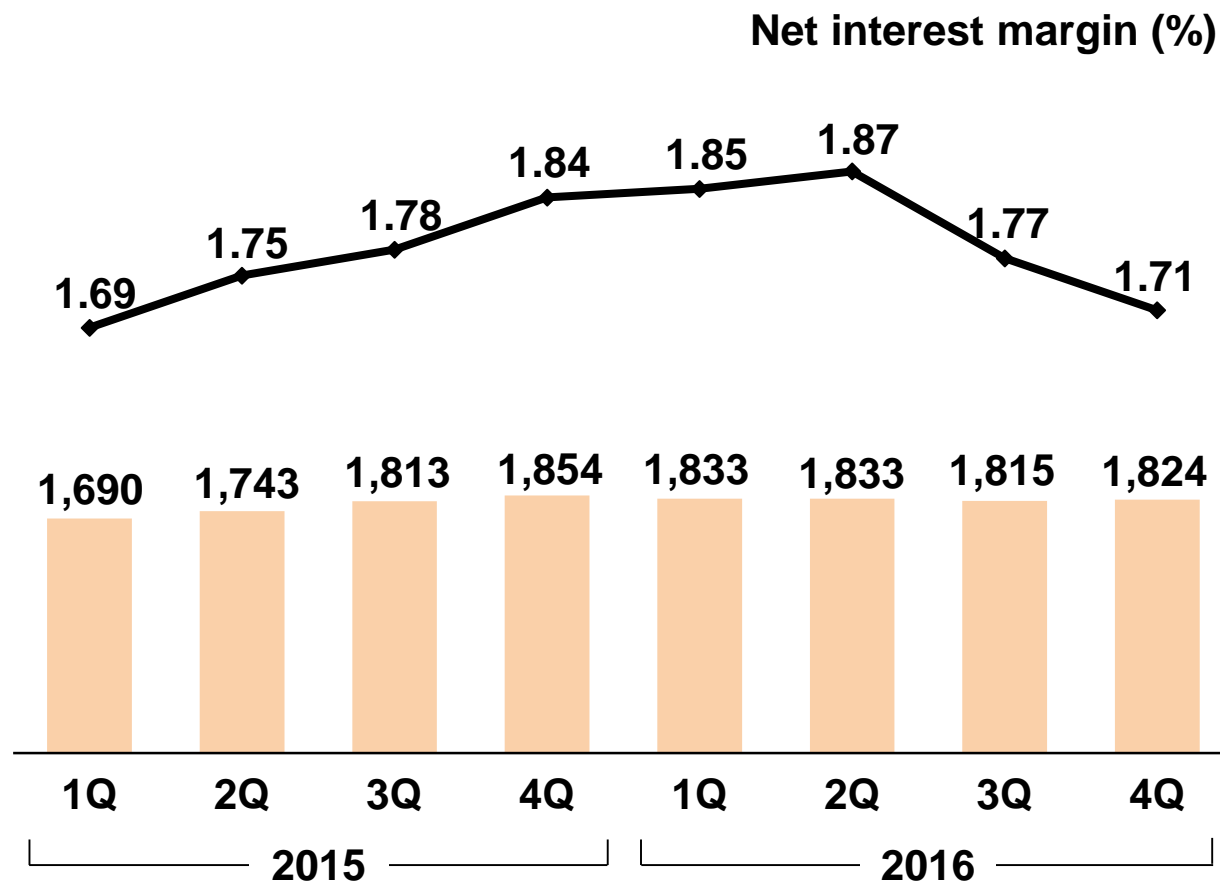
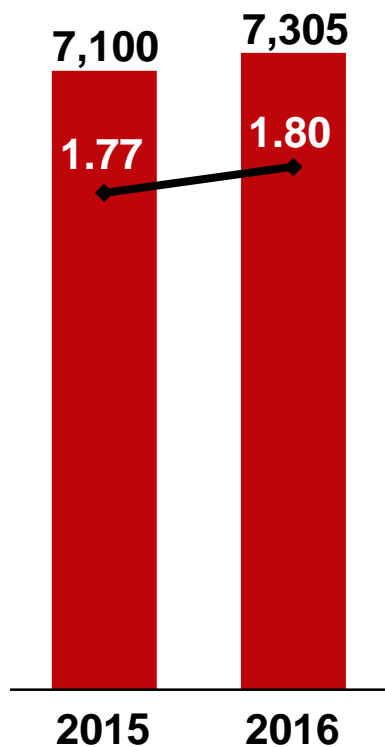
4Q earnings decline 15% on quarter

(S\$m)	<u>4Q16</u>	<u>QoQ %</u>	
Total income	2,776	(5)	<ul style="list-style-type: none"> Income declines from seasonal factors Cost increase contained at 2%
Expenses	1,223	2	
Profit before allowances	1,553	(10)	
Allowances	462	6	<ul style="list-style-type: none"> Higher SP partially offsets lower GP
Net profit	913	(15)	

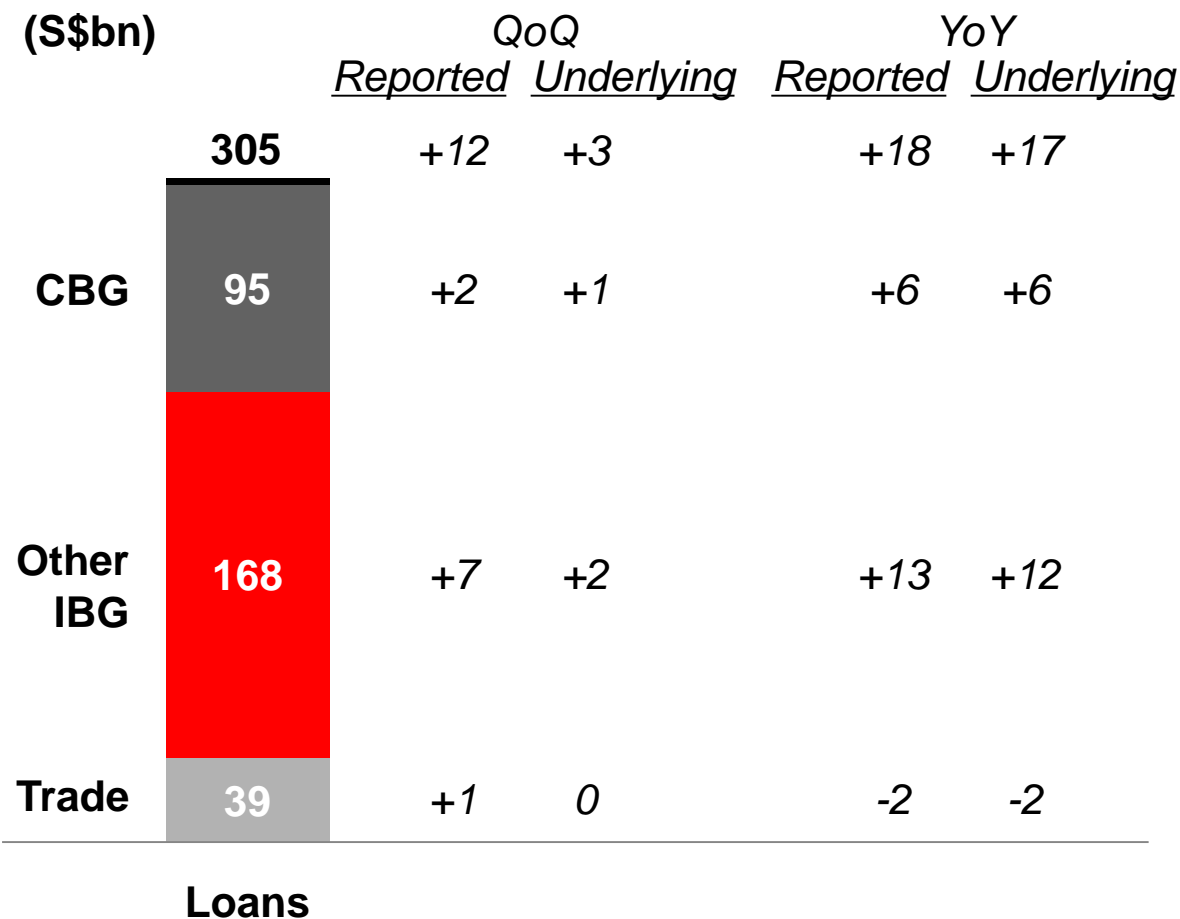


4Q NIM declines 6bp on quarter and 13bp on year to 1.71%

(S\$m)



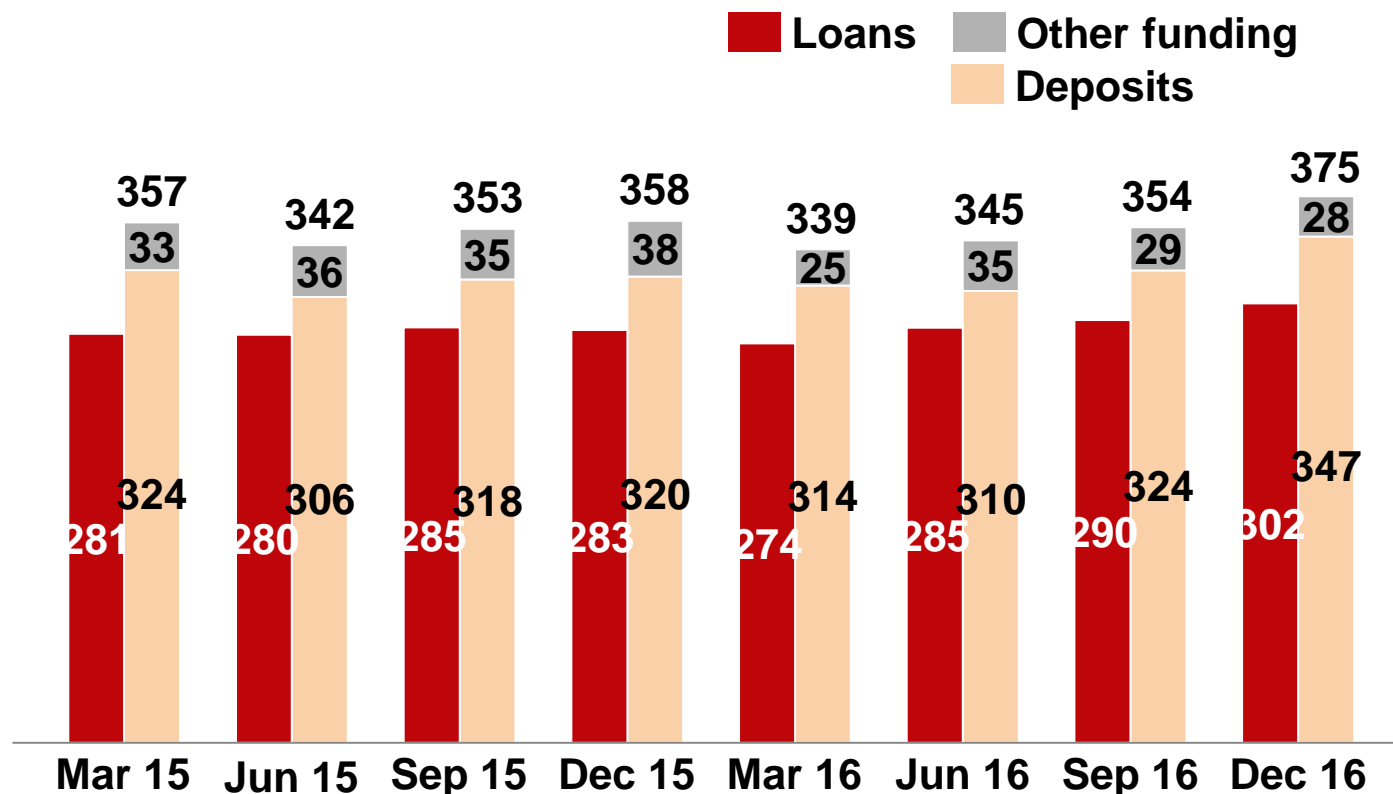
Loans up 1% on quarter in constant-currency terms



- Underlying loans up 1% or \$3 billion on quarter, and 6% or \$17 billion on year
- Non-trade loan growth led by corporate loans and continued market share gains in Singapore housing loans
- Trade loans little changed on quarter

Ample liquidity with LCR at 133%

(S\$bn)



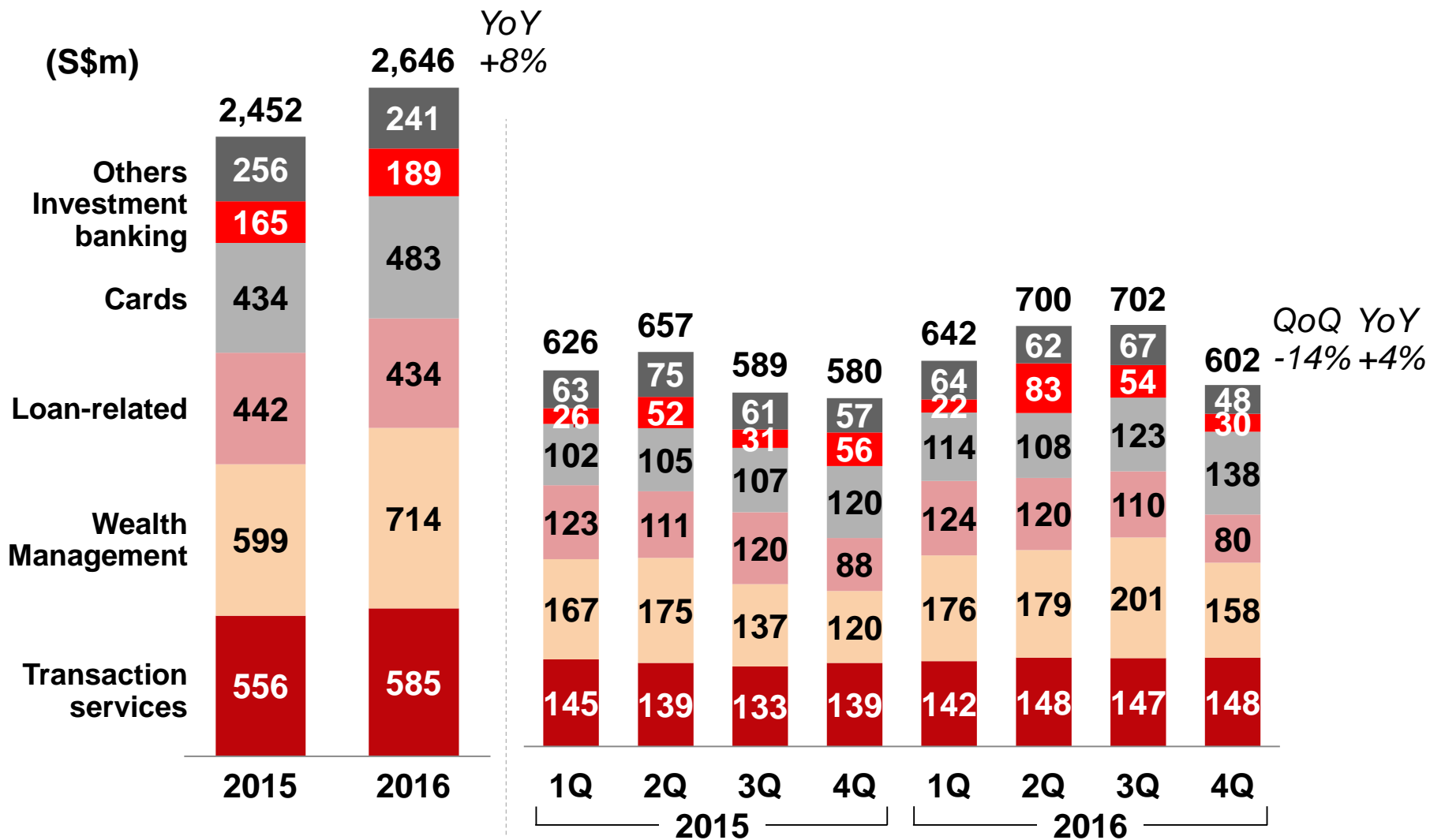
Ratios (%)

LDR	87	92	90	88	87	92	89	87
LCR	135	131	121	122	119	116	115	133

Other funding comprises senior medium term notes, commercial papers, negotiable certificates of deposit, other debt securities and covered bonds



Full-year fee income up 8% from broad-based growth



Gross fee income

IBG income little changed

(S\$m)	2016	2015	YoY %
Total income	5,216	5,290	(1)
Corporate	3,670	3,759	(2)
SME	1,546	1,531	1
Loans	2,816	2,826	0
Trade	738	920	(20)
Cash / SFS	835	670	25
Treasury	743	829	(10)
Investment banking	84	45	87
Expenses	1,737	1,722	1
Profit before allowances	3,479	3,568	(2)
Allowances	1,499	558	>100
Profit before tax	1,980	3,010	(34)
Assets (S\$bn)	232	224	3
GTS deposits (S\$bn)	137	127	8

- **Total income stable as higher cash management and investment banking income offset lower trade and treasury customer activities**
- **Higher SP due largely to stresses in the oil and gas support services sector**
- **Assets rise 3% or \$8 billion from growth in non-trade loans and other assets**

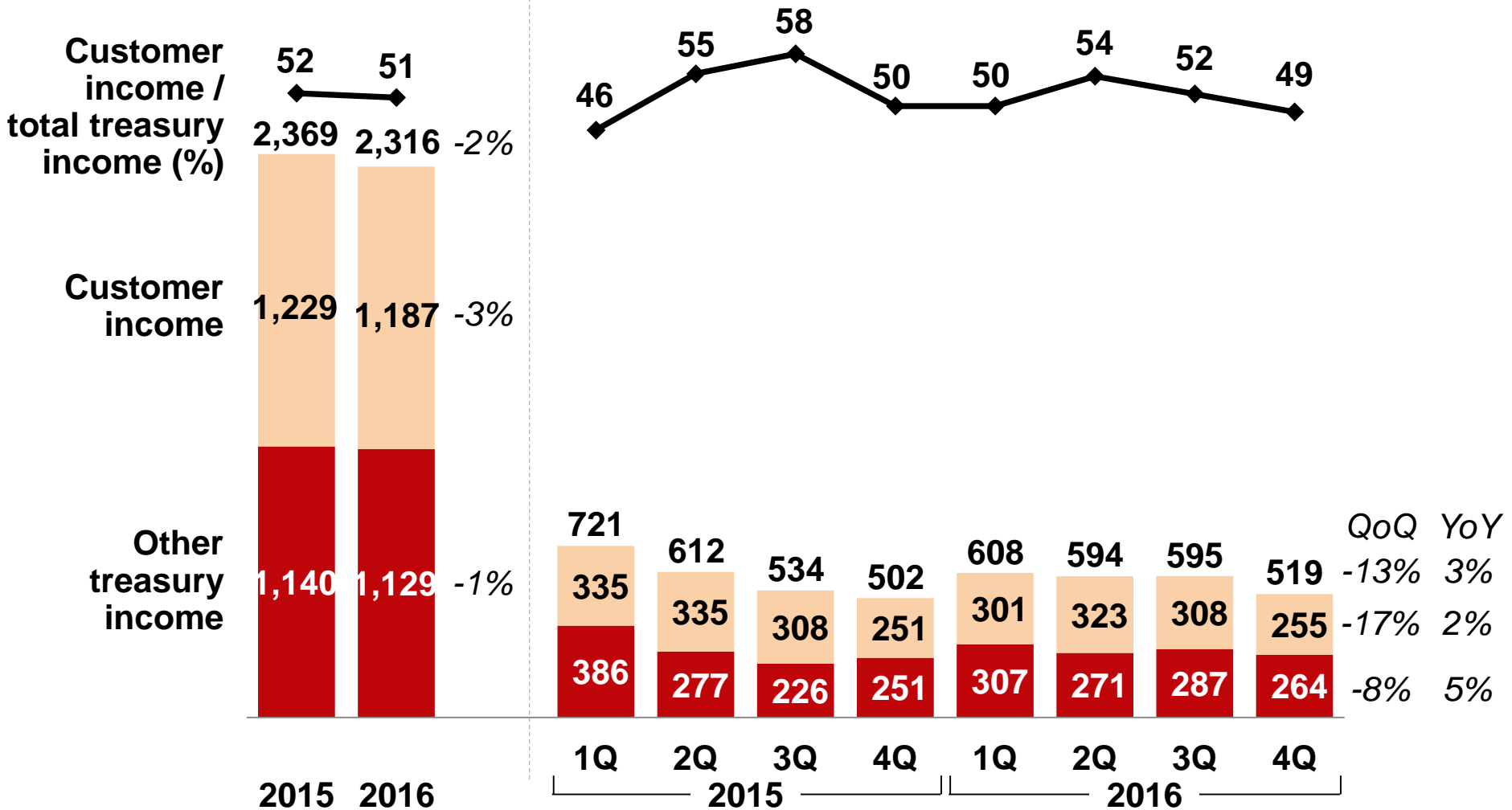
CBG income and earnings rise to new highs

(S\$m)	2016	2015	YoY %
Total income	4,279	3,547	21
Retail	2,598	2,131	22
Wealth Management	1,681	1,416	19
Loans and deposits	2,509	1,995	26
Investment products	1,135	958	18
Cards	580	531	9
Others	55	63	(13)
Expenses	2,384	2,261	5
Profit before allowances	1,895	1,286	47
Allowances	129	116	11
Profit before tax	1,766	1,170	51
AUM (S\$bn)	166	146	14
SGD savings (S\$bn)	109	105	4

- **Total income increases 21% from higher loan and deposit volumes, NIM, bancassurance and cards income**
- **Expenses up 5%, resulting in improved cost-income ratio**
- **Market share gains for Singapore housing loans; SGD savings market share stable**

Full-year treasury customer income declines 3%; other treasury income stable

(S\$m)

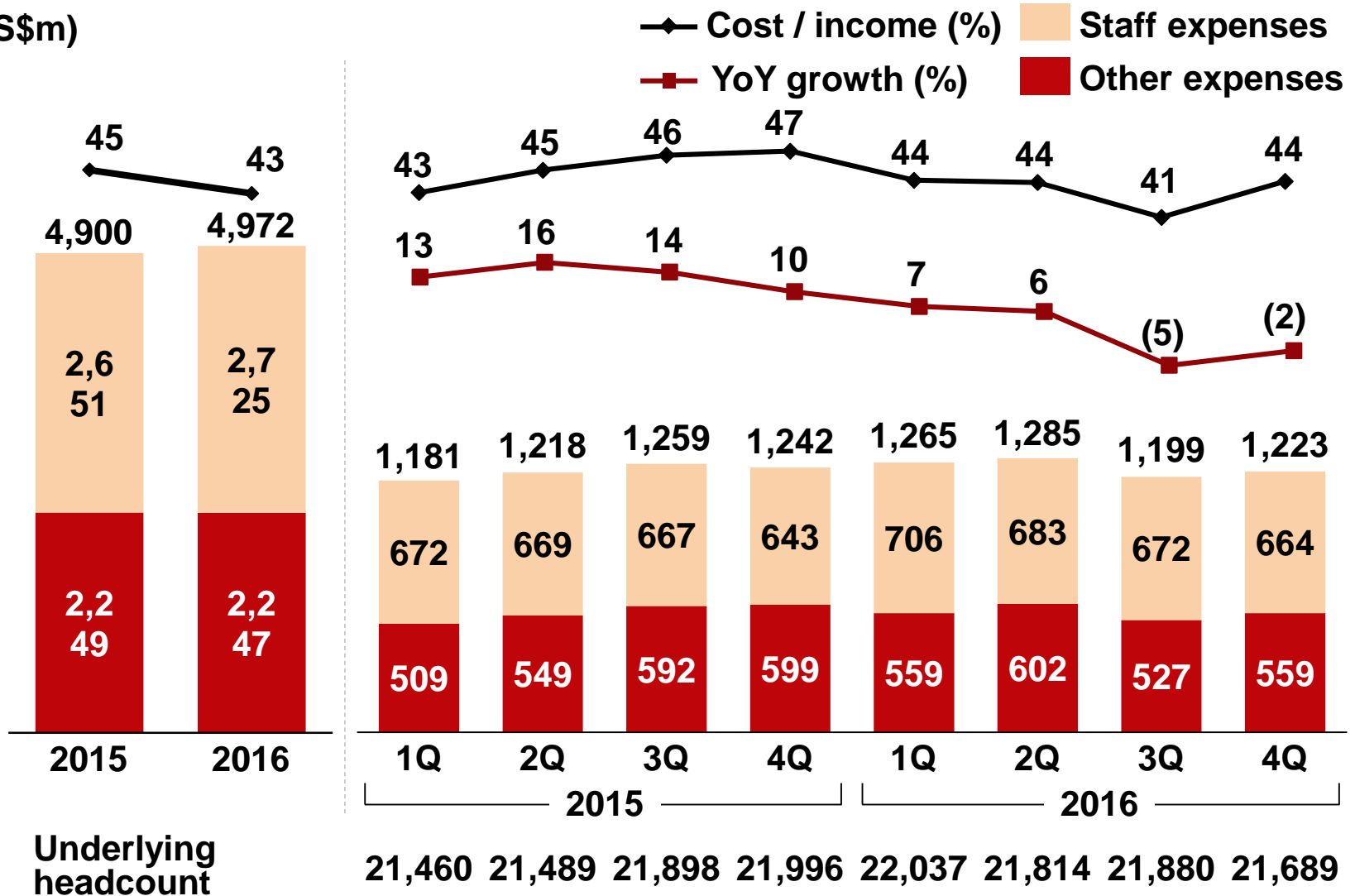


Treasury customer income is included under IBG/CBG segment income. It is included in this chart for a complete product view



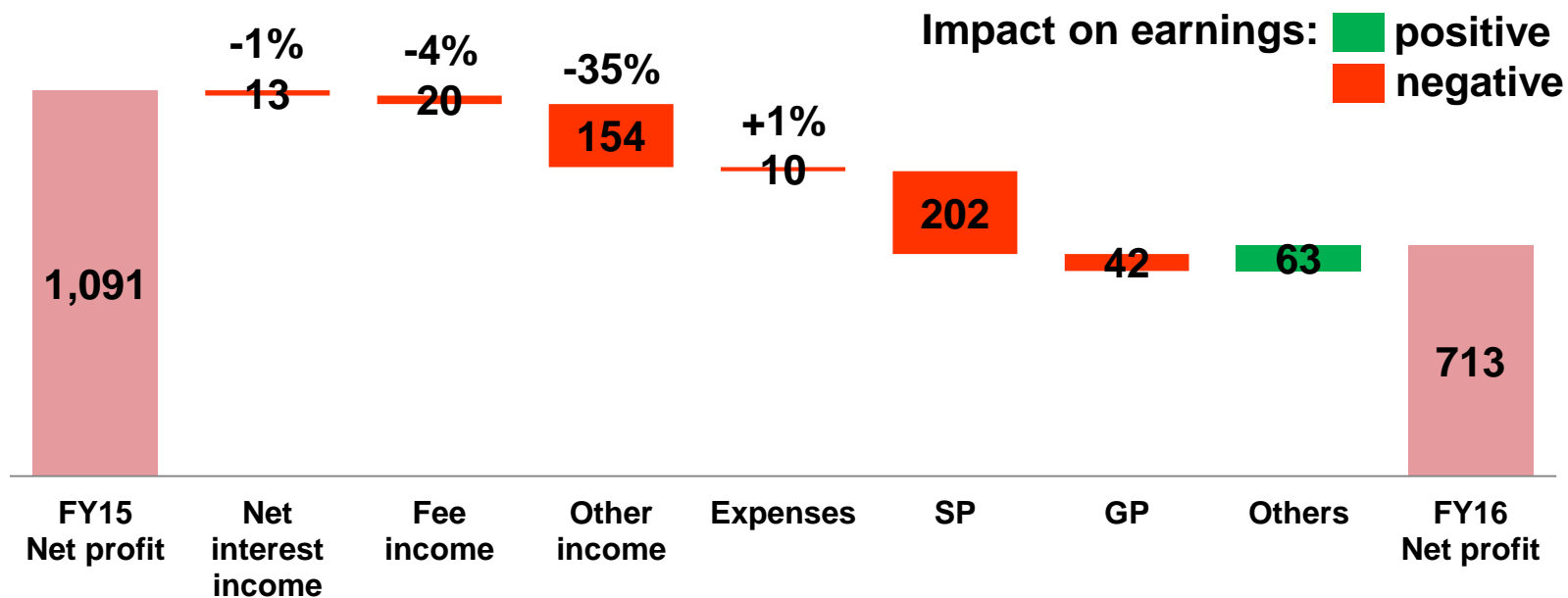
Full-year cost-income ratio improves to 43%

(S\$m)



Hong Kong's full-year earnings decline

(S\$m)	<u>FY16</u>	<u>YoY %</u>	
Total income	2,102	(8)	<ul style="list-style-type: none"> ▪ NIM up 5 bp to 1.73% ▪ Non-interest income affected by treasury sales due to RMB depreciation ▪ Higher SP mainly due to customers with RMB hedging derivatives
Expenses	961	1	
Profit before allowances	1,141	(15)	
Allowances	302	>100	
Net profit	713	(35)	

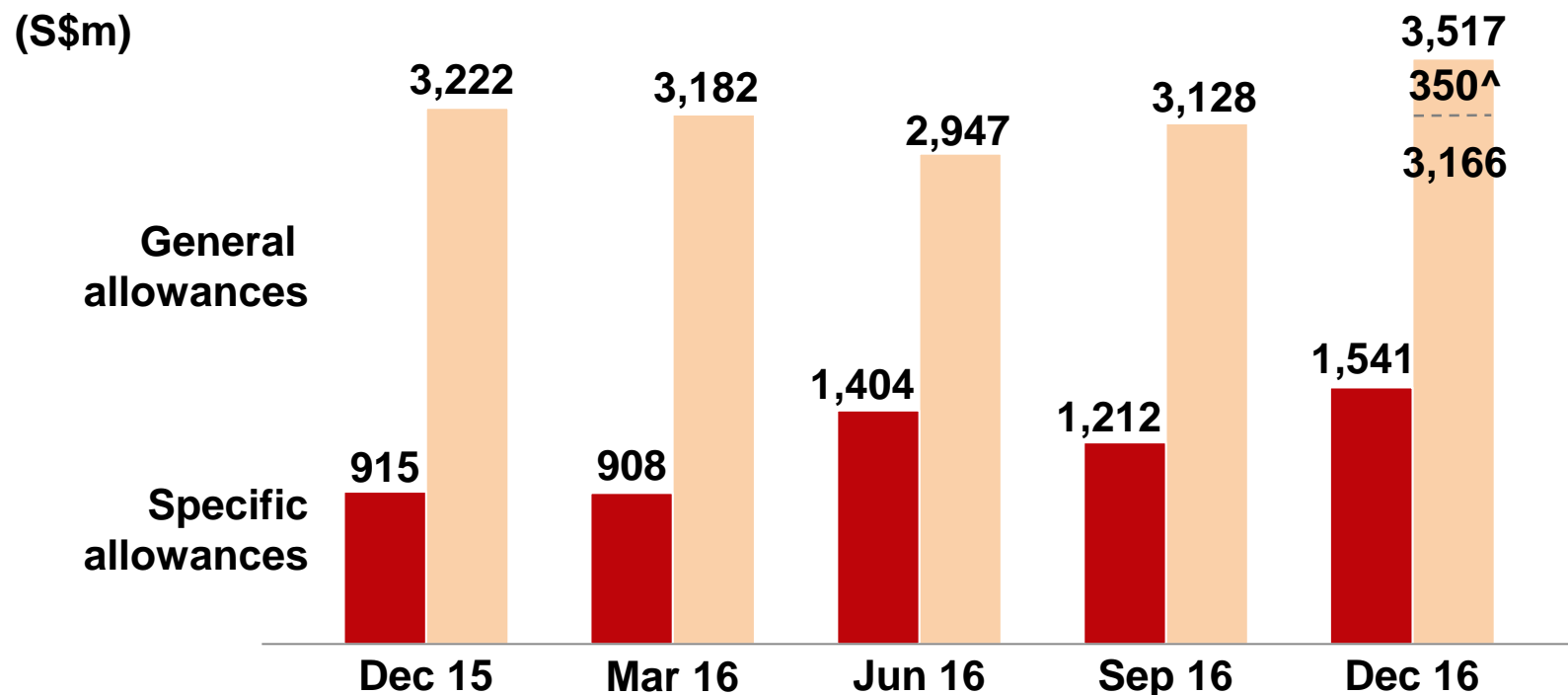


Minimal currency translation effects for full-year results

New NPAs decline on quarter, NPL rises moderately to 1.4%

(S\$m)	4Q 2016	3Q 2016	FY 2016
NPAs at start of period	4,330	3,854	2,792
New NPAs	779	1,055	3,556
Upgrades, recoveries and translation	(66)	(88)	(571)
Write-offs	(187)	(491)	(921)
NPAs at end of period	4,856	4,330	4,856
NPL ratio (%)	1.4	1.3	1.4
Specific allowance charges	462	267	1,493

Allowance coverage at 104% taking into account \$350 million of GP from property divestment gains

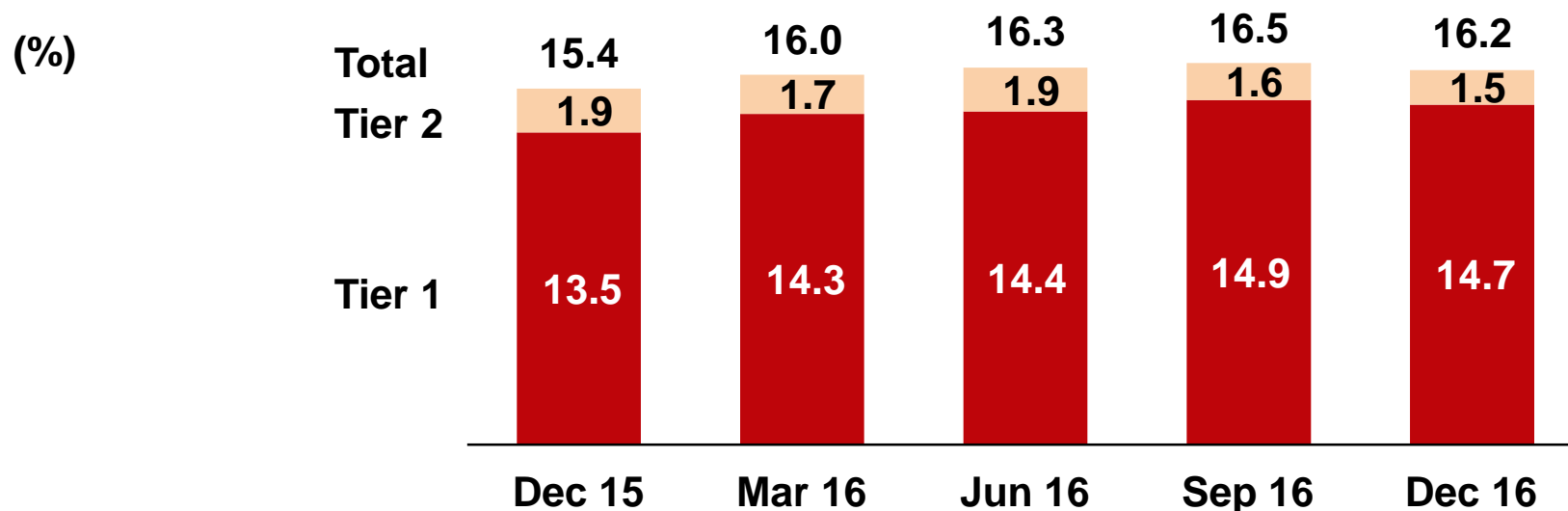


Cumulative general and specific allowances as % of:

NPA	148	134	113	100	104 [^]
Unsecured NPA	303	286	226	204	226 [^]

[^] S\$350 million of general allowances set aside from divestment of an investment property in Singapore announced on 10 February 2017

Strong CET-1 and leverage ratios

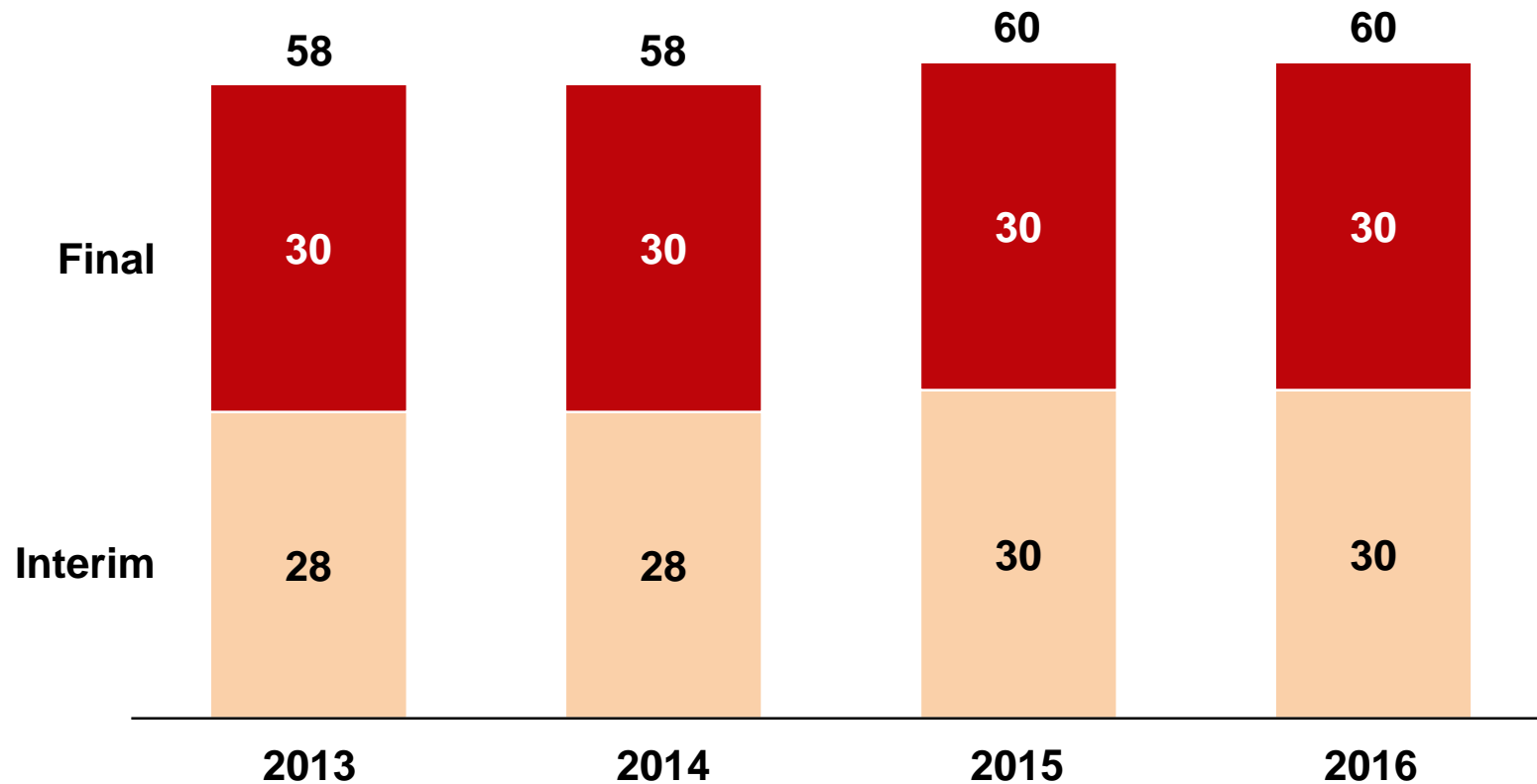


Common Equity Tier 1 (%)

Transitional	13.5	14.0	14.2	14.4	14.1
Fully phased-in	12.4	13.2	13.4	13.5	13.3
RWA (S\$bn)	274	269	268	271	279
Leverage ratio (%)	7.3	7.8	7.7	7.8	7.7

Final dividend of 30 cents per share

(S¢ per share)



In summary – strong operating performance in challenging environment

Strong operating performance with full-year profit before allowances up 10%, a payoff from investments in multiple business engines, digitalisation initiatives and cost management efforts

They enabled us to meet headwinds related to China and stresses in the oil and gas support services sector

Positioned to meet challenges in 2017 with

- Strong capital and liquidity and sound allowance reserves**
- Continued momentum in broad range of businesses**
- Upside from higher interest rates**
- Integration of ANZ retail and wealth management acquisition**

Supplementary slides

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Full-year income up 6% on broad-based growth

(S\$m)	FY 2016	FY 2015	YoY %
Net interest income	7,305	7,100	3
Fee income	2,331	2,144	9
Trading income	1,357	1,204	13
Other income	496	353	41
Non-interest income	4,184	3,701	13
Total income	11,489	10,801	6
Staff expenses	2,725	2,651	3
Other expenses	2,247	2,249	(0)
Expenses	4,972	4,900	1
Profit before allowances	6,517	5,901	10
General allowances	(59)	121	NM
Specific allowances	1,493	622	>100
Allowances	1,434	743	93
Net profit	4,238	4,318	(2)
One-time items	-	136	(100)
Net profit incl. one-time items	4,238	4,454	(5)

4Q profit before allowances up 10% on year

(S\$m)	4Q 2016	4Q 2015	YoY %	3Q 2016	QoQ %
Net interest income	1,824	1,854	(2)	1,815	-
Fee income	515	485	6	614	(16)
Trading income	397	289	37	338	17
Other income	40	24	67	162	(75)
Non-interest income	952	798	19	1,114	(15)
Total income	2,776	2,652	5	2,929	(5)
Staff expenses	664	643	3	672	(1)
Other expenses	559	599	(7)	527	6
Expenses	1,223	1,242	(2)	1,199	2
Profit before allowances	1,553	1,410	10	1,730	(10)
General allowances	-	67	(100)	169	(100)
Specific allowances	462	180	>100	267	73
Allowances	462	247	87	436	6
Net profit	913	1,002	(9)	1,071	(15)
One-time items	-	-	-	-	-
Net profit incl. one-time items	913	1,002	(9)	1,071	(15)

Full-year cost-income ratio declines

(%)	4Q 2016	4Q 2015	3Q 2016	FY 2016	FY 2015
Net interest margin	1.71	1.84	1.77	1.80	1.77
Fee income/total income	19	18	21	20	20
Non-interest income/total income	34	30	38	36	34
Cost/income	44	47	41	43	45
ROE	8.4	10.1	10.0	10.1	11.2
Loan/deposit	87	88	89	87	88
SP/loans (bp)	57	17	30	38	19
NPL ratio	1.4	0.9	1.3	1.4	0.9

Hong Kong's full-year earnings at \$713m

Constant-currency terms

(S\$m)	FY 2016	FY 2015	YoY %	YoY %
Net interest income	1,317	1,330	(1)	(1)
Non-interest income	785	959	(18)	(19)
Total income	2,102	2,289	(8)	(8)
Expenses	961	951	1	1
Profit before allowances	1,141	1,338	(15)	(15)
General allowances	(1)	(43)	NM	NM
Specific allowances	303	101	>100	>100
Allowances	302	58	>100	>100
Net profit	713	1,091	(35)	(35)
Net interest margin (%)	1.73	1.68		
Loan growth (%)				(0)
Non-trade growth (%)				3
Trade growth (%)				(14)
Deposit growth (%)				5

Hong Kong's 4Q profit before allowances fall 12% on year

Constant-currency terms

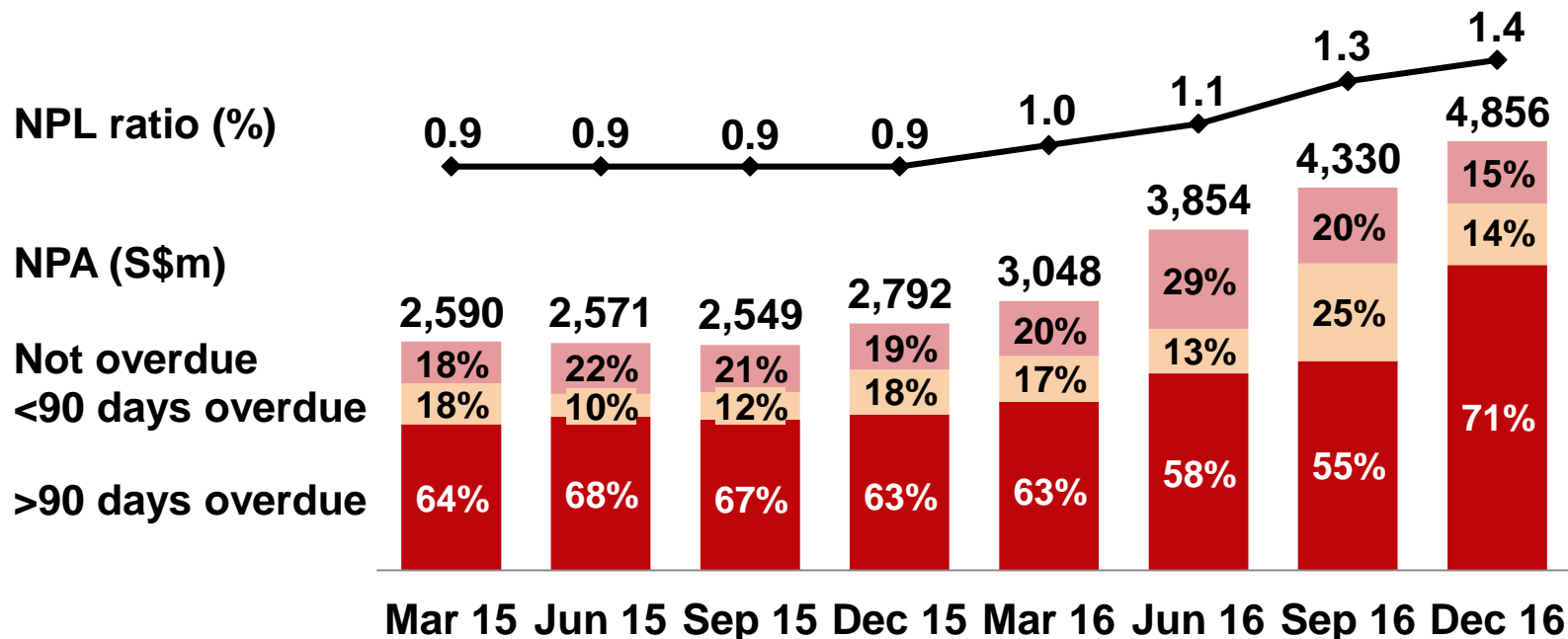
(S\$m)	4Q 2016	4Q 2015	YoY %	YoY %	3Q 2016	QoQ %	QoQ %
Net interest income	342	344	(1)	(1)	325	5	1
Non-interest income	170	180	(6)	(6)	241	(29)	(32)
Total income	512	524	(2)	(3)	566	(10)	(13)
Expenses	273	251	9	8	228	20	14
Profit before allowances	239	273	(12)	(13)	338	(29)	(32)
General allowances	0	(15)	NM	NM	(2)	NM	NM
Specific allowances	107	43	>100	>100	72	49	44
Allowances	107	28	>100	>100	70	53	47
Net profit	111	202	(45)	(45)	232	(52)	(54)
Net interest margin (%)	1.64	1.79			1.71		
Loan growth (%)				(0)			(2)
Non-trade growth (%)				3			(2)
Trade growth (%)				(14)			(3)
Deposit growth (%)				5			3

Regional income stable on year

(S\$m)	FY 2016	FY 2015	YoY %
Net interest income	1,100	1,112	(1)
Non-interest income	747	727	3
Total income	1,847	1,839	0
Expenses	1,140	1,133	1
Profit before allowances	707	706	0
Allowances	474	365	30
Net profit	129	272	(53)

Figures for operations outside of Singapore and Hong Kong

NPL ratio up moderately on quarter, allowance coverage sound



SP / loans (bp) 22 19 20 17 18 48 30 57

Cumulative general and specific allowances as % of:

NPA	161	160	161	148	134	113	100	97
Unsecured NPA	294	304	324	303	286	226	204	210

Specific allowances for loans rise to 57 bp

(S\$m)	4Q 2016	3Q 2016	4Q 2015
<u>Add charges for</u>			
New NPLs	180	94	84
Existing NPLs	305	173	78
	485	267	162
<u>Subtract charges for</u>			
Upgrading	1	1	1
Settlements	34	30	21
Recoveries	18	16	14
	53	47	36
Total SP charges for loans	432	220	126
SP/loans (bp)	57	30	17

AFS duration remains short

(S\$m)	Dec 16	Sep 16
Government securities	22,441	22,763
Less than 3 years	14,652	15,128
3 to 5 years	3,432	3,473
5 to 10 years	3,369	3,177
More than 10 years	988	985
Supranational, bank and corporate bonds	14,897	13,681
Equities	1,568	1,620
Total	38,906	38,064
AFS reserves	26	603

Time-banding is based on maturity date from reporting date

European AFS exposure mostly in AAA and AA entities

(S\$m)	Government / Govt-owned	Bank / Corporates	Total
Supranational	591 *	0	591
France	0	14	14
Germany	198 *	0	198
Netherlands	0	3	3
United Kingdom	431 *	142	573
Total	1,220	159	1,379

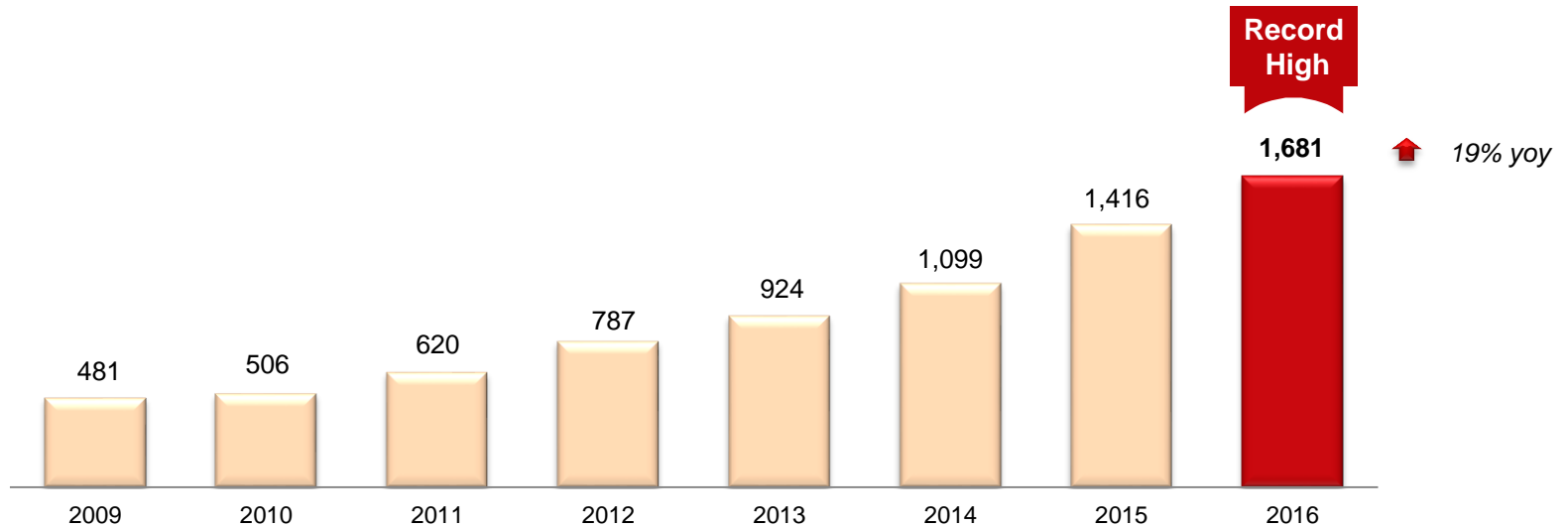
* Supranational and German entities rated AAA/Aaa by S&P, Moody's and Fitch. UK entities rated AA by S&P, AA1 by Moody's and AA by Fitch

Deposits up on quarter from higher liquidity buffer

(S\$bn)	Dec 16	QoQ		YoY	
		Reported	Underlying	Reported	Underlying
Deposits	347	23	15	27	25
By product					
CASA	215	13	10	18	16
Fixed deposits	130	10	5	9	8
Others	3	0	0	1	0
By currency					
Singapore dollar	152	2	2	11	11
US dollar	112	13	7	11	8
HK dollar	36	3	1	4	4
Chinese yuan	10	0	0	(5)	(4)
Others	37	5	5	5	6
LDR (%)	Dec 16	Sep 16		Dec 15	
Overall	87	89		88	
Singapore dollar	81	81		84	
US dollar	91	96		88	

Wealth Management segment

Income (S\$m)



AUM (S\$b)



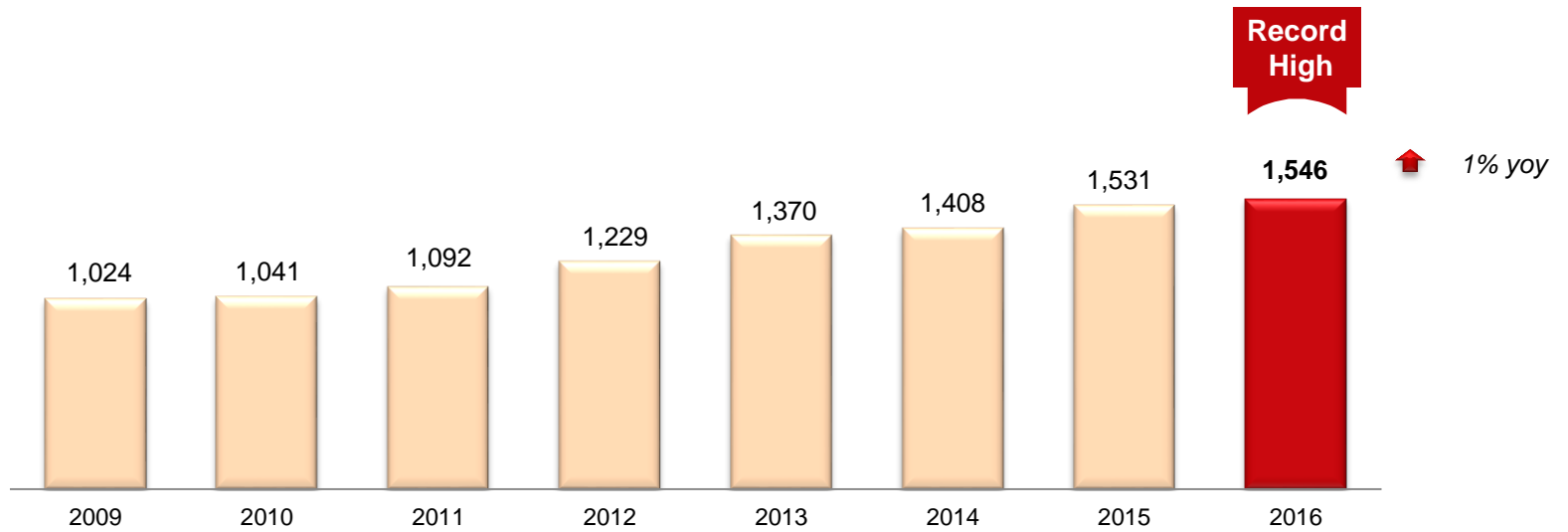
Total Earning Assets (S\$b)



Comprising Treasures, Treasures Private Client and Private Bank
Total earning assets and AUMs at end of period

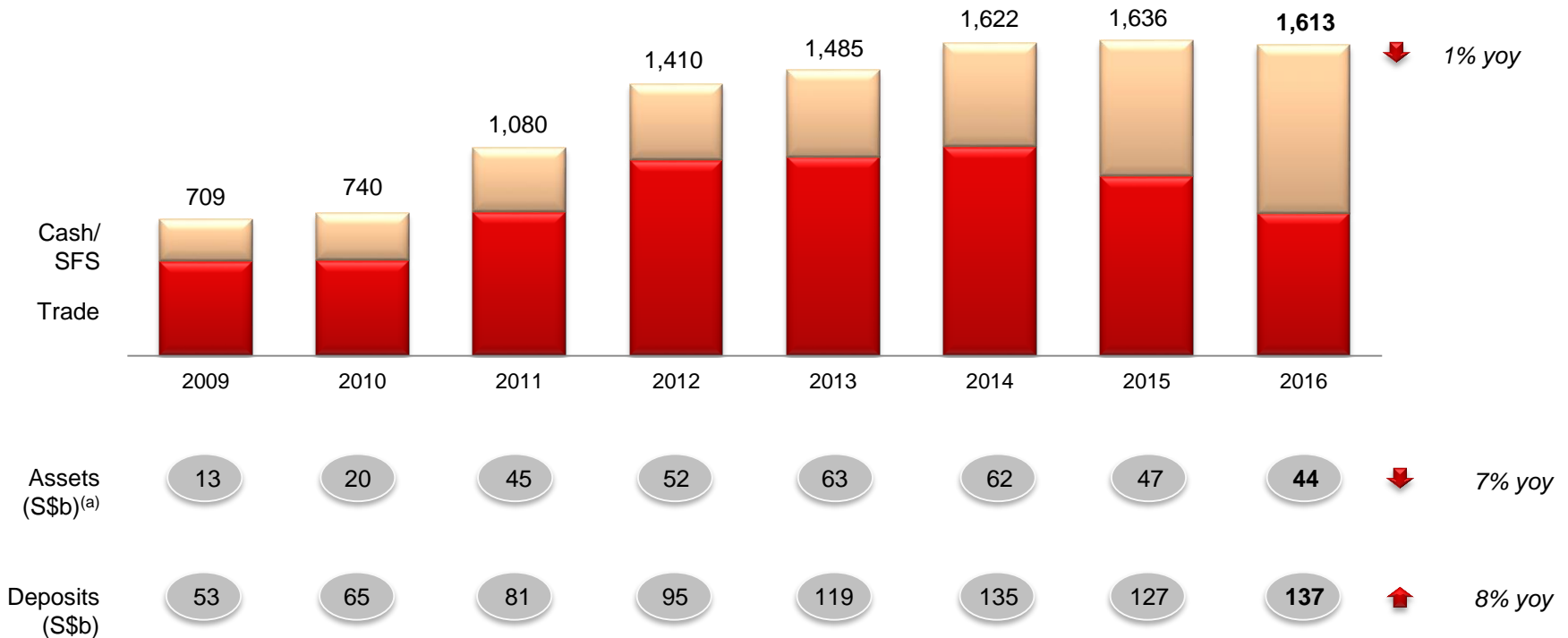
SME segment

Income (S\$m)



Global transaction services

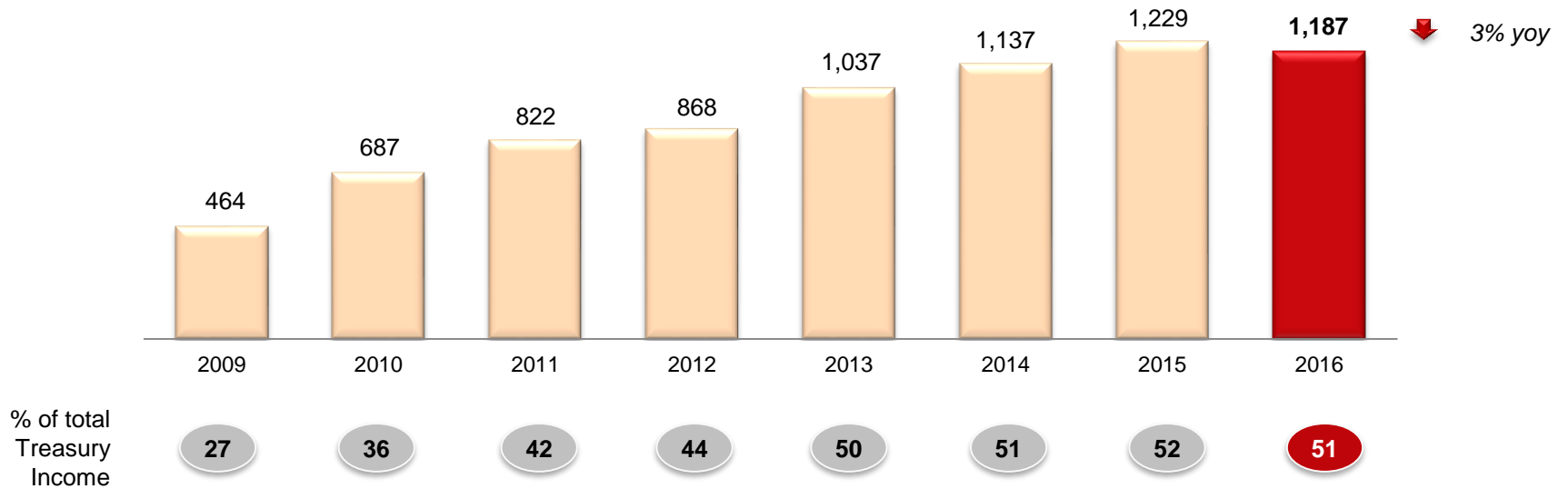
Income (S\$m)



Assets and deposits at end of period
 (a) Trade assets; includes bank exposures and loans of financial institutions

Treasury customer flows

Income (S\$m)



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