



News Release

Ref No. 03/2016

DBS FIRST-HALF EARNINGS AT SGD 2.25 BILLION

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Second-quarter earnings at SGD 1.05 billion

SINGAPORE, 8 August 2016 – DBS Group achieved net profit of SGD 2.25 billion for first half 2016. Excluding one-time items a year ago, net profit was slightly higher and a record. Total income increased 6% to a new high of SGD 5.78 billion. This was achieved through diversified growth, with net interest margin at a six-year high and record fee income. The results included a net allowance charge of SGD 150 million for DBS' exposure to the Swiber group after drawing SGD 250 million from general allowance reserves. Cumulative general allowance reserves continued to be high at SGD 2.95 billion.



Second-quarter net profit was SGD 1.05 billion, which was 6% lower compared to a year ago due to the net allowance charge. Total income rose 8% to a new quarterly high of SGD 2.92 billion as business momentum picked up during the quarter. Loans expanded 4% over the quarter led by corporate loans and market share gains in Singapore housing loans. Fee income climbed to a quarterly record. The cost-income ratio improved to 44% as cost growth decelerated. Profit before allowances increased 10% to SGD 1.63 billion.

Total allowances for the half year rose 69% to SGD 536 million. The strong profit before allowances for the quarter and the half year provided a substantial cushion for absorbing the additional net allowances. While the non-performing loan rate rose to 1.1%, allowance coverage continued to be sound at 113% and at 226% if collateral was considered.

Return on equity was 11.0% for the first half. The performance underscored the earnings resilience of the DBS franchise as it continued to capture opportunities across multiple business lines and generate healthy profit even in challenging operating conditions.

First-half earnings unchanged as total income rises 6%

For the first half, net interest income rose 7% to SGD 3.67 billion. Net interest margin improved 14 basis points to 1.86% in line with higher average Singapore-dollar



interest rates. Loans grew 2% to SGD 285 billion. A 6% increase in non-trade loans from corporate loans and market share gains in Singapore housing loans more than offset a 22% contraction in trade loans.

Non-interest income rose 6% to SGD 2.12 billion. Net fee income increased 5% to SGD 1.20 billion from broad-based growth. Wealth management fees rose 4% to SGD 355 million as bancassurance income grew. Investment banking fees increased 35% to SGD 105 million from strong debt and equity capital market activities. Card fees rose 7% to SGD 222 million from increased credit and debit card transactions in Singapore. Transaction banking fees grew 2% to SGD 290 million as an 11% increase in cash management fees more than offset a decline in trade finance fees.

Other non-interest income was 6% higher at SGD 916 million from higher gains from investment securities. Trading income was stable as a decline in treasury customer sales was offset by higher trading gains.

By business unit, Consumer Banking / Wealth Management income increased 19% to SGD 2.09 billion, led by higher income from loans, deposits and bancassurance. Income from the Wealth Management customer segment rose 8% to SGD 806 million with assets under management growing 6% to SGD 151 billion. Institutional Banking income was little changed at SGD 2.65 billion. While cash management, capital market and loan activities grew, trade finance and treasury customer sales were lower due to uncertainty related to China and the renminbi. Treasury income fell 13% to SGD 578 million from the high base a year ago.



Total expenses increased 6% to SGD 2.55 billion and the cost-income ratio was 44%. Profit before allowances was 6% higher at SGD 3.23 billion.

Total allowances rose 69% to SGD 536 million. They included a net allowance charge of SGD 150 million for Swiber.

Second-quarter results underpinned by 8% rise in total income

For the second quarter, net profit fell 6% from a year ago to SGD 1.05 billion. Total income increased 8% to a new quarterly high of SGD 2.92 billion, exceeding cost growth of 6%. The 10% increase in profit before allowances was more than offset by higher allowances.

Net interest income rose 5% to SGD 1.83 billion. Net interest margin improved 12 basis points to 1.87% while loans were 2% higher.

Non-interest income was 13% higher at SGD 1.09 billion. Net fee income rose 8% to SGD 628 million, led by growth in investment banking, transaction banking and loan-related activities. Other non-interest income grew 22% to SGD 458 million from higher trading income and gains from investment securities.

The cost-income ratio improved from 45% a year ago to 44% as a result of disciplined cost management. Total expenses rose 6% to SGD 1.29 billion as year-on-year cost growth decelerated.



Total allowances more than doubled to SGD 366 million as a result of the net allowances of SGD 150 million for Swiber.

Second-quarter earnings 13% lower than previous quarter

Second-quarter net profit was 13% below the record earnings in the previous quarter. While total income and profit before allowances were higher, the impact was offset by an increase in total allowances.

Net interest income was stable. Loans grew SGD 11 billion or 4% in constant-currency terms. The increase was led by corporate loans and market share gains in Singapore housing loans. Trade loans also rose, by 8%, reversing several quarters of contraction. Net interest margin was little changed at 1.87% as the impact of lower Singapore-dollar interest rates was offset by a more efficient balance sheet and reduced deposit costs.

Non-interest income was 5% higher. Net fee income increased 9% as investment banking income quadrupled from stronger debt and equity capital market activities. Other non-interest income was unchanged.

Total expenses rose 2%. Staff costs were 3% lower as headcount fell slightly, while technology and general expenses were higher.

Total allowances of SGD 366 million were double the previous quarter. Excluding the allowances for Swiber, specific allowances for credit exposures were little changed.



Balance sheet remains healthy

Asset quality remained sound. While the non-performing rate rose to 1.1%, allowance coverage was comfortable at 113% and at 226% if collateral was considered.

The average liquidity coverage ratio for the second quarter was 116%, comfortably above the final regulatory requirement of 100% due in 2019. The net stable funding ratio was also above regulatory requirements due in 2018.

Capital was also healthy with the Common Equity Tier-1 ratio at 14.2%. The leverage ratio was at 7.7%, more than twice the minimum of 3% currently envisaged by the Basel Committee.

The Board declared a first-half dividend of 30 cents per share, unchanged from a year ago. The scrip dividend scheme will be applicable to the dividend. Scrip dividends will be issued at the average of the closing prices on each of 15, 16 and 17 August 2016.

DBS CEO Piyush Gupta said, "We achieved two consecutive quarters of record total income despite a challenging operating environment in the first half. The strong income growth in the second quarter enabled profit before allowances to grow 10%. Despite an unexpected significant allowance charge, first-half earnings were at a record. The performance demonstrates our ability to consistently capture opportunities across our businesses and effectively manage costs. While there remains some uncertainty in the second half, our business momentum is good and our balance sheet healthy. We are well prepared to meet the challenges ahead."



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 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 conferred "Asia's Best Bank" by The Banker and Euromoney, and "Asian Bank of the Year" by IFR Asia. 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. 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 22,000 staff, representing over 40 nationalities. For more information, please visit www.dbs.com.

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