

Record full-year and quarterly earnings

**DBS Group Holdings
4Q 2017 financial results
February 8, 2018**

Highlights

Full-year earnings rise 4% to a record \$4.39 billion

- Total income at new high of \$11.9 billion as broad-based loan and fee income growth more than offset lower NIM and trading income
- Underlying loans expand 9% from broad-based growth, with momentum increasing over the course of the year; including ANZ, loan growth was 11%
- Expense growth kept to 3% as digitalisation and cost management initiatives yield productivity gains

Fourth-quarter earnings up 33% on year to a quarterly high of \$1.22 billion

- Total income up 10% to \$3.06 billion, staying above \$3 billion for second consecutive quarter despite seasonally-lower non-interest income
- Net interest income crosses \$2 billion for first time, underpinned by 4% loan growth on quarter and higher NIM
- Total allowances decline to \$225 million as SP normalises to 25 basis points of loans

Balance sheet remains strong

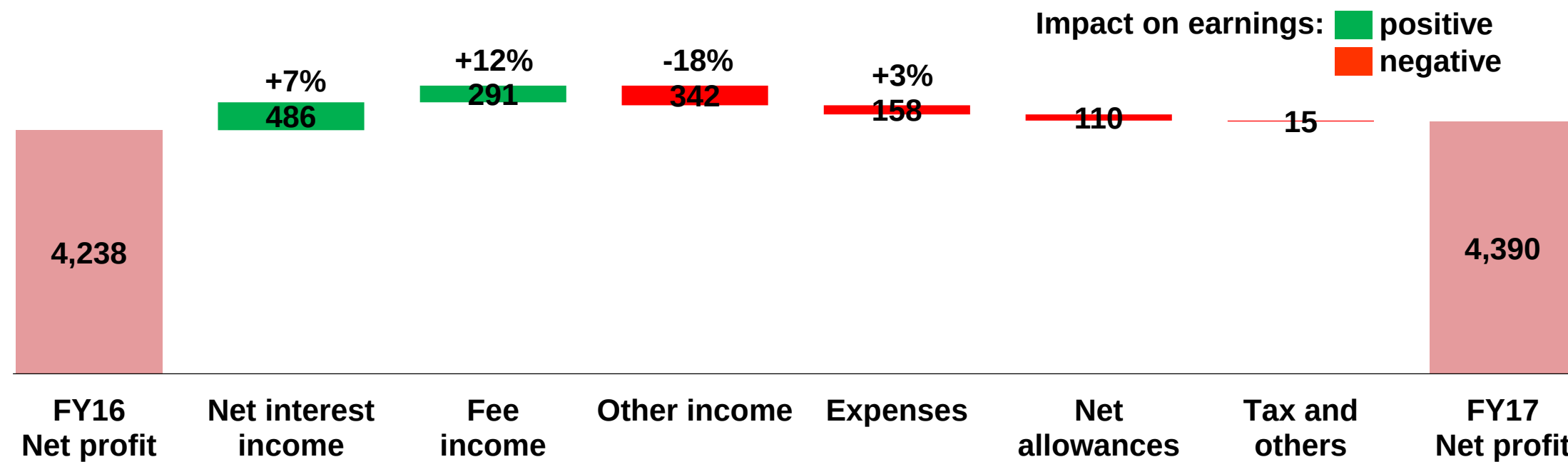
- Non-performing assets stable on quarter as new formation declines
- Final CET-1 at 13.9%, LCR at 131%, NSFR above 100%

Full-year ordinary dividend increases 55% to 93 cents, special dividend of 50 cents, scrip dividend suspended

- Finalisation of Basel regulatory requirements provides clarity; impact on capital is benign

Full-year net profit up 4% to record

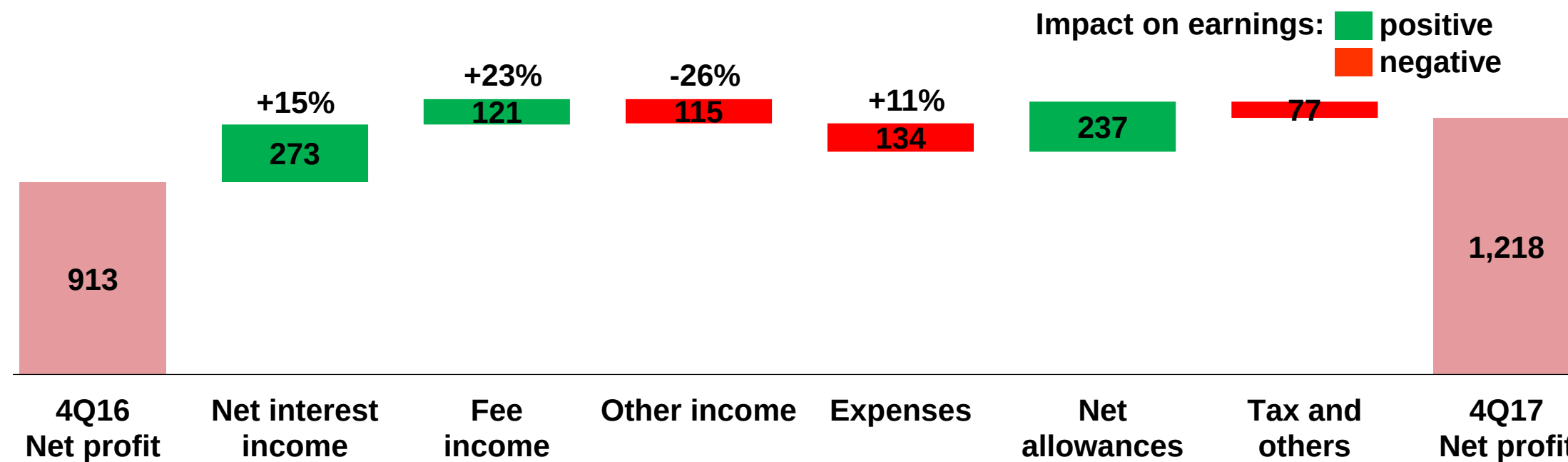
(S\$m)		FY17	YoY %	
Total income	record	11,924	4	■ Total income up 4% to new high as broad-based loan growth and fee income more than offset lower NIM and trading income
Expenses		5,130	3	
Profit before allowances	record	6,794	4	■ Productivity gains from digitalisation and cost management contain expense growth to 3%
Allowances		1,544	8	
Net profit	record	4,390	4	■ Profit before allowances up 4% to record



4Q income up 10% on year

(S\$m)	4Q17	YoY %
Total income	3,055	10
Expenses	1,357	11
Profit before allowances	1,698	9
Allowances	225	(51)
Net profit	record 1,218	33

- Net interest income up 15% from higher NIM and loan volumes
- Fee income up 23% from broad-based growth
- Higher expenses due to marketing and technology costs as well as ANZ consolidation
- Profit before allowances up 9%

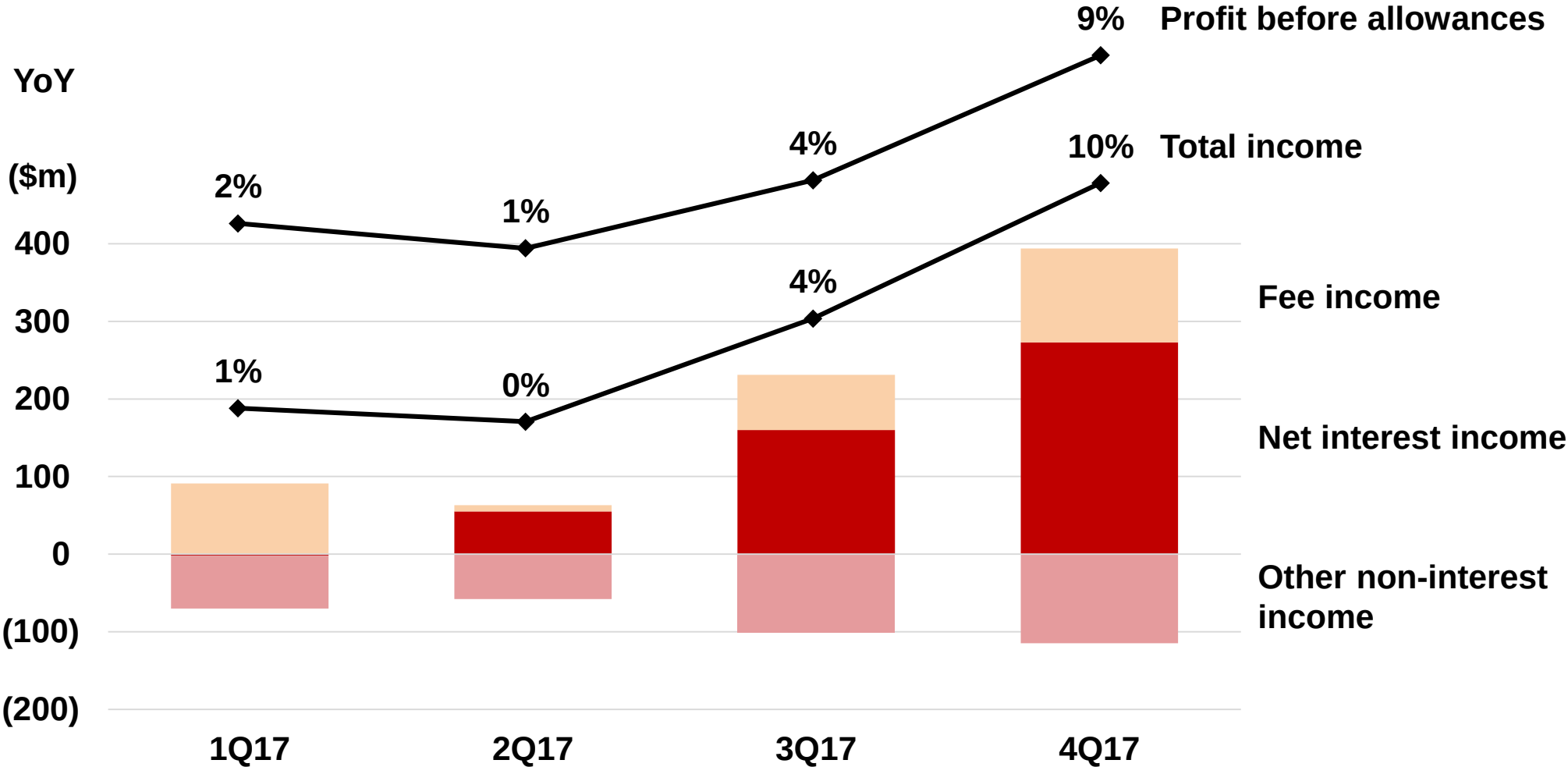


4Q earnings up 48% on quarter to new high

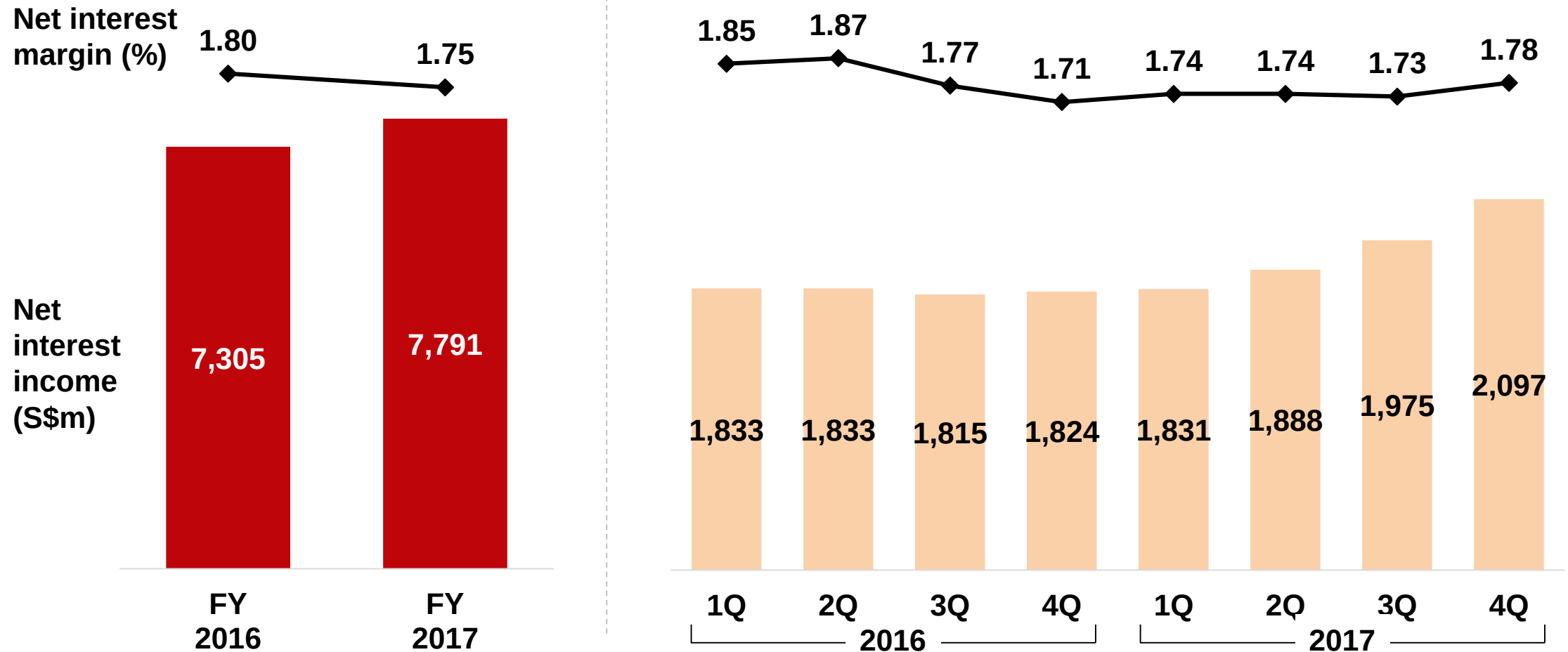
(S\$m)	4Q17	QoQ %	
Total income	3,055	(0)	▪ Total income maintained above \$3bn for second consecutive quarter despite seasonally-lower non-interest income
Expenses	1,357	8	
Profit before allowances	1,698	(6)	
Allowances	225	(72)	▪ Net interest income up 6% from higher NIM and sustained corporate and Singapore housing loan momentum
Net profit	record 1,218	48	



Growth in total income and profit before allowances accelerates over course of year

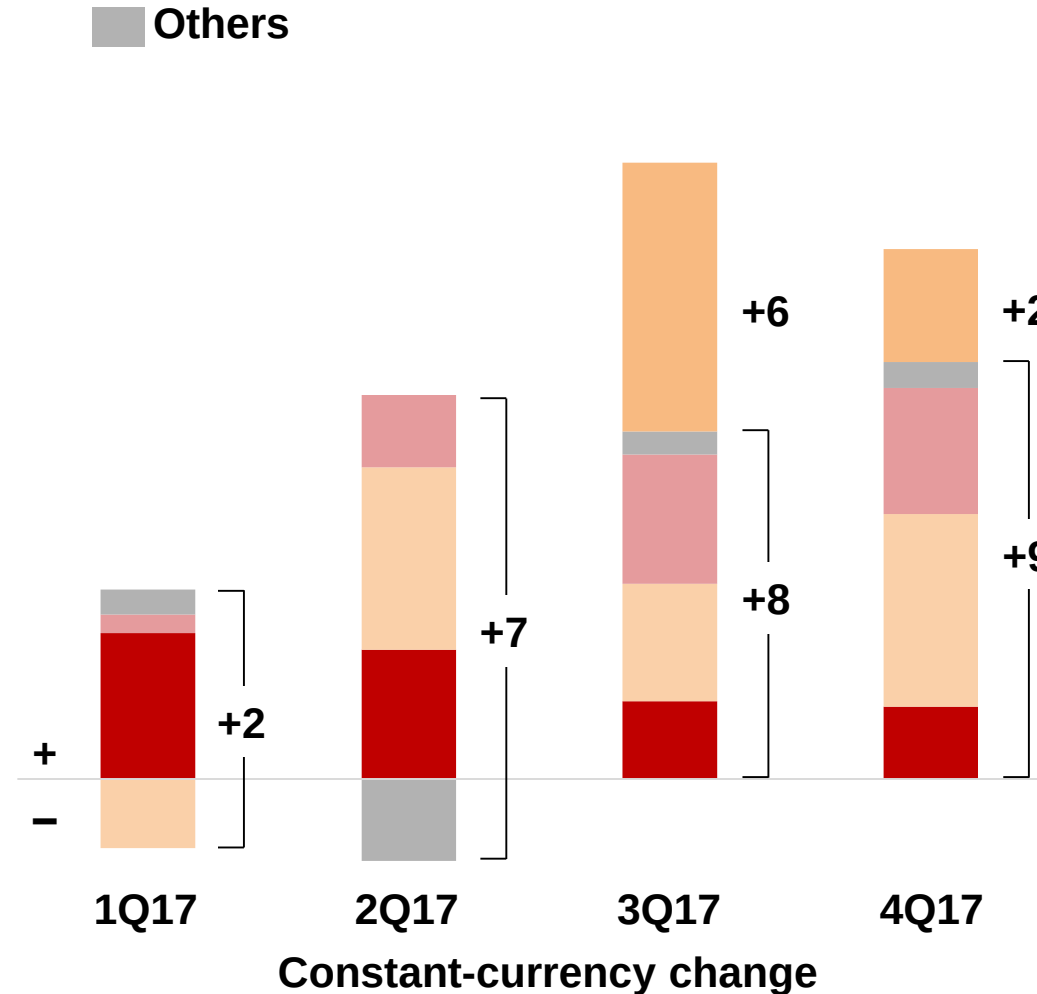
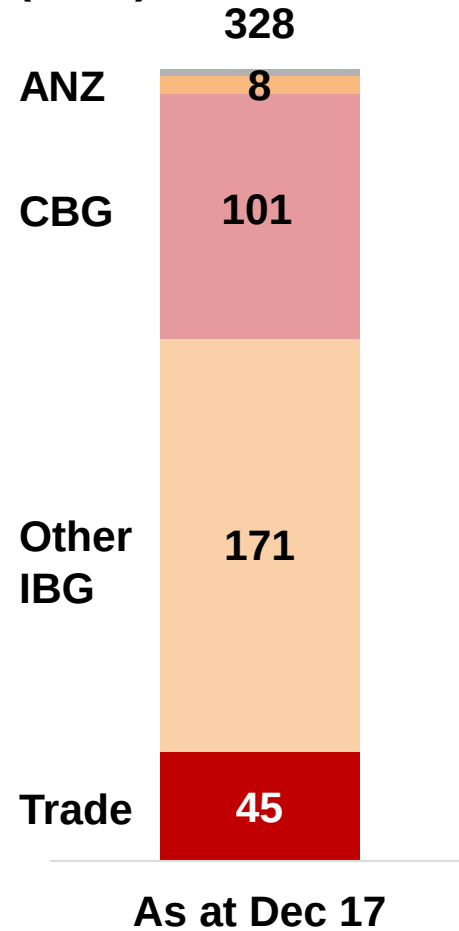


4Q net interest income crosses \$2bn, up 6% on quarter from 5 bp rise in NIM and loan growth



Loans up 4% on quarter, underlying growth at 3% on corporate and Singapore housing loan momentum

(S\$bn)



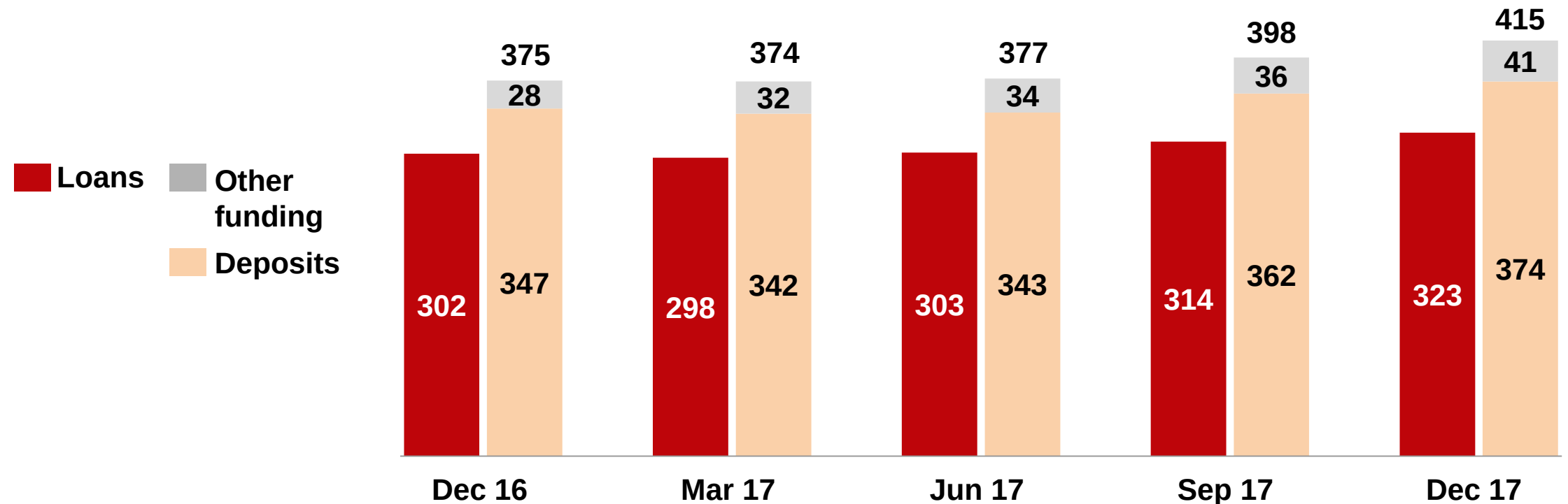
In constant-currency terms

- Gross loans up \$11 billion or 4% on quarter, including \$2 billion from consolidation of ANZ
- Underlying loans up \$9 billion or 3% on quarter, \$25 billion or 9% on year
- Non-trade corporate and consumer loans up \$7 billion or 3% on quarter, \$17 billion or 7% on year
- Trade loans up \$2 billion or 4% on quarter, \$9 billion or 25% on year

Gross loans

Ample liquidity with LCR at 131%

(S\$bn)



Ratios (%)

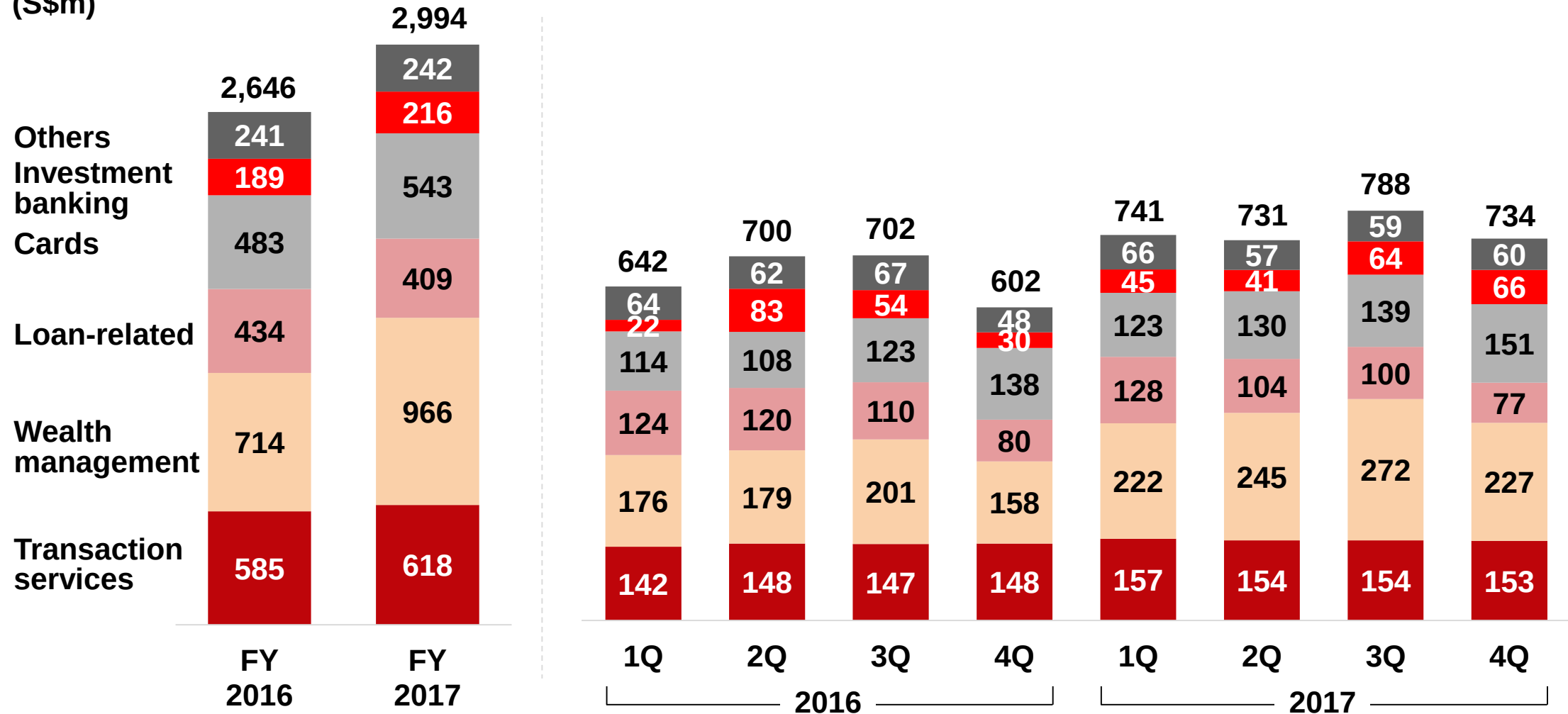
LDR	87	87	88	87	86
LCR	133	138	150	141	131

The consolidation of ANZ added \$8 billion of loans and \$11 billion of deposits as at December 2017

Other funding comprises senior medium term notes, commercial papers, negotiable certificates of deposit, other debt securities and covered bonds

4Q fee income down 7% from record in previous quarter due to seasonally slower wealth management and loan-related activities

(S\$m)



Gross fee income. Wealth management fees include \$23 million in 2Q17, \$28 million in 3Q17 and \$21 million in 4Q17 that would have been previously classified as other non-interest income. The amount represents income earned from products sold on open architecture platforms. The change in classification has been applied prospectively from 1 April 2017

Full-year IBG total income and profit before allowances stable

(S\$m)	FY17	FY16	YoY %
Total income	5,275	5,216	1
Corporate	3,561	3,670	(3)
SME	1,714	1,546	11
Loans	2,696	2,816	(4)
Trade	728	738	(1)
Cash / SFS	1,105	835	32
Treasury	576	663	(13)
Investment banking	170	164	4
Expenses	1,755	1,737	1
Profit before allowances	3,520	3,479	1
Assets (S\$bn)	247	232	6
GTS deposits (S\$bn)	142	137	4

- Total income up 1% as 32% increase in cash management income offset by lower contributions from loan-related and treasury activities
- Expenses and profit before allowances also up 1%
- Assets rise \$15 billion or 6% from loan growth
- Cash management deposits up \$5 billion or 4%

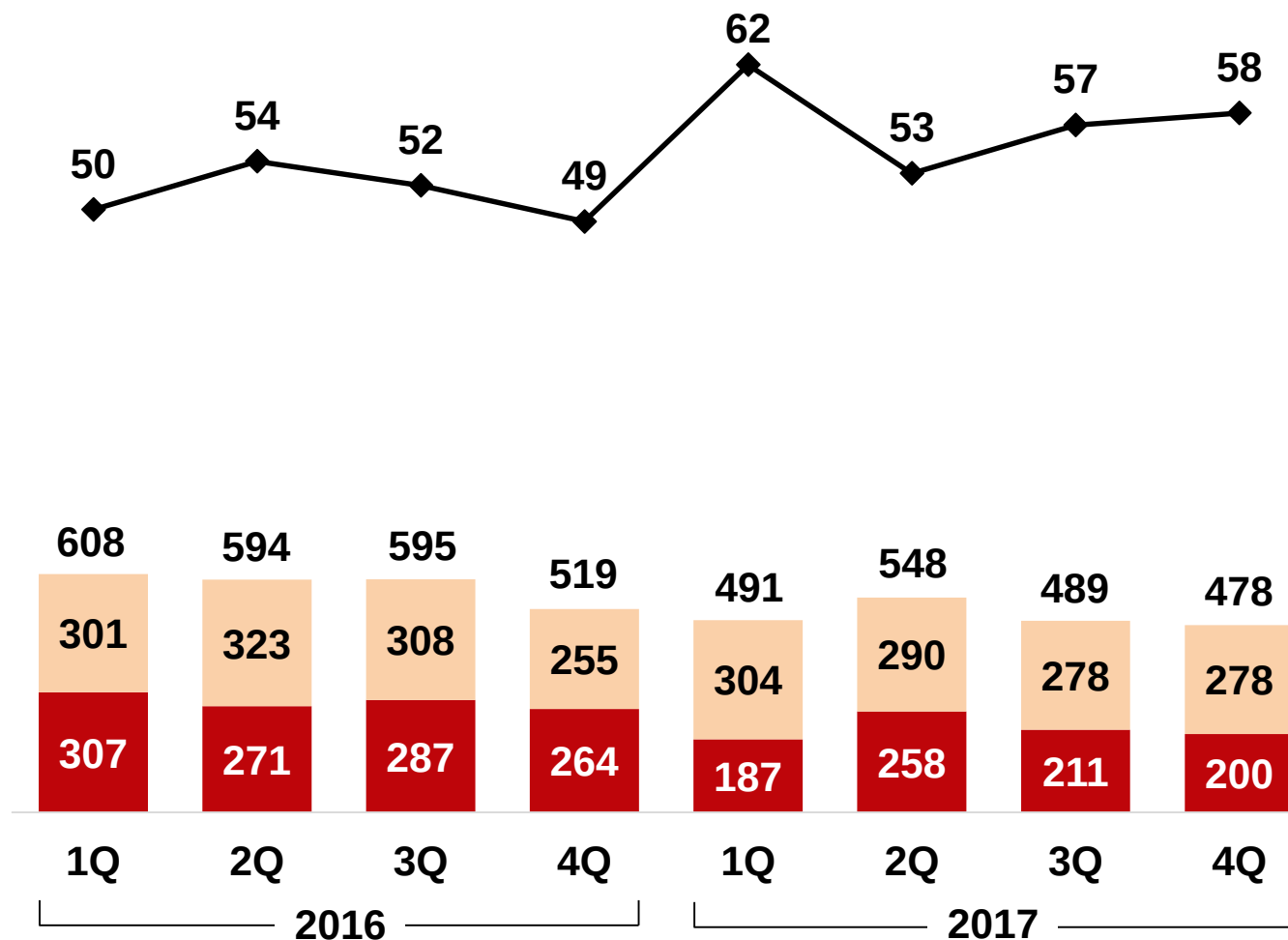
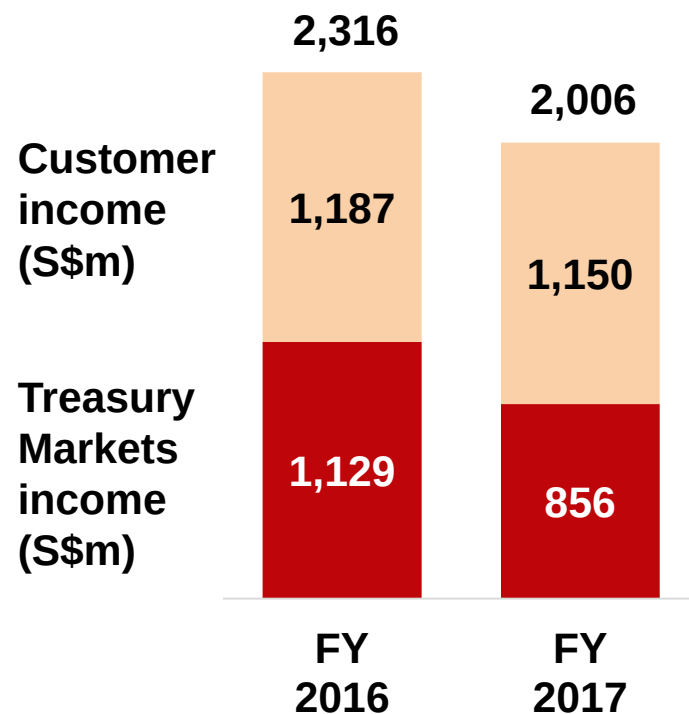
Full-year CBG / Wealth income and earnings rise to new highs

(S\$m)	FY17	FY16	YoY %
Total income	4,671	4,279	9
Retail	2,564	2,598	(1)
Wealth Management	2,107	1,681	25
Loans and deposits	2,631	2,509	5
Investment products	1,375	1,135	21
Cards	619	580	7
Others	62	55	13
Expenses	2,562	2,384	7
Profit before allowances	2,109	1,895	11
AUM (S\$bn)	206	166	24
SGD savings (S\$bn)	115	109	6

- Total income up 9% from broad-based growth led by 21% increase in income from investment products
- Wealth Management segment income rises 25% to \$2.11 billion
- AUM increases 24% to \$206 billion, including \$18 billion from ANZ
- Singapore housing loan market share crosses 30% during year, SGD savings account market share maintained at above 50%

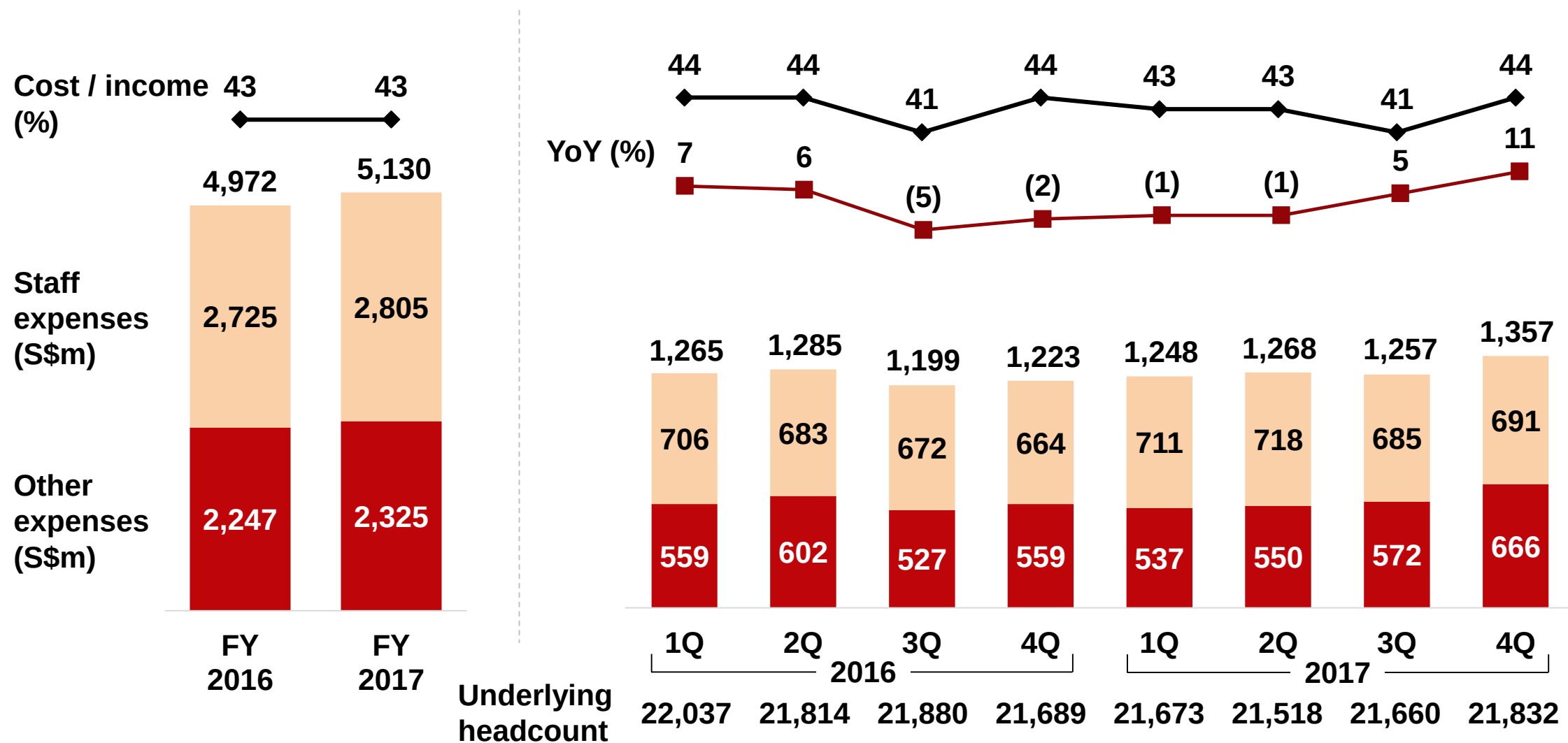
Weaker 4Q and full-year treasury income

Customer income / Total treasury income (%)



Treasury customer income is included under IBG/CBG segment income. It is included in this chart for a complete product view

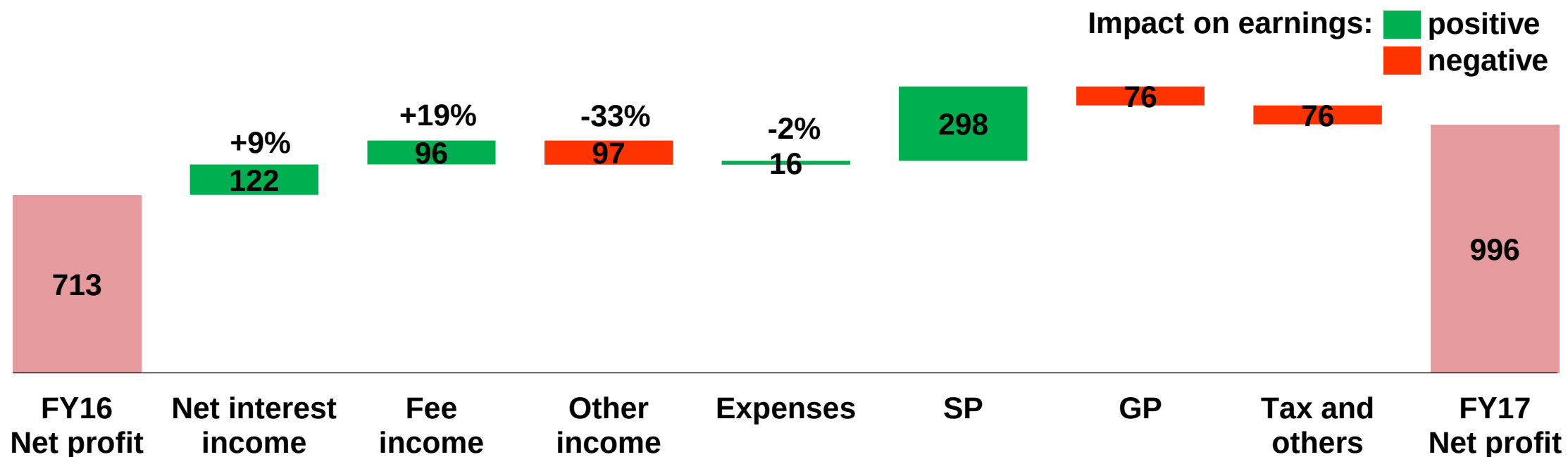
Full-year cost-income ratio at 43%



Full-year Hong Kong earnings up 40%

(S\$m)	<u>FY17</u>	<u>YoY %</u>	<u>Underlying</u> <u>YoY %</u>
Total income	2,223	6	7
Expenses	945	(2)	0
Profit before allowances	1,278	12	13
Allowances	80	(74)	(73)
Net profit	996	40	41

- Income up 6% as net interest income and fee income growth was partially offset by lower other non-interest income
- Expenses decline 2%
- SP declines from high year-ago base



New NPAs decline on quarter, NPL stable at 1.7%

(S\$m)	4Q17	3Q17	4Q16
NPAs at start of period	6,127	4,846	4,330
New NPAs	362	2,063	779
Upgrades, recoveries and translation	(298)	(329)	(66)
Write-offs	(187)	(576)	(187)
NPAs at end of period (excluding ANZ)	6,004	6,004	4,856
ANZ consolidation	66	123	-
NPAs at end of period (including ANZ)	6,070	6,127	4,856
NPL ratio (%)	1.7	1.7	1.4

4Q credit costs normalise to 25 bp

(S\$m)

Add charges for

New NPLs

Existing NPLs

Subtract charges for

Upgrades

Settlements

Recoveries

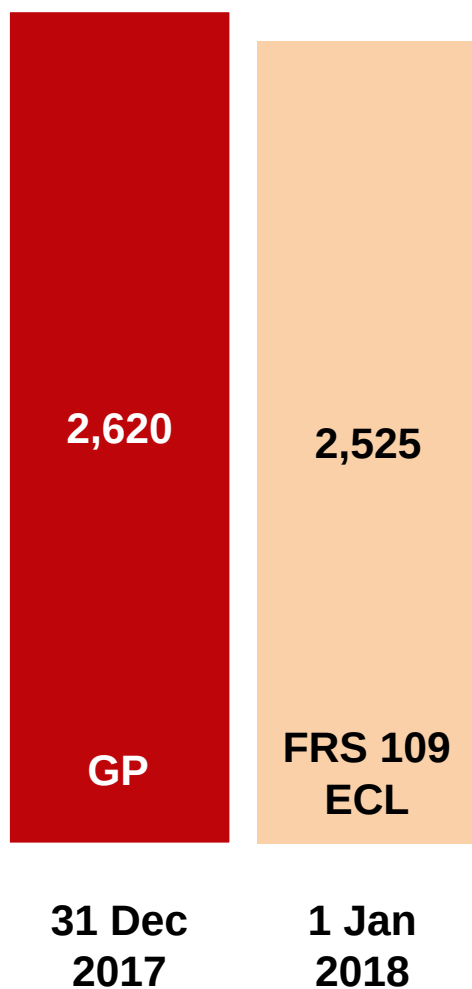
Total SP charges for loans

SP / loans (bp)

	4Q17	3Q17	4Q16
	79	943	180
	199	675	305
	278	1,618	485
	-	-	1
	27	57	34
	45	23	18
	72	80	53
	206	1,538	432
	25	195	57

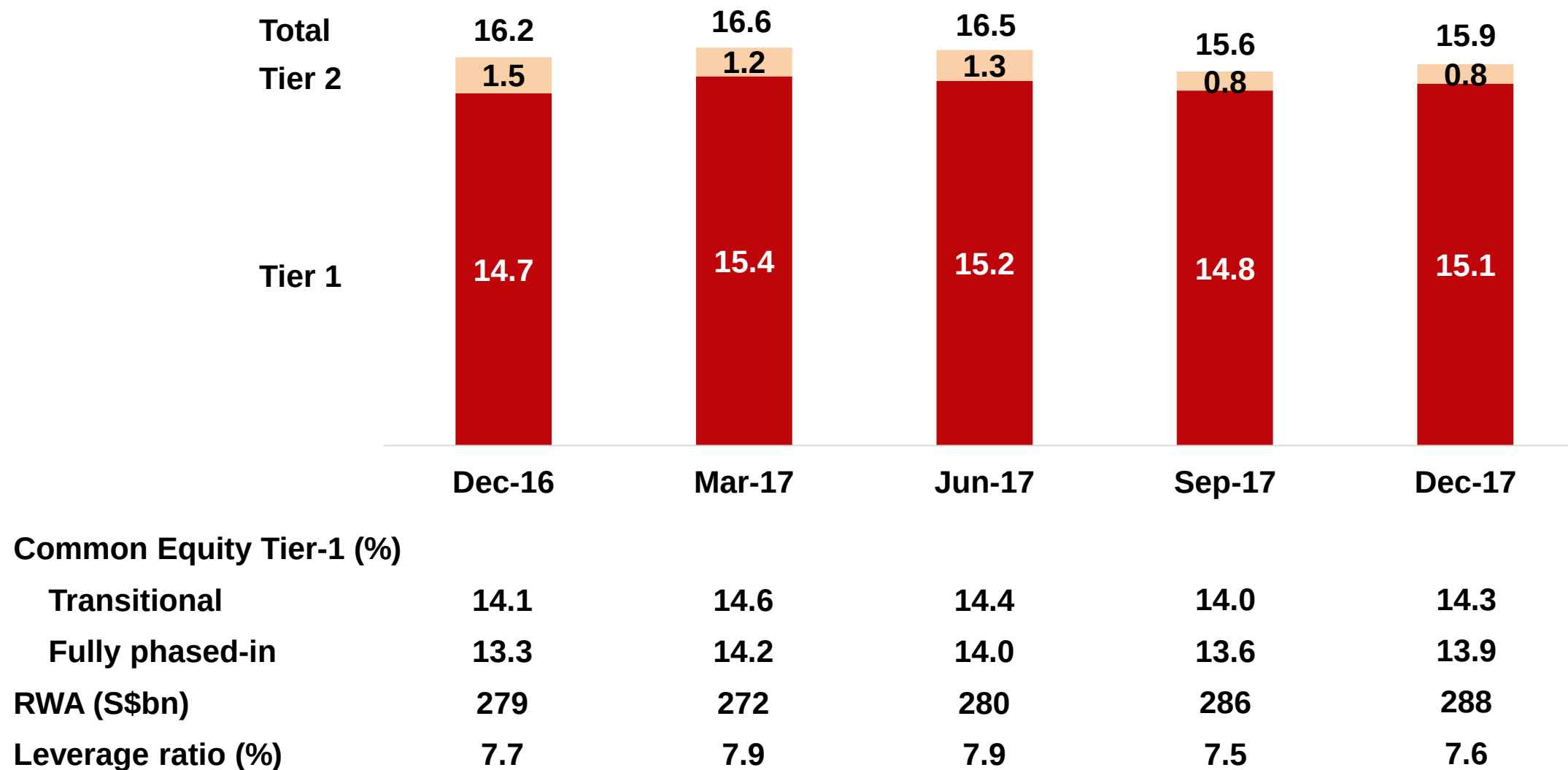
Impact of transition to FRS 109 ECL

(S\$m)



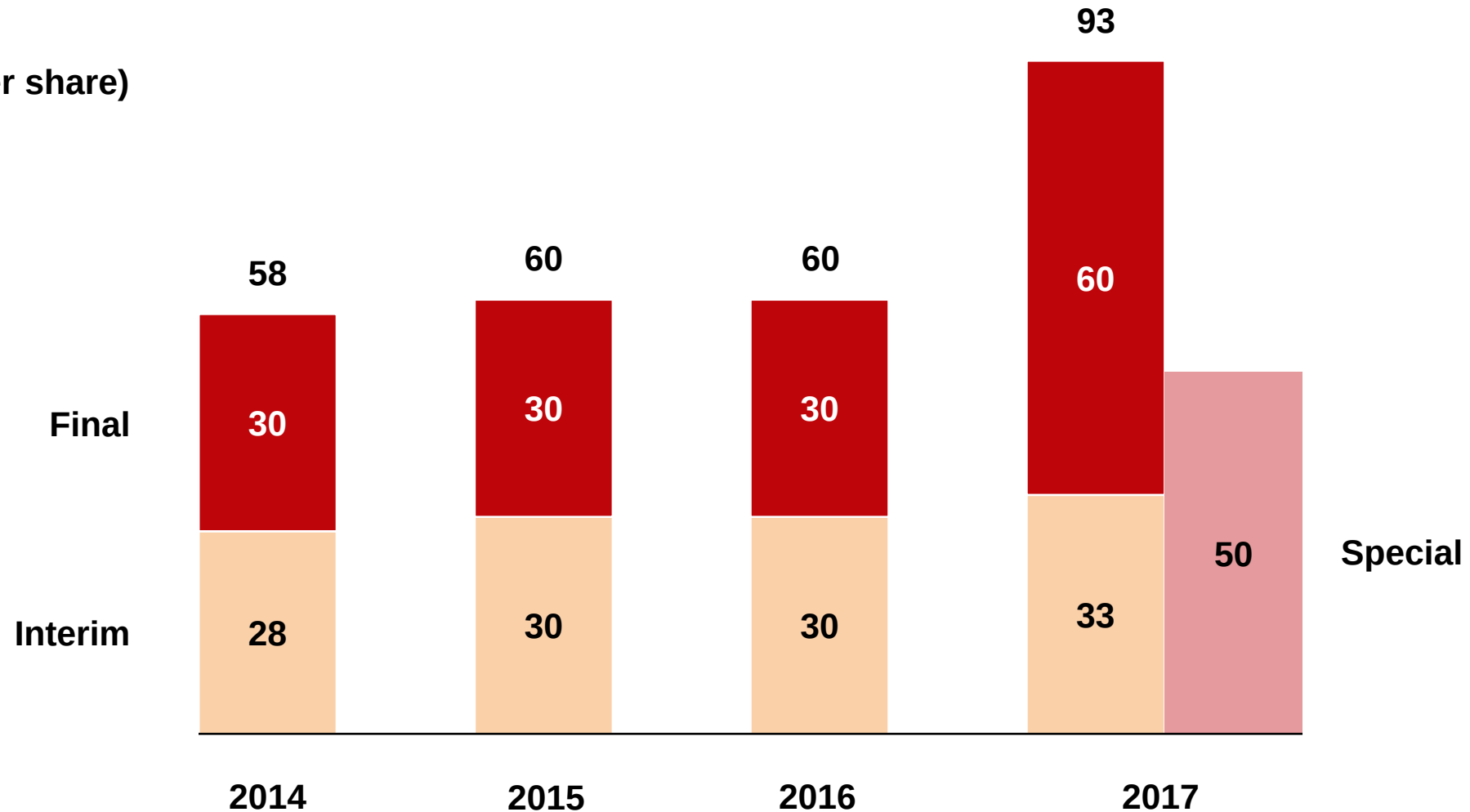
- GP as at 31 December 2017 of \$2,620m was equal to 1%
- ECL as at 1 January 2018 estimated to be \$2,525m
- Difference of \$95m transferred to Regulatory Loss Allowance Reserves

Strong CET-1 and leverage ratios



Final dividend of 60 cents raises full-year dividend by 55% to 93 cents, special dividend of 50 cents

(S¢ per share)



In summary – record full-year and quarterly earnings

Strong business momentum drives record performance for full year and fourth quarter

Broad-based growth in loans and fee income more than offset impact of lower average interest rates and weaker trading income for full year

Digitalisation is structurally improving growth and returns

Asset quality benign, credit costs normalise in the fourth quarter

Significant dividend increase reflects quality of earnings, strength of balance sheet and improved returns being generated for shareholders



Supplementary slides

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Record full-year earnings

(S\$m)

	FY17	FY16	YoY %
Net interest income	7,791	7,305	7
Fee income	2,622	2,331	12
Trading income	1,058	1,357	(22)
Other income	453	496	(9)
Non-interest income	4,133	4,184	(1)
Total income	11,924	11,489	4
Staff expenses	2,805	2,725	3
Other expenses	2,325	2,247	3
Expenses	5,130	4,972	3
Profit before allowances	6,794	6,517	4
General allowances	2,399	1,493	61
Specific allowances	(855)	(59)	NM
Allowances	1,544	1,434	8
Net profit	4,390	4,238	4
One-time items	(19)	0	NM
Net profit incl. one-time items	4,371	4,238	3

Quarterly total income stays above \$3 billion

(S\$m)	4Q17	4Q16	YoY %	3Q17	QoQ %
Net interest income	2,097	1,824	15	1,975	6
Fee income	636	515	23	685	(7)
Trading income	228	397	(43)	265	(14)
Other income	94	40	>100	134	(30)
Non-interest income	958	952	1	1,084	(12)
Total income	3,055	2,776	10	3,059	(0)
Staff expenses	691	664	4	685	1
Other expenses	666	559	19	572	16
Expenses	1,357	1,223	11	1,257	8
Profit before allowances	1,698	1,553	9	1,802	(6)
General allowances	230	462	(50)	1,665	(86)
Specific allowances	(5)	0	NM	(850)	NM
Allowances	225	462	(51)	815	(72)
Net profit	1,218	913	33	822	48
One-time items	(24)	0	NM	(20)	NM
Net profit incl. one-time items	1,194	913	31	802	49

Cost-income ratio at 43%

(%)	4Q17	4Q16	3Q17	FY17	FY16
Net interest margin	1.78	1.71	1.73	1.75	1.80
Fee income / total income	21	19	22	22	20
Non-interest income / total income	31	34	35	35	36
Cost / income	44	44	41	43	43
ROE	10.5	8.4	7.1	9.7	10.1
Loan / deposit	86	87	87	86	87
SP / loans (bp)	25	57	195	72	38
NPL ratio	1.7	1.4	1.7	1.7	1.4

Full-year Hong Kong earnings up 40% on year

Constant-currency terms

(S\$m)

Net interest income

Non-interest income

Total income

Expenses

Profit before allowances

General allowances

Specific allowances

Allowances

Net profit

FY17	FY16	YoY %	YoY %
1,439	1,317	9	10
784	785	(0)	1
2,223	2,102	6	7
945	961	(2)	(0)
1,278	1,141	12	13
75	(1)	NM	NM
5	303	(98)	(98)
80	302	(74)	(73)
996	713	40	41

Net interest margin (%)

1.74

1.73

Loan growth (%)

16

Non-trade growth (%)

16

Trade growth (%)

19

Deposit growth (%)

19

4Q Hong Kong earnings more than double on year

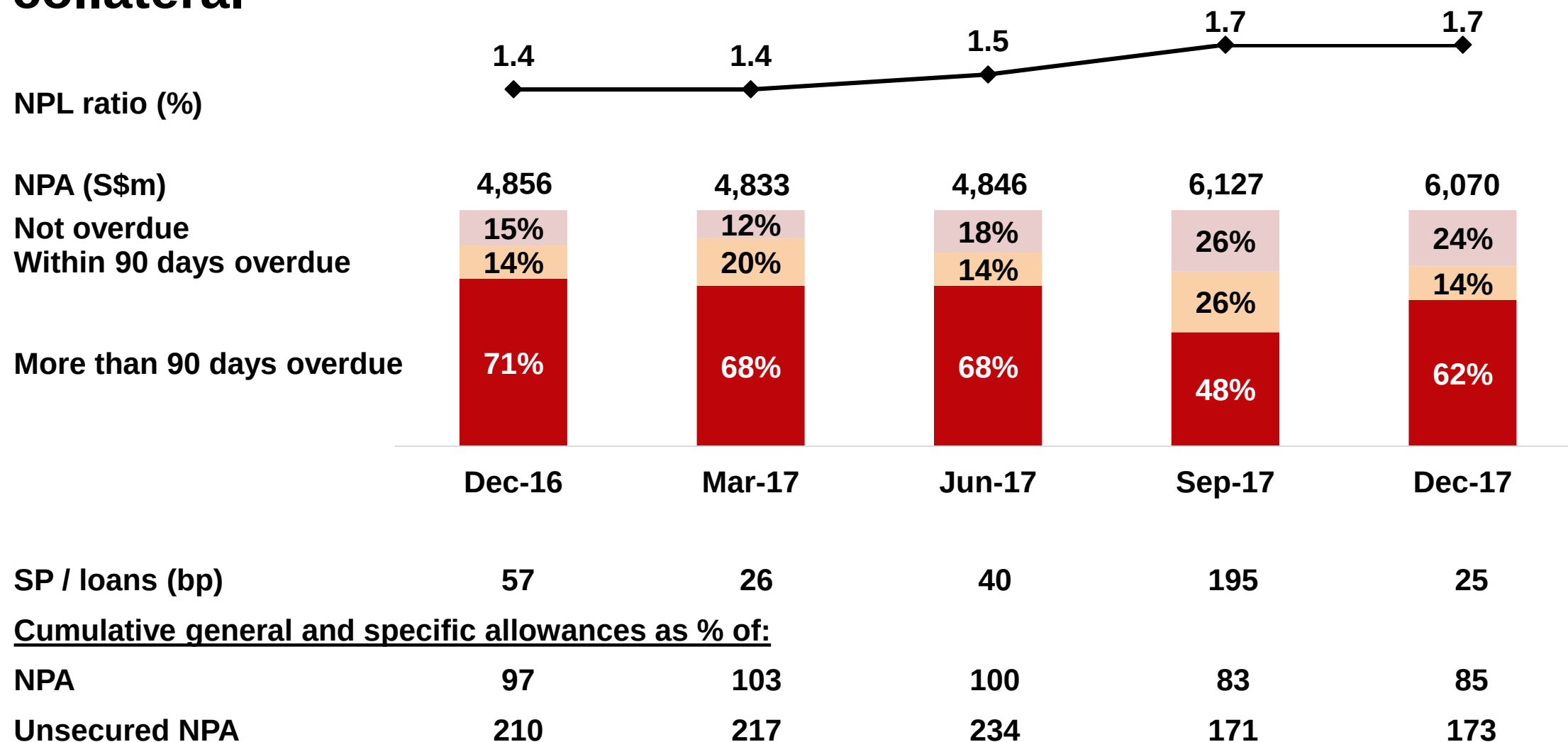
Constant-currency terms

(S\$m)	4Q17	4Q16	YoY %	YoY %	3Q17	QoQ %	QoQ %
Net interest income	391	342	14	21	354	10	11
Non-interest income	209	170	23	30	209	0	1
Total income	600	512	17	24	563	7	7
Expenses	256	273	(6)	(1)	224	14	15
Profit before allowances	344	239	44	52	339	1	2
General allowances	7	0	NM	NM	40	(83)	(80)
Specific allowances	37	107	(65)	(64)	(50)	NM	NM
Allowances	44	107	(59)	(56)	(10)	NM	NM
Net profit	247	111	>100	>100	292	(15)	(14)
Net interest margin (%)	1.78	1.64			1.68		
Loan growth (%)				16			4
Non-trade growth (%)				16			6
Trade growth (%)				19			(2)
Deposit growth (%)				19			5

Full-year regional performance improves

(S\$m)	FY17	FY16	YoY %
Net interest income	1,251	1,100	14
Non-interest income	652	747	(13)
Total income	1,903	1,847	3
Expenses	1,159	1,140	2
Profit before allowances	744	707	5
Allowances	331	474	(30)
Net profit	328	129	>100

Allowance coverage prudent at 85% and at 173% with collateral



AFS duration remains short

(S\$m)

Government securities

Less than 3 years

3 to 5 years

5 to 10 years

More than 10 years

Supranational, bank and corporate bonds

Equities

Total

AFS reserves

Dec-17	Sep-17
27,826	28,233
15,993	17,957
4,704	5,394
6,784	4,535
345	347
14,630	14,460
1,277	1,415
43,733	44,108
38	205

Time-banding is based on maturity date from reporting date

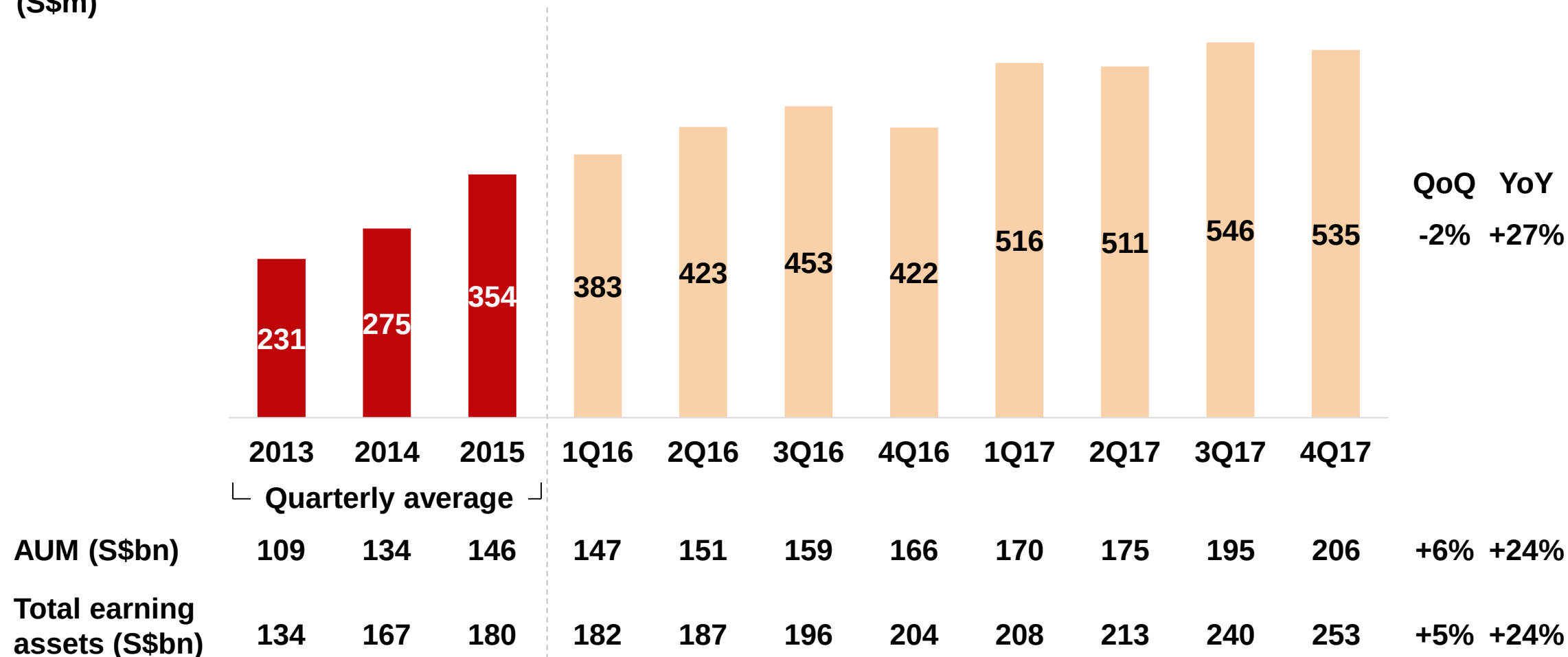
Deposits up 4% on quarter and up 11% on year in constant-currency terms

	(S\$bn)	QoQ (%)		YoY (%)	
	Dec-17	Reported	Underlying	Reported	Underlying
Deposits	374	3	4	8	11
By product					
Casa	233	3	3	9	11
Fixed deposits	138	4	5	6	11
Other	3	(2)	(1)	15	23
By currency					
Singapore dollar	157	0	0	3	3
US dollar	129	7	9	15	24
HK dollar	35	(0)	1	(3)	6
Chinese yuan	11	(6)	(6)	16	18
Others	42	10	11	12	12
LDR (%)	Dec-17	Sep-17		Dec-16	
Overall	86	87		87	
Singapore dollar	86	84		81	
US dollar	81	84		91	

Deposits as at December 2017 include \$11 billion from ANZ consolidation

Wealth Management segment

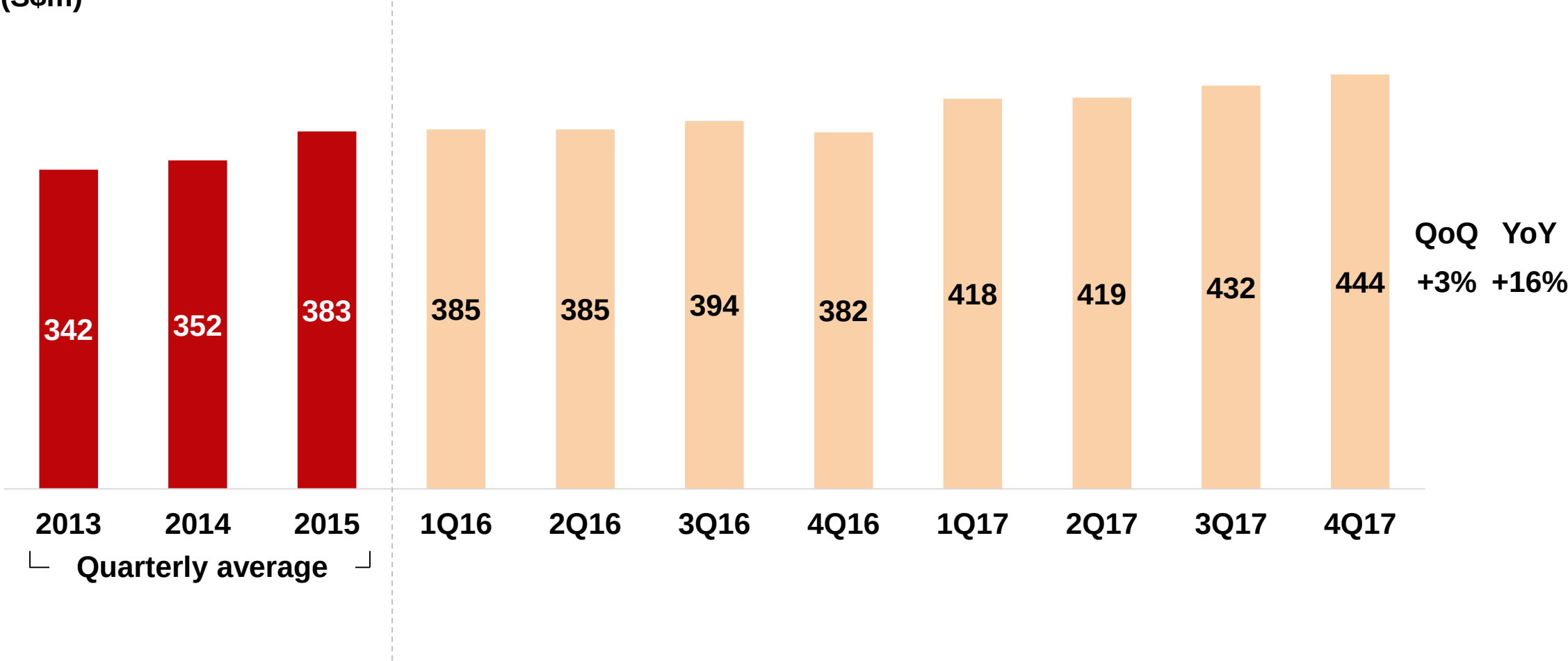
Income
(S\$m)



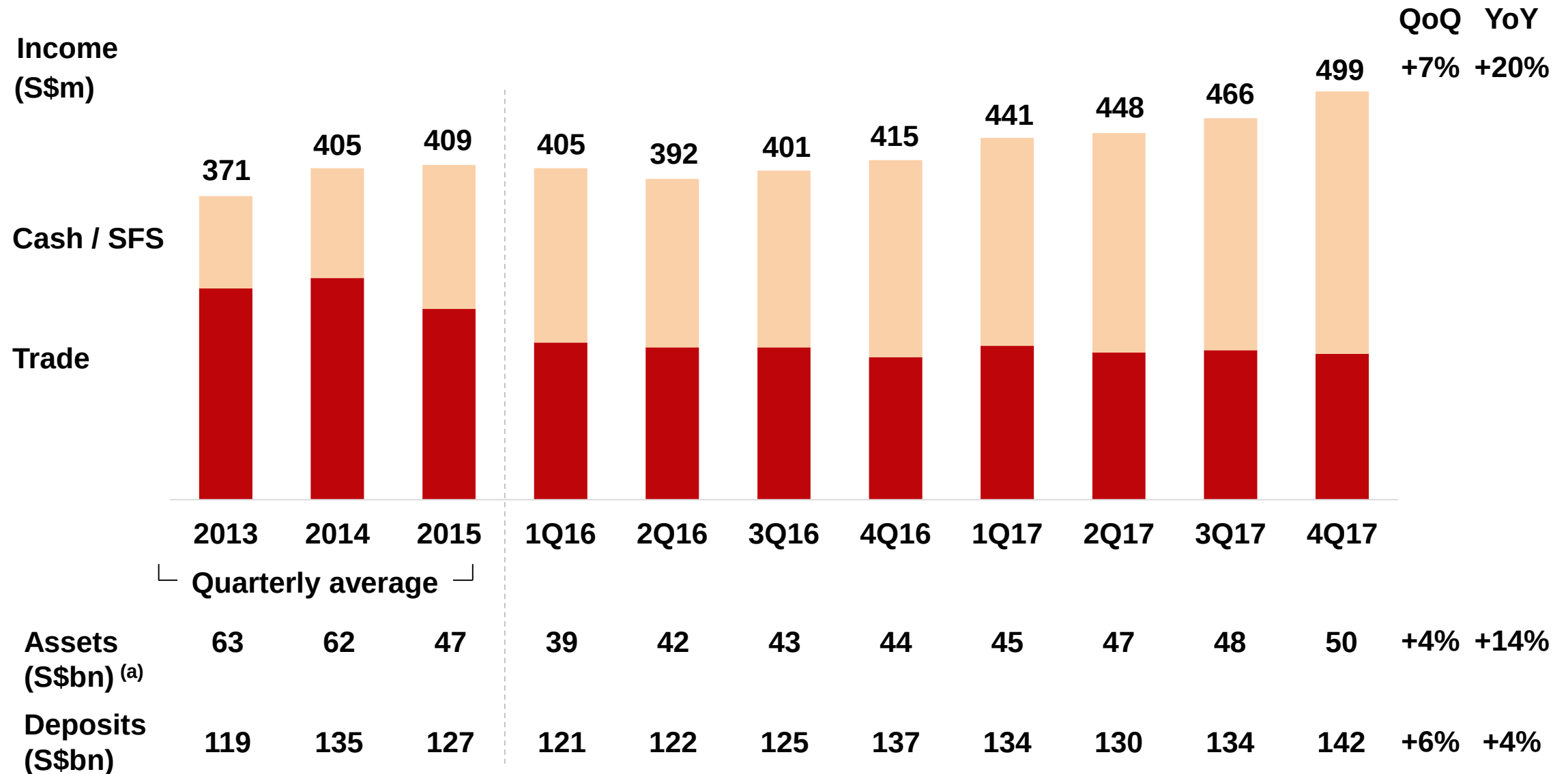
Comprising Treasures, Treasures Private Client and Private Bank
Total earning assets and AUMs at end of period

SME segment

Income
(S\$m)



Global transaction services



Assets and deposits at end of period

(a) Trade assets; includes bank exposures and loans of financial institutions

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