News Release

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DBS FULL-YEAR 2016 NET PROFIT AT SGD 4.24 BILLION

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Profit before allowances rises 10% to new high of SGD 6.52 billion

SINGAPORE, 16 February 2017 – DBS Group reported net profit of SGD 4.24 billion for 2016, 2% below a year ago as a stronger operating performance was offset by higher allowances. Total income rose 6% to a record SGD 11.5 billion from higher loan volumes, improved net interest margin and broad-based non-interest income growth. Productivity gains from digitalisation and cost management initiatives contained expense growth to 1%. As a result, profit before allowances increased 10% to a new high of SGD 6.52 billion.

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Co. Reg. No. 199901152M

The strong operating performance provided headroom for higher specific allowances to be taken as the non-performing loan rate rose from 0.9% to 1.4% due largely to stresses in the oil and gas support services sector. Capital and liquidity continued to be strong and well above regulatory requirements.

Return on equity was 10.1%. The strong operating performance that DBS achieved in challenging conditions during the year underscored the resilience of a franchise built on multiple business lines and financial discipline.

On 10 February 2017, DBS announced that it had sold its equity interest in DBS China Square Limited, whose main asset is PWC Building in Singapore. The divestment gains of SGD 350 million, which will be recorded in the first quarter 2017 results, will be set aside as general allowances, raising general allowance reserves to SGD 3.52 billion and allowance coverage to 104%.

Broad-based growth underpins 6% increase in full-year total income growth

Net interest income rose 3% to SGD 7.31 billion. Net interest margin increased three basis points to 1.80% from Singapore-dollar loans. Overall loans rose 6% or SGD 18 billion to SGD 302 billion. Non-trade loans increased 8% or SGD 21 billion from regional corporate loan growth and market share gains in Singapore housing loans, partially offset by a 5% or SGD 2 billion decline in trade loans.

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Non-interest income increased 13% to SGD 4.18 billion. Net fee income rose 9% to SGD 2.33 billion from broad-based growth. Wealth management fees climbed 19% to a new high of SGD 714 million from stronger bancassurance income. Cards fees grew 11% to SGD 483 million from higher credit and debit card transactions in Singapore. Investment banking fees increased 15% to SGD 189 million from higher advisory and equity underwriting fees. Higher fees from cash management resulted in a 5% increase in transaction services fees to SGD 585 million.

Other non-interest income rose 19% to SGD 1.85 billion from higher trading income and gains on investment securities. Income from treasury customer sales was little changed at SGD 1.19 billion as higher wealth management treasury sales were offset by a decline in corporate treasury sales of RMB hedging products.

By business unit, Consumer Banking / Wealth Management income rose 21% to SGD 4.28 billion. The growth was broad-based across loans, deposits, bancassurance and cards. Wealth Management customer segment income increased 19% to SGD 1.68 billion with assets under management growing 14% during the year to SGD 166 billion. Institutional Banking income was stable at SGD 5.22 billion. Growth in cash management and capital market activities was offset by declines in China-related trade finance and treasury sales of RMB hedging products. Treasury segment income was also stable at SGD 1.13 billion.

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Past investments to digitalise the bank together with cost management initiatives yielded faster productivity gains during the year. These concerted efforts enabled expenses to be contained at SGD 4.97 billion, little changed from the previous year. Underlying headcount fell 1% as the productivity gains enabled higher business volumes to be supported by fewer resources. The positive jaw resulted in an improvement in the cost-income ratio from 45% to 43% and contributed to a 10% increase in profit before allowances to SGD 6.52 billion.

Fourth-quarter earnings 9% lower than a year ago

For the fourth quarter, net profit declined 9% from a year ago to SGD 913 million. Total income rose 5% to SGD 2.78 billion as non-interest income growth more than offset the impact of a lower net interest margin. The productivity gains from digitalisation and cost management initiatives resulted in a 2% decline in expenses, which contributed to a 10% increase in profit before allowances to SGD 1.55 billion. The improved operating performance was more than offset by a doubling of total allowances.

Net interest income fell 2% to SGD 1.82 billion as a decline in net interest margin more than offset the impact of loan growth. Net interest margin fell 13 basis points to 1.71% as Singapore-dollar interest rates were lower compared to a year ago. Loans were 6% higher.

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Non-interest income increased 19% to SGD 952 million. Net fee income rose 6% to SGD 515 million, led by growth in wealth management and cards income. Other non-interest income grew 40% to SGD 437 million from higher trading income and wealth management treasury customer sales.

The 2% decline in expenses resulting from productivity gains resulted in a three percentage improvement in the cost-income ratio to 44%.

Fourth-quarter earnings decline 15% from previous quarter

Compared to the previous quarter, fourth-quarter net profit was 15% lower as seasonal factors contributed to a 5% decline in total income and 2% increase in expenses. Profit before allowances was 10% lower.

Net interest income was stable as the impact of a lower net interest margin was offset by higher asset volumes. Net interest margin fell six basis points to 1.71% as Singapore-dollar loans continued to be re-priced in line with lower average interest rates and a more liquid balance sheet was maintained. Overall loans increased 4% due mainly to currency effects. Underlying loan growth was 1% from an increase in regional corporate and Singapore housing loans.

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Non-interest income was 15% lower. Net fee income declined 16% as higher cards income was more than offset by declines in other fee activities. Other non-interest income fell 13%. An increase in trading income was more than offset by a decline in treasury customer sales and gains on investment securities. There had also been a gain from the disposal of a property in the previous quarter.

Higher non-performing loan rate

The non-performing loan rate rose from 0.9% a year ago and 1.3% from the third quarter to 1.4%. Total allowances for the full year and for the fourth quarter doubled from a year ago to SGD 1.43 billion and SGD 462 million respectively. A significant part of the increase in non-performing loans and specific allowances for the full year and fourth quarter was due to stresses in the oil and gas support services sector.

Capital and liquidity remain strong

Deposits rose 9% from a year ago to SGD 347 billion. Compared to the previous quarter, underlying deposits excluding currency effects increased 4%. The liquidity coverage ratio for the fourth quarter was 133%, above the regulatory requirement of 100% due in 2019. The net stable funding ratio was also above the regulatory requirement due in 2018.

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Capital remained strong. The Common Equity Tier-1 ratio was 14.1%. The leverage ratio of 7.7% was more than twice the minimum of 3% currently envisaged by the Basel Committee.

The Board proposed a final dividend of 30 cents per share for approval at the forthcoming annual general meeting. This will bring the full-year dividend to 60 cents per share, unchanged from a year ago. The scrip dividend scheme will be applicable and scrip dividends will be issued at the average of the closing share prices on 4, 5 and 8 May 2017.

DBS CEO Piyush Gupta said, "We achieved a 10% increase in full-year profit before allowances despite a challenging operating environment. The strong operating performance is the payoff from investments we made to build multiple business engines and to digitalise the bank. They enabled us to meet headwinds related to China and stresses in the oil and gas support services sector. The financial discipline we exercised over the years in building up buffers for capital, liquidity and allowance reserves has ensured that our balance sheet remains resilient. Our financial strength will stand us in good stead in the coming year as we continue supporting customers and delivering shareholder returns."

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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 is at the forefront of leveraging digital technology to shape the future of banking, and has been named “World’s Best Digital Bank” by Euromoney. The bank has also been recognised for its leadership in the region, having been conferred “Asia’s Best Bank” by The Banker and Euromoney, and “Asian Bank of the Year” by IFR Asia. The bank has also been named “Safest Bank in Asia” by Global Finance for eight consecutive years from 2009 to 2016.

DBS provides a full range of services in consumer, SME and corporate banking. As a bank born and bred in Asia, DBS understands the intricacies of doing business in the region’s most dynamic markets. 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 22,000 staff, representing over 40 nationalities. For more information, please visit www.dbs.com.

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