

News Release

Ref No. 04/2018

DBS FIRST-HALF NET PROFIT UP 23% TO RECORD SGD 2.89 BILLION

* * *

Second-quarter earnings up 20% to SGD 1.37 billion

SINGAPORE, 2 August 2018 – DBS Group's net profit for first-half 2018 increased 23% to a record SGD 2.89 billion. Broad-based growth in loans and fee income, as well as a higher net interest margin, propelled total income to a new high of SGD 6.56 billion, up 13%. Specific allowances halved, in line with non-performing asset formation. Return on equity was at 12.5%.

For the second quarter, net profit increased 20% to SGD 1.37 billion, underpinned by double-digit percentage increases in net interest income and fee income. Business momentum over the quarter was healthy as consumer and non-trade corporate

loan growth, underlying net interest margin progression and overall fee income trends were sustained. The results were moderated by weak trading income.

First-half total income up 13%

For the first half, net interest income rose 17% to SGD 4.35 billion from higher loan volumes and net interest margin. Loans expanded 12% or SGD 35 billion to SGD 338 billion from growth across trade, corporate and consumer loans, including SGD 9 billion from the consolidation of the retail and wealth management business of ANZ. Net interest margin improved ten basis points to 1.84% in line with higher interest rates.

Net fee income increased 11% to SGD 1.45 billion. Wealth management fees grew by an underlying 27% to a new high of SGD 631 million as investment product and bancassurance sales grew. Card fees rose 29% to SGD 327 million from higher credit and debit card activities as well as the consolidation of ANZ. A 12% increase in cash management fees was offset by a decline in trade finance fees, resulting in transaction banking fees remaining little changed at SGD 316 million.

Other non-interest income fell 4% to SGD 761 million as a lower gain on investment securities was partially offset by a property disposal gain. Trading income rose 5% to SGD 595 million, with an increase in the first quarter partially offset by a weak performance in the second quarter.

By business unit, Consumer Banking / Wealth Management (CBG/WM) income rose 20% to SGD 2.76 billion from growth in all product segments. Institutional Banking income (IBG) grew 6% to SGD 2.78 billion, led by cash management income. Trading-related income for Treasury Markets (TM) fell 20% to SGD 356 million.

Expenses rose 12% to SGD 2.82 billion; excluding ANZ, expenses were 6% higher. The cost-income ratio was unchanged at 43%. Profit before allowances grew 14% to SGD 3.75 billion.

Second-quarter net profit up 20% from year ago

For the second quarter, business volume growth and the benefit a higher net interest margin were moderated by a weak trading performance. Total income increased 10% to SGD 3.20 billion.

Net interest income rose 18% to SGD 2.22 billion as loans grew 12% and net interest margin increased 11 basis points to 1.85%.

Net fee income increased 11% to SGD 706 million, led by growth in wealth management and cards. Other non-interest income fell 32% to SGD 273 million. Trading income declined 23% to SGD 227 million as a flatter yield curve and wider credit spreads created trading headwinds. A lower gain from investment securities also contributed to the decline in other non-interest income.

Year-on-year income growth for CBG/WM and IBG accelerated during the quarter. CBG/WM income rose 23% to SGD 1.40 billion, faster than the 17% increase in the first quarter, while IBG income grew 9% to SGD 1.42 billion compared to a 3% increase in the first quarter. The faster income growth for both businesses was moderated by a 59% decline in TM income to SGD 107 million, the lowest on record.

Expenses rose 12% to SGD 1.42 billion; they were 5% higher excluding ANZ. If TM income had been at the average of the previous four quarters, the cost-income ratio would be at 43% instead of the reported 44%.

Second-quarter net profit declines 10% from previous quarter's record

Second-quarter net profit was 10% below the previous quarter's record due to the weaker trading performance and the absence of a property disposal gain. Business momentum was healthy.

Net interest income rose 5%. Loans increased 1% in constant-currency terms as consumer and non-trade corporate loans grew 2%; trade loans were unchanged. Net interest margin rose two basis points to 1.85%. While higher interest rates in Singapore and Hong Kong boosted net interest margin by four basis points, the impact was moderated by an increase in liquidity buffers given the uncertain market environment and by Tier-2 capital issuances during the quarter.

Net fee income fell 5% due to a high base in wealth management fees and brokerage commissions in the previous quarter, which had benefited from exceptionally buoyant equity markets and investor sentiment. Card fees increased from the full-period consolidation of ANZ. Transaction banking fees also grew as cash management fees rose to a record.

Other non-interest income fell 44% due to a 38% decline in trading income and to a SGD 86 million property disposal gain in the previous quarter.

The lower non-interest income resulted in a 5% decline in total income. Expenses rose slightly by 1%, while profit before allowances was 9% lower.

Balance sheet remains strong

For the first half, non-performing asset formation fell 53% to SGD 551 million. Total allowances halved to SGD 269 million, with specific allowances for loans

amounting to 16 basis points. Non-performing assets stood at SGD 5.87 billion, 3% below end-2017 and little changed from the previous quarter. The NPL rate was at 1.6% and allowance coverage was at 92% and at 173% when collateral was considered.

Deposits rose 14% from a year ago and 2% from the previous quarter in constant-currency terms to SGD 388 billion. The net stable funding ratio of 110% and liquidity coverage ratio of 135% were both above the regulatory requirements of 100%.

The Common Equity Tier-1 ratio declined 0.4 percentage points from the previous quarter to 13.6%. The payment of the final and special dividends of 2017 in May 2018 was partially offset by retained earnings for the second quarter and by methodology enhancements. The leverage ratio of 7.0% was more than twice the regulatory requirement of 3%.

The Board declared a first-half dividend of SGD 60 cents per share, compared to SGD 33 cents per share a year ago. The dividend is in line with the guidance provided at the fourth-quarter 2017 results announcement.

DBS CEO Piyush Gupta said, "The record first-half earnings demonstrate once again the breadth and quality of our franchise, while the higher returns demonstrate the improved profitability of our businesses as interest rates and credit costs normalise. The industry accolades we were recently awarded, including the World's Best Digital Bank by Euromoney for a second time in three years, attest to the strides we have made in delivering customer value. Amidst heightened uncertainty and market volatility, business momentum was sustained in the second quarter. While there are gathering clouds, the



Live more, Bank less

region's prospects remain intact, enabling us to continue capturing growth opportunities and generating stronger shareholder returns in the coming quarters."

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.

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 named "Asia's Best Bank" by several publications including The Banker, Global Finance, IFR Asia and Euromoney since 2012. In addition, the bank has been named "[Safest Bank in Asia](#)" by Global Finance for nine consecutive years from 2009 to 2017.

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.

[End]

For more information, contact:

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

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