News Release

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DBS FULL-YEAR 2018 NET PROFIT RISES 28% TO RECORD SGD 5.63 BILLION

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Fourth-quarter earnings up 8% to SGD 1.32 billion

SINGAPORE, 18 February 2019 – DBS Group achieved another record performance in 2018 as net profit rose 28% to SGD 5.63 billion. Business momentum was maintained over the course of the year despite heightened economic uncertainty and financial market volatility in the second half. Total income increased 11% to SGD 13.2 billion from loan and fee income growth as well as a higher net interest margin, which were partially offset by weaker Treasury Markets income.

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Return on equity rose more than two percentage points to 12.1%, the highest in more than a decade, attesting to the improved structural profitability of the DBS franchise as interest rates and allowances reached more normalised levels.

Fourth-quarter earnings increased 8% to SGD 1.32 billion. Total income grew 6% to SGD 3.25 billion as sustained loan growth and net interest margin progression over the quarter were moderated by a decline in Treasury Markets income.

Full-year earnings increase 28%

Full-year net interest income rose 15% to SGD 8.96 billion. Net interest margin increased 10 basis points to 1.85% with higher interest rates in Singapore and Hong Kong.

Loans grew 6% in constant-currency terms to SGD 345 billion. Non-trade corporate loans increased 12% from steady broad-based growth across the region through the year. Consumer loans rose 3%, with a softening in the second half due to Singapore residential property market cooling measures and volatile financial markets. Trade loans declined 6% as maturing exposures were not replaced due to unattractive pricing.

Net fee income rose 6% to SGD 2.78 billion. Card fees increased 31% to SGD 714 million from higher customer transactions in Singapore and the consolidation of the retail and wealth management business of ANZ. Wealth management fees grew 18% to SGD 1.14 billion mainly from higher bancassurance income. Transaction service fees increased 5% to SGD 647 million as a 13% rise in cash management fees was

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moderated by lower trade finance fees. These increases were partially offset by a 41% decline in investment banking fees to SGD 128 million as debt and equity capital activities were affected by market uncertainty.

Other non-interest income fell 4% to SGD 1.45 billion due to lower gains on investment securities, partially offset by property disposal gains.

By business unit, Consumer Banking / Wealth Management (CBG/WM) income rose 21% to SGD 5.65 billion from increases in all product categories led by deposits, cards and bancassurance. Institutional Banking (IBG) income grew 9% to SGD 5.76 billion from higher cash management income. Treasury Markets income declined 21% to SGD 672 million due to unfavourable market conditions.

Expenses rose 13% to SGD 5.80 billion. ANZ accounted for five percentage points of the increase. The underlying cost-income ratio excluding Treasury Markets and ANZ was maintained. Profit before allowances increased 9% to SGD 7.39 billion.

Fourth-quarter earnings up 8% from year ago

For the fourth quarter, net profit rose 8% from a year ago to SGD 1.32 billion. While business momentum remained healthy, the results were dampened by weakness in Treasury Markets income. The combined income of CBG/WM and IBG rose 16% to SGD 2.95 billion, while Treasury Markets income halved to SGD 92 million.

Net interest income rose 11% to SGD 2.33 billion. Net interest margin increased nine basis points to 1.87% with higher interest rates in Singapore and Hong Kong. Loans grew 6% in constant-currency terms to SGD 345 billion.

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Non-interest income fell 4% to SGD 915 million. Fee income was stable at SGD 635 million as increases in card, transaction service and loan-related fees were offset by declines in investment banking, wealth management and brokerage fees. Other non-interest income was 13% lower at SGD 280 million from lower gains on investment securities.

Expenses rose 11% to SGD 1.50 billion, with ANZ accounting for six percentage points of the increase. The underlying cost-income ratio was stable. Profit before allowances rose 3% to SGD 1.74 billion.

Fourth-quarter earnings 7% below previous quarter

Compared to the previous quarter, fourth-quarter net profit was 7% lower. The combined income of CBG/WM and IBG income was slightly higher while Treasury Markets income fell three-fifths.

Net interest income grew 3% as loan growth and net interest margin progression were sustained over the quarter. Net interest margin rose one basis point to 1.87%. A two-basis-point increase due to higher interest rates in Singapore was moderated by a drag from Treasury Markets activities. Loans rose 2% in constant-currency terms from growth in non-trade corporate loans. Consumer and trade loans were stable.

Fee income fell 9%. Declines in wealth management and loan-related fees were partially offset by increases in card and transaction service fees. Other non-interest income fell 31% due to weaker trading income.

Expenses rose 1% while profit before allowances was 8% lower.

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Balance sheet remains strong

Compared to the previous quarter, non-performing assets fell 4% to SGD 5.68 billion. The NPL rate declined from 1.6% to 1.5%.

Total allowances for the fourth quarter were SGD 205 million, bringing the full-year amount to SGD 710 million. Full-year specific allowances were at 19 basis points of loans. Allowance coverage was at 98%, up five percentage points from the previous quarter and 13 percentage points from a year ago. Allowance coverage was at 178% after taking collateral into account.

Deposits rose 2% from the previous quarter and 5% from a year ago in constant-currency terms, in line with loan growth, to SGD 394 billion. The liquidity coverage ratio of 138% and the net stable funding ratio of 109% were both above the regulatory requirement of 100%.

The Common Equity Tier-1 ratio increased 0.6 percentage points from the previous quarter to 13.9% due mainly to net profit accretion. The leverage ratio of 7.1% was more than twice the regulatory requirement of 3%.

The Board proposed a final dividend of 60 cents per share for approval at the forthcoming annual general meeting. This will bring the payout to $1.20 per share for the full year.

DBS CEO Piyush Gupta said, “We achieved financial results befitting our fiftieth anniversary, a year when we were also recognised as the world’s best bank and best digital bank. Return on equity of 12.1% was near the historical high of 2007, when interest rates were twice the levels today and capital requirements less stringent. The

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structural improvements we have made to the profitability of our franchise – a shift towards higher-returns businesses, deeper customer relationships and more nimble execution – put us in good stead to navigate the challenges of the coming year."

About DBS
DBS is a leading financial services group in Asia with a presence in 18 markets. Headquartered and listed in Singapore, DBS is in the three key Asian axes of growth: Greater China, Southeast Asia and South Asia. The bank's "AA-" and "Aa1" credit ratings are among the highest in the world.

Recognised for its global leadership, DBS has been named "Global Bank of the Year" by The Banker and "Best Bank in the World" by Global Finance. The bank is at the forefront of leveraging digital technology to shape the future of banking, having been named "World's Best Digital Bank" by Euromoney. In addition, DBS has been accorded the "Safest Bank in Asia" award by Global Finance for ten consecutive years from 2009 to 2018.

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 26,000 staff, representing over 40 nationalities. For more information, please visit www.dbs.com.

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