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DBS FULL-YEAR 2014 NET PROFIT RISES TO RECORD SGD 4.05 BILLION

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Fourth-quarter earnings increase 4% to SGD 838 million as total income grows 9%

SINGAPORE, 10 February 2015 – DBS Group's net profit rose to a record SGD 4.05 billion for full-year 2014, crossing the SGD 4 billion mark for the first time. Excluding one-time items of SGD 198 million, net profit increased 10% to SGD 3.85 billion.

Total income grew 8% to SGD 9.62 billion from higher net interest margin, loan volumes and fee income. Allowance charges declined, with the non-performing loan rate improving to 0.9% and the allowance coverage of non-performing assets increasing to 163%.

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Full-year net profit growth underpinned by 8% increase in total income

Full-year net interest income rose 14% to SGD 6.32 billion. Loans grew 9% in constant currency terms to SGD 276 billion from regional corporate borrowing and secured consumer loans. Net interest margin improved six basis points to 1.68% as loan pricing improved and securities yields were higher while deposit costs were stable.

Fee income grew 8% to SGD 2.03 billion. The stronger performance was led by a 23% increase in wealth management fees from higher unit trust and bancassurance sales and a 27% rise in investment banking fees from increased debt capital market activities. Card fees were also higher. These increases were partially offset by lower stockbroking commissions. The improvement in fee income was offset by a 14% decline in other non-interest income to SGD 1.27 billion. Overall non-interest income fell 2% to SGD 3.30 billion.

Total income rose 8% to SGD 9.62 billion, with all business segments contributing to the increase. Income from Consumer Banking / Wealth Management increased 14% to SGD 2.88 billion, with the Wealth Management customer segment growing 19% to SGD 1.10 billion. Institutional Banking income grew 6% to SGD 4.97 billion while Treasury segment income increased 7% to SGD 1.10 billion. By product lines, treasury customer income rose 10% to SGD 1.14 billion while income from transaction banking increased 9% to SGD 1.62 billion.

Expenses rose 11% to SGD 4.33 billion and the cost-income ratio was 45%. Profit before allowances increased 6% to SGD 5.29 billion.

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Total allowances declined 13% to SGD 667 million. General allowances of SGD 160 million were taken in tandem with loan growth and were 53% lower. Specific allowances for loans rose 15% to SGD 478 million, amounting to 18 basis points of loans, unchanged from 2013.

One-time items amounted to SGD 198 million, comprising a gain of SGD 223 million from the divestment of a stake in the Bank of the Philippine Islands less a donation of SGD 25 million to the National Gallery Singapore.

Fourth-quarter earnings rise 4% from year ago

For the fourth quarter, net profit increased 4% from a year ago to SGD 838 million. A 9% increase in total income to SGD 2.34 billion was offset by higher allowances.

Net interest income rose 15% to SGD 1.67 billion as loans grew 9% in constant-currency terms and net interest margin rose 10 basis points to 1.71%. Fee income increased 5% to SGD 459 million, led by higher contributions from wealth management, cards and investment banking. The higher fee income was offset by a 20% decline in other non-interest income to SGD 207 million as a result of less favourable trading conditions. Income from treasury customer flows was stable. Total non-interest income was 4% lower at SGD 666 million.

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Expenses grew 9% to SGD 1.13 billion as higher staff costs were partially offset by lower computerisation expenses. Profit before allowances increased 8% to SGD 1.21 billion.

Total allowances were 40% higher at SGD 211 million as specific allowances increased to SGD 157 million from SGD 91 million a year ago.

Fourth-quarter earnings 17% below previous quarter

Compared to the previous quarter, fourth-quarter earnings were 17% lower from seasonally lower trading income and higher general allowances in line with stronger loan growth. Business momentum remained healthy.

Net interest income was 4% higher from loan growth and better net interest margin. Loans expanded 3% in constant-currency terms from corporate borrowing, trade loans and secured consumer loans. Net interest margin improved three basis points to 1.71% due to higher asset yields and disciplined management of deposit and funding costs.

Fee income was 17% lower due to a high base for investment banking activities in the previous quarter and lower wealth management contributions. Other income declined 42% as a result of less favourable trading conditions as well as quieter markets in the fourth quarter.

Total income declined 7% while expenses were 2% higher. Total allowances increased 19% from higher general allowances. Specific allowances were stable.

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Balance sheet remains strong

Asset quality remained healthy. The non-performing loan rate of 0.9% was unchanged from the previous quarter and lower than the rate of 1.1% a year ago. Allowance coverage rose to a new high of 163% of non-performing assets compared to 135% a year ago. If collateral was considered, allowance coverage was 296%.

There was ample liquidity to support business growth. Deposits rose 2% during the quarter and 7% during the year in constant-currency terms to SGD 317 billion, with the increase led by US-dollar deposits. DBS also maintained its leading market share of Singapore-dollar deposits. The loan-deposit ratio was at 87% while the Singapore-dollar and all-currency liquidity coverage ratios were in excess of 100%.

DBS remained well capitalised. The Common Equity Tier-1 capital adequacy ratio was 13.1% and the total capital ratio was 15.3%.

DBS CEO Piyush Gupta said, “DBS hit a new milestone, with full-year profit exceeding SGD 4 billion in 2014. This is testament to the strength and resilience of the franchise. We believe that the multiple business engines we’ve built are sustainable and scalable. As the way in which people do banking is rapidly changing, we are also stepping up our investments in digital banking.”

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 payout to 58 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 last-dealt share price on each of 27, 28 and 29 April 2015.

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About DBS

DBS - Living, Breathing Asia
DBS is a leading financial services group in Asia, with over 250 branches across 17 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 six consecutive years from 2009 to 2014.

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 21,000 staff, representing over 40 nationalities. For more information, please visit www.dbs.com.

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