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DBS THIRD-QUARTER EARNINGS AT SGD 1.07 BILLION

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Profit before allowances rises 19% to new high of SGD 1.73 billion

SINGAPORE, 31 October 2016 – DBS Group reported net profit of SGD 1.07 billion for third quarter 2016, little changed from a year ago. An 8% rise in total income to SGD 2.93 billion as well as cost containment resulted in a 19% increase in profit before allowances to a record SGD 1.73 billion. The strong operating results provided substantial headroom for higher general allowances to be taken as a prudent measure.



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For the nine months, DBS achieved net profit of SGD 3.33 billion. Excluding one-time items a year ago, it was also little changed. Total income rose 7% to SGD 8.71 billion with both net interest and non-interest income reaching new highs. The cost-income ratio improved from 45% to 43% as past investments to digitise the bank as well as cost management initiatives yielded productivity gains. The resulting 11% increase in profit before allowances to SGD 4.96 billion was offset by a doubling in total allowances. Return on equity was at 10.7%.

The NPL rate rose moderately from the previous quarter to 1.3% as a previously-disclosed weak exposure in oil and gas support services was recognised as an NPL during the quarter. The NPL is well-collateralised with losses expected to be minimal. Allowance coverage was at 100% and at 204% if collateral was considered.

The third-quarter and nine-month results underscored the earnings resilience of the DBS franchise as it continued to capture opportunities across multiple business lines while recognising loan impairment promptly and maintaining a healthy balance sheet in challenging operating conditions.



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Third-quarter total income up 8% from a year ago

Compared to a year ago, net interest income was little changed at SGD 1.82 billion. Net interest margin was stable at 1.77%. Loans rose 5% in constant-currency terms to SGD 290 billion. An 8% increase in non-trade loans from regional corporates as well as market share gains in Singapore housing loans was partially offset by a 14% decline in trade loans.

Non-interest income grew 24% to SGD 1.11 billion. Net fee income rose 19% to SGD 614 million from broad-based growth. It was led by a 47% increase in wealth management fees to a new high of SGD 201 million from stronger bancassurance income. Investment banking fees rose 74% to SGD 54 million from higher equity market and fixed income fees as well as higher advisory activities. Card fees increased 15% to SGD 123 million as credit and debit card transactions in Singapore continued to rise. Transaction services fees were 11% higher at SGD 147 million from growth in cash management fees.

Other non-interest income increased 32% to SGD 500 million from higher trading income and gains on investment securities. Income from treasury customer sales was stable at SGD 308 million.



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Expenses declined 5% to SGD 1.20 billion due to lower operating expenses as well as productivity gains. While business volumes grew, staff costs were little changed at SGD 672 million as bonus accruals declined. A slight increase in full-time employees over the past 12 months was due to the insourcing of certain technology functions as part of strategic cost management efforts; underlying staff numbers were little changed. Profit before allowances rose 19% to SGD 1.73 billion.

Third-quarter results stable from the previous quarter

Compared to the previous quarter, net profit was 2% higher. Total income was around the strong level of the previous quarter. A decline in expenses was offset by an increase in total allowances as general allowances were taken.

Net interest income was 1% lower. Net interest margin declined 10 basis points to 1.77% in line with lower Singapore-dollar interest rates and as liquidity buffers were built up in anticipation of US money market reform and central bank actions. Loans rose 2% from corporate loans and Singapore housing loans. Trade loans were little changed.

Non-interest income rose 3%. Fee income was 2% lower as investment banking fees fell 35% from a high base in the previous quarter. The decline was offset by higher wealth management and card fees. Other non-interest income grew 9% from an increase in trading income and gains on fixed assets.

Expenses were 7% lower due partly to non-recurring expenses in the second quarter as well as lower bonus accruals. Profit before allowances was 6% higher.



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Nine-month total income rises to new high

For the nine months, total income rose 7% to a new high of SGD 8.71 billion. With expenses rising less quickly than income as a result of productivity gains, profit before allowances grew 11%. Net profit was little changed due to a doubling of total allowances.

Net interest income rose 4% to SGD 5.48 billion. The increase was due to a nine basis point improvement in net interest margin to 1.83% in line with higher average Singapore-dollar interest rates. Loans grew 5% in constant-currency terms.

Non-interest income grew 11% to SGD 3.23 billion. Net fee income rose 9% to SGD 1.82 billion, led by double-digit growth in wealth management, cards and investment banking. Other non-interest income was 14% higher at SGD 1.42 billion as trading income and gains from investment securities rose.

By business unit, Consumer Banking / Wealth Management income grew 21% to SGD 3.20 billion, led by income from bancassurance, loans and deposits. Income from the Wealth Management customer segment increased 16% to SGD 1.26 billion as assets under management grew 11% to SGD 159 billion, putting DBS among the top five banks in the Asia-Pacific. Institutional Banking income was little changed at SGD 3.96 billion. Growth in income from cash management, capital markets and loan activities was offset by declines in trade and treasury customer sales due to uncertainty related to China and the renminbi. Treasury income was 3% lower at SGD 865 million.



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Expenses rose 2% to SGD 3.75 billion, resulting in an improvement in the cost-income ratio from 45% to 43%. Profit before allowances grew 11% to SGD 4.96 billion.

Asset quality continues to be sound

The non-performing loan rate rose from 1.1% in the previous quarter to 1.3%. The increase was due largely to the recognition of a well-collateralised exposure in oil and gas support services. For the third quarter, general allowances of SGD 169 million were taken as a prudent measure, compared with SGD 35 million a year ago. Specific allowances for credit exposures amounted to SGD 261 million as specific allowances for loans rose to 30 basis points compared to 20 basis points a year ago.

For the nine months, total allowances doubled to SGD 972 million due to higher specific allowances for credit exposures. A significant part of the increase in specific allowances was due to Swiber in the second quarter.

Allowance coverage was at 100% and at 204% if collateral was considered.

Liquidity and capital remain strong

Higher liquidity buffers were maintained as a precautionary measure. Deposits rose 5% during the quarter to SGD 324 billion. The loan-deposit ratio declined from 92% in the previous quarter to 89%. The liquidity coverage ratio for the third quarter was 115%, above the final 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 at 14.4%. The leverage ratio of 7.8% was more than twice the minimum 3% currently envisaged by the Basel Committee.

DBS CEO Piyush Gupta said, "The resilience of our earnings and balance sheet in challenging operating conditions this year underscores the quality of our franchise. Broad-based growth has resulted in a consistently strong year-on-year increase in total income over the three quarters. Investments to digitise the bank and efforts to manage costs are galvanising into faster productivity gains. All this has enabled us to maintain earnings stability and balance sheet strength while taking higher allowance charges. We will continue to support customers and assiduously manage risks in order to deliver steady financial performance for shareholders."

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.



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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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