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News Release

Ref No: 05/2018

DBS THIRD-QUARTER NET PROFIT RISES TO SGD 1.41 BILLION, TOTAL INCOME UP 10% TO RECORD SGD 3.38 BILLION

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Nine-month earnings increase 36% to SGD 4.31 billion

SINGAPORE, 5 November 2018 – DBS Group delivered another healthy performance in third-quarter 2018 as loan growth, fee income trends and net interest margin progression were sustained. The business momentum propelled total income to a record SGD 3.38 billion, up 5% from the previous quarter and 10% from a year ago. It exceeded the earlier high in first-quarter 2018, when exceptionally buoyant markets and a property disposal gain had boosted non-interest income.

The income growth drove net profit to SGD 1.41 billion, a 3% increase from the previous quarter. Net profit was 72% higher than a year ago, when accelerated allowances had been taken for weak oil and gas support service exposures.

For the nine months, net profit increased 36% to SGD 4.31 billion. Total income grew 12% to SGD 9.94 billion, led by a 16% increase in net interest income and 8% rise in fee income. Specific allowances were one-fifth of a year ago as new non-performing asset formation declined. Return on equity improved from 9.4% to 12.4% due to a higher net interest margin, a normalisation of allowances and a more efficient capital base.

Third-quarter total income up 10% from year ago

Compared to a year ago, third-quarter net interest income grew 15% to SGD 2.27 billion from an increase in loan volumes and net interest margin. Loans expanded 8% to SGD 340 billion, led by consumer and non-trade corporate loans. Net interest margin rose 13 basis points to 1.86% in line with higher interest rates in Singapore and Hong Kong.

Net fee income rose 1% to SGD 695 million as increases in a wide range of activities were offset by a two-thirds decline in investment banking fees. Card fees increased 33% to SGD 185 million from higher customer transactions and the consolidation of the retail and wealth management business of ANZ. Wealth management fees grew 7% to SGD 292 million as higher bancassurance income was moderated by lower investment sales income. Transaction service fees increased 5% to SGD 162 million from a 12% rise in cash management fees.

Other non-interest income was 2% higher at SGD 407 million. Net trading income rose 34% to SGD 354 million as Treasury Markets trading gains improved from a low base; treasury customer income was also higher. The increase was offset by a 60% decline in net gains from investment securities to SGD 48 million.

Expenses increased 18% to SGD 1.48 billion. Excluding a fiftieth-anniversary staff bonus and other non-recurring items, underlying expenses rose 15% and the cost-income ratio was 43%, in line with first-half 2018. ANZ accounted for six percentage points of the increase in expenses.

Third-quarter total income up 5% from previous quarter

Compared to the previous quarter, third-quarter net profit was 3% higher. A 5% increase in total income was partially offset by higher total allowances as there had been a specific allowance write-back in the previous quarter.

Net interest income rose 2%. Non-trade corporate and consumer loans grew 2%, sustaining the momentum of previous quarters, while trade loans fell 6% as maturing exposures were not replaced due to unattractive pricing. As a result, overall loans increased 1% during the quarter. Net interest margin rose one basis point. While higher interest rates in Singapore and Hong Kong boosted net interest margin by four basis points, the impact was moderated by a lower net interest margin from Treasury Markets activities and by the full-period impact of Tier-2 capital issuances in the previous quarter.

Fee income fell 2% as an increase in loan-related fees was offset by lower investment banking and wealth management fees. Other non-interest income was 49% higher as trading income increased 56% from the previous quarter's weak performance.

Underlying expenses rose 3%, below the 5% increase in total income. Profit before allowances rose 6%.

Nine-month total income up 12%

For the nine months, total income grew 12% to a new high of SGD 9.94 billion. With the cost-income ratio remaining stable, profit before allowances was 11% higher. Net interest income rose 16% to SGD 6.63 billion. Net interest margin increased 11 basis points to 1.85% in line with higher interest rates. Loans expanded 8%.

Fee income increased 8% to SGD 2.15 billion as higher wealth management and card fees were moderated by lower investment banking fees. Other non-interest income fell 2% to SGD 1.17 billion as a 68% decline in net gains on investment securities was offset by a 14% increase in trading income and by a property disposal gain.

By business unit, Consumer Banking / Wealth Management income rose 21% to SGD 4.20 billion from increases in all product categories led by deposits, investment products and cards. Institutional Banking income grew 8% to SGD 4.26 billion as income from cash management and treasury customer flows rose. Treasury Markets trading income declined 12% to SGD 580 million.

Expenses increased 14% to SGD 4.30 billion. Excluding ANZ, they were 8% higher. The cost-income ratio was at 43%, in line with a year ago. Profit before allowances rose 11% to SGD 5.64 billion.

Balance sheet remains strong

Non-performing assets were stable at SGD 5.90 billion and the NPL rate was unchanged at 1.6% from the previous quarter. Total allowances of SGD 236 million for the third quarter brought the nine-month amount to SGD 505 million, with specific



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allowances at 18 basis points of loans. Allowance coverage was at 93% and at 174% after taking collateral into account.

Deposits were 7% higher than a year ago and stable over the quarter at SGD 388 billion. The liquidity coverage ratio of 132% and the net stable funding ratio of 109% were both above the regulatory requirements of 100%.

The Common Equity Tier-1 ratio declined 0.3% points from the previous quarter to 13.3% due to the interim dividend payout. The leverage ratio of 7.1% was more than twice the regulatory requirement of 3%.

DBS CEO Piyush Gupta said, "Third-quarter business momentum was sustained amidst heightened geopolitical and economic headwinds. Year-to-date earnings per share is the highest in our history while return on equity is the best in more than a decade. As we celebrate our fiftieth anniversary, we are pleased to be named Best Bank in the World by Global Finance and World's Best Digital Bank by Euromoney. We are well positioned to continue capitalising on Asia's long-term prospects while navigating short-term uncertainties."

About DBS

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 "AA-" and "Aa1" credit ratings are among the highest in the world.

Recognised for its global leadership, DBS has been named "[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



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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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