News Release

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DBS FULL-YEAR 2015 NET PROFIT RISES TO RECORD SGD 4.45 BILLION

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Fourth-quarter earnings up 20% to SGD 1.00 billion

SINGAPORE, 22 February 2016 – DBS Group's net profit rose to a record SGD 4.45 billion in 2015. Excluding one-time items, net profit increased 12% to SGD 4.32 billion. Total income crossed the SGD 10 billion mark for the first time, rising 12% to SGD 10.8 billion from higher net interest margin and broad-based non-interest income growth. Return on equity rose from 10.9% to 11.2%.

Asset quality was resilient. Specific allowances for loans rose slightly to 19 basis points of loans. The non-performing loan rate was unchanged at 0.9% while allowance coverage of non-performing assets remained healthy at 148%.

DBS Group Holdings Ltd
12 Marina Boulevard
DBS Asia Central @
Marina Bay Financial
Centre Tower 3
Singapore 018982

Tel: 65.6878 8888

www.dbs.com

Co. Reg. No. 199901152M

The performance underscored the breadth and resilience of the DBS franchise as it successfully captured income opportunities and managed risks in a year marked by slower economic growth, financial market volatility and heightened asset quality concerns.

Full-year earnings rise 12%

Net interest income increased 12% to SGD 7.10 billion. Net interest margin improved nine basis points to 1.77%, the highest in five years, in line with higher Singapore dollar interest rates.

Loans grew by a reported 3% to SGD 283 billion due to currency effects; they were little changed in constant-currency terms. Trade loans fell 25% in constant-currency terms. The decline was offset by a 5% constant-currency increase in non-trade loans from higher corporate borrowing and market share gains in Singapore housing loans.

Non-interest income grew 12% to SGD 3.69 billion. Net fee income rose 6% to SGD 2.14 billion. Wealth management fees increased 18% as a strong first half more than offset a slower second half when market volatility reduced investment activity. Fees from cards and loan-related activities also rose by double-digit percentages. Transaction banking fees were stable as lower trade-related income was offset by growth in cash management contributions. Investment banking fees fell 25% as corporate debt issuances were affected by market conditions.

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Other non-interest income grew 21% to SGD 1.54 billion. One-third of the increase was due to higher treasury customer flows. The remainder was mainly from surplus Singapore dollar deposits deployed into US dollar assets through funding swaps. Under accounting rules, interest income derived from funding swaps is accounted for under non-interest income. This effect was more pronounced in the fourth quarter than previously as Singapore dollar interest rates were more elevated.

By business unit, Consumer Banking / Wealth Management income rose 23% to SGD 3.55 billion, led by higher returns on deposits and wealth management sales. Institutional Banking income increased 7% to SGD 5.29 billion. Higher income from lending activities and cash management was partially offset by lower trade finance income. Treasury segment income increased 3% to SGD 1.14 billion as a strong first half was offset by less favourable market conditions in the second half.

Expenses rose 13% to SGD 4.90 billion, with the increase slowing to 10% in the fourth quarter. Excluding currency and one-time effects, full-year underlying expenses were 9% higher and the underlying cost-income ratio was 45%. Profit before allowances grew 11% to SGD 5.89 billion.

Total allowances were 11% higher at SGD 743 million. Specific allowances for loans increased 15% to SGD 551 million. General allowances of SGD 121 million were taken, raising cumulative general allowances to SGD 3.22 billion, well above the regulatory minimum.

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A one-time gain of SGD 136 million was recorded for the disposal of a property investment.

Fourth-quarter earnings up 20% from a year ago

For the fourth quarter, net profit rose 20% from a year ago to SGD 1.00 billion as total income growth of 13% exceeded a 10% increase in expenses. General allowances of SGD 67 million were taken as a prudent measure.

Net interest income increased 11% to SGD 1.85 billion. Net interest margin improved 13 basis points to 1.84% while loans rose by a reported 3%.

Non-interest income was 19% higher at SGD 795 million. Net fee income rose 6% to SGD 485 million as growth in most activities was partially offset by lower brokerage fees. Other non-interest income rose 50% to SGD 310 million. Two-thirds of the increase was from interest income derived from funding swaps.

Expenses rose 10% to SGD 1.24 billion, led by higher investments in technology. Total allowances increased 17% to SGD 247 million, which included a 24% increase in general allowances to SGD 67 million. Specific allowances were also higher.

Fourth-quarter earnings 6% lower than previous quarter

Fourth-quarter earnings fell 6% from the previous quarter due to lower non-interest income and higher allowances.

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Net interest income rose 2%. Net interest margin increased six basis points to 1.84% as Singapore dollar loans continued to be repriced with higher interest rates. Loan volumes were little changed with growth in corporate and housing loans offset by a decline in trade loans.

Non-interest income was 12% lower. There had been a gain of SGD 43 million from the sale of properties in Hong Kong in the previous quarter. Net fee income fell 6% as lower contributions from brokerage, loan-related activities and wealth management were partially offset by higher investment banking and card fees. Trading income was little changed.

Expenses fell 1% with a decline in staff costs partially offset by an increase in other operating expenses. Total allowances rose 39% as general allowances doubled.

Balance sheet remains healthy

Asset quality continued to be resilient. The non-performing loan rate of 0.9% was unchanged from a year ago and the previous quarter. The allowance coverage of non-performing assets remained healthy at 148% and at 303% if collateral was considered.

The average liquidity coverage ratio during the fourth quarter was 122%, which was comfortably above the final requirement of 100% due in 2019. The net stable funding ratio was also above regulatory requirements due in 2018. Funding sources were further diversified during the year with an inaugural issue of covered bonds with triple-A ratings.

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The Common Equity Tier-1 ratio rose 0.6% points during the quarter to 13.5% from retained earnings and a decline in risk-weighted assets. The leverage ratio was at 7.3%, more than twice the minimum of 3% currently envisaged by the Basel Committee.

DBS CEO Piyush Gupta said, “The fourth-quarter caps a strong year when total income crossed SGD 10 billion for the first time. The consistency of our performance through the four quarters reflects the quality of our earnings profile. Our balance sheet remains strong: asset quality is robust, allowance coverage is at comfortably high levels and capital ratios are well in excess of regulatory requirements. While unsettled financial markets in recent weeks have created short-term uncertainty, the region’s economic fundamentals are sound and the risks associated with slower growth are manageable. Amidst the challenging environment, we are well prepared and enter the year from a position of strength."

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 compared to 58 cents per share a year ago. The scrip dividend scheme will be applicable and scrip dividends will be issued at the average of the closing prices on 5, 6 and 9 May 2016.

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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 has been recognised for its leadership in the region, having been named "Asia's Best Bank" by The Banker, a member of the Financial Times group, and "Best Bank in Asia-Pacific" by Global Finance. The bank has also been named "Safest Bank in Asia" by Global Finance for seven consecutive years from 2009 to 2015.

DBS provides a full range of services in consumer, SME and corporate banking activities across Asia. As a bank born and bred in Asia, DBS understands the intricacies of doing business in the region's most dynamic markets. These market insights and regional connectivity have helped to drive the bank's growth as it sets out to be the Asian bank of choice. 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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For more information, contact:

Karen Ngui
Group Strategic Marketing & Communications
DBS Bank
Email: karenngui@dbs.com
Tel: (65) 6878 3008
Fax: (65) 6222 4478
Mobile: (65) 9030 8080

Michael Sia
Investor Relations
DBS Bank
Email: michaelsia@dbs.com
Tel: (65) 6878 4751
Fax: (65) 6226 3702
Mobile: (65) 9636 9472