

Record first-half and second-quarter income

DBS Group Holdings
2Q 2016 financial results
August 8, 2016

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Highlights

Record 1H and 2Q total income underpinned by improved business momentum

- Net interest income and fee income at half-year highs
- 1H total income rises 6% to \$5.78 billion; 2Q total income up 8% from broad-based growth
- 2Q NIM of 1.87% up 12bp on year, stable on quarter. Loans grow 4% on quarter as trade loans reverse decline and non-trade loans grow
- Expense growth decelerates from disciplined cost management
- Higher allowances due largely to a single exposure
- 1H net profit maintained at record \$2.25bn, ROE at 11.0%

Strong balance sheet

- NPL at 1.1%, allowance coverage at 113% and at 226% with collateral
- LCR at 116%, NSFR above 100%
- Fully phased-in CET 1 at 13.4%, leverage ratio at 7.7%

Increase in allowances due to a significant exposure

(S\$m)	30 Jun NPA	31 Jul NPA	2Q16 SP	2Q16 GP	2Q16 Total
Swiber group	651	721	400	(250)	150
Loans	387	469	200		
Other credit exposures	264	252	200		
Others			194	22	216
Loans			136		
Other credit exposures			40		
Others			18		
Total			594	(228)	366

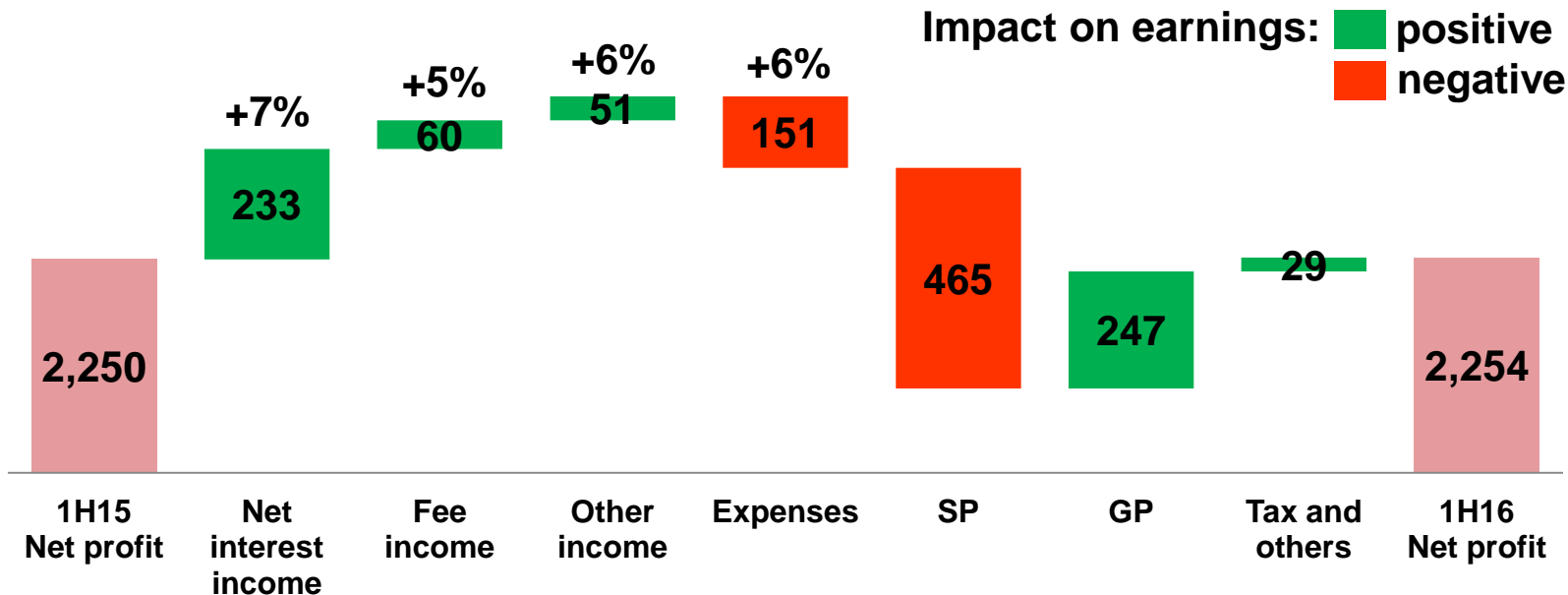
- Recovery of Swiber exposure from property and vessel collateral, trade receivables for work done and expiry of warranty bonds
- Excluding Swiber, SP for loans and other credit exposures of \$176 million is stable from previous quarter

Record 1H income, earnings unchanged at \$2.25 billion

(S\$m)

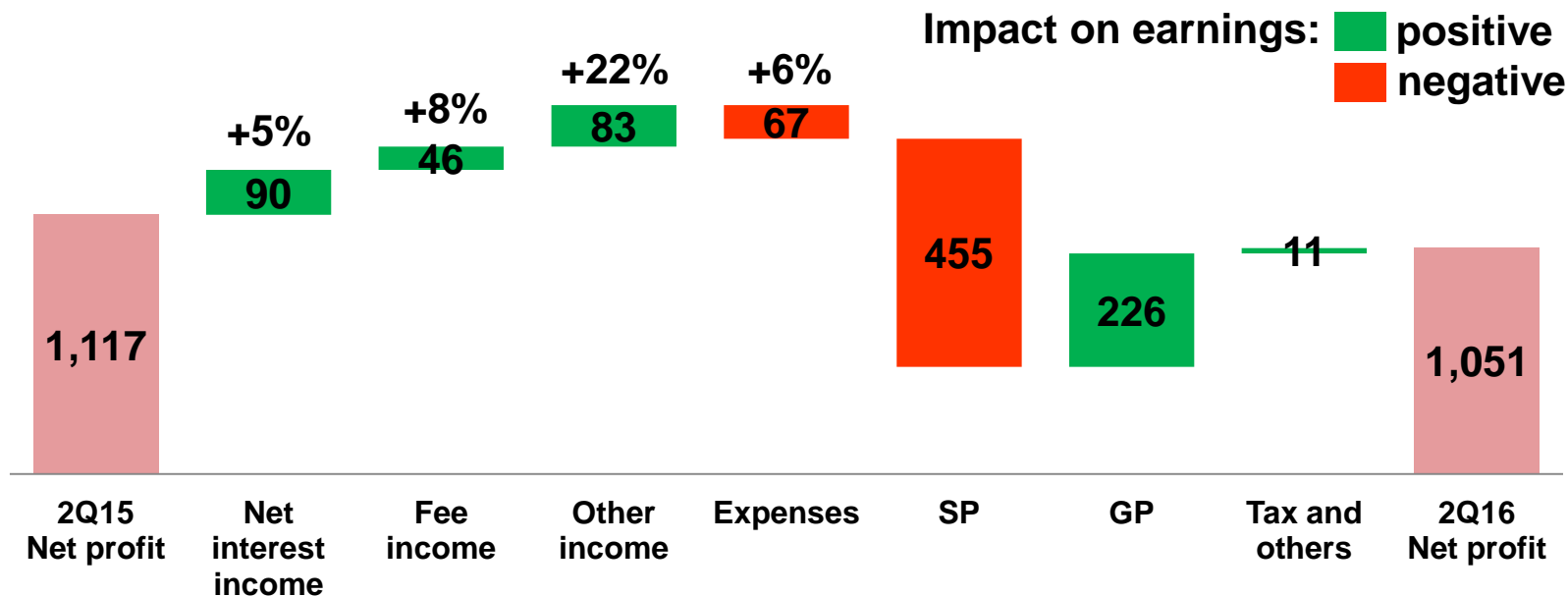
		<u>1H16</u>	<u>YoY %</u>
Total income	record	5,784	6
Expenses	record	2,550	6
Profit before allowances	record	3,234	6
Allowances		536	69
Net profit	record	2,254	0

- Total income up 6% on higher NIM (+14 bp) and broad-based non-interest income growth
- Cost/income ratio maintained at 44%
- Higher SP due largely to single exposure



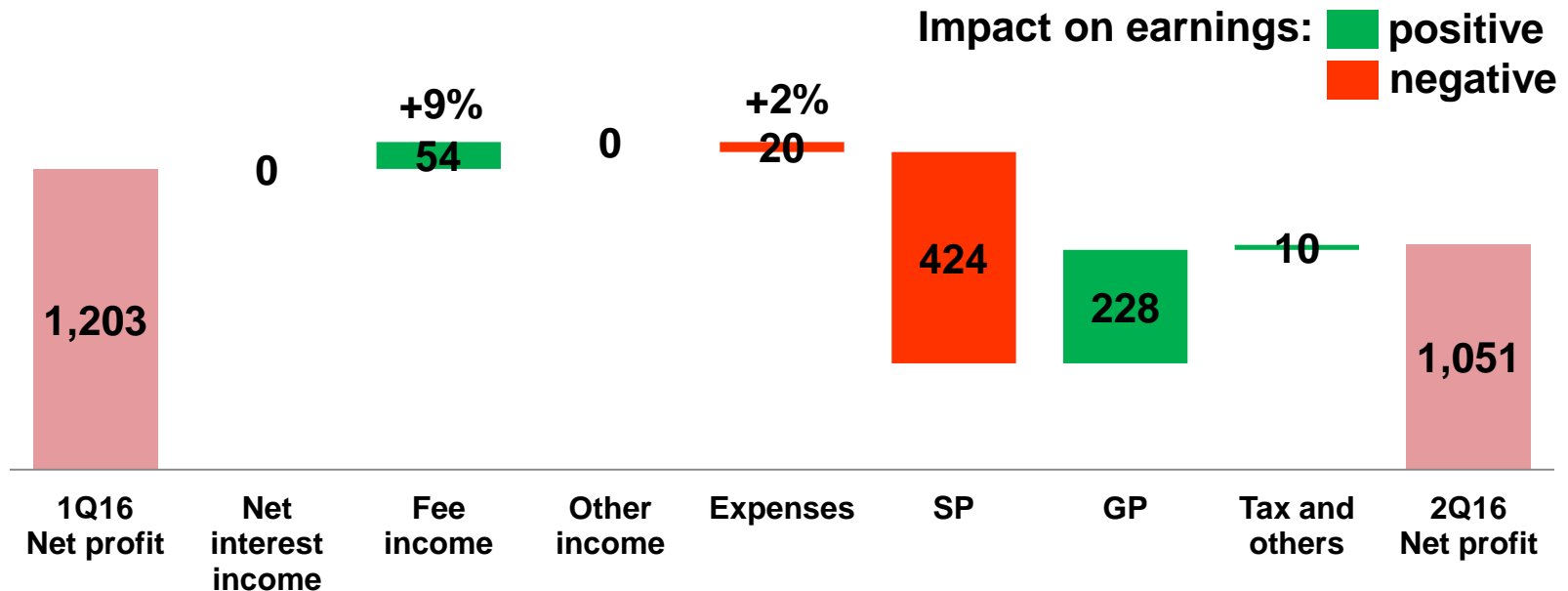
2Q income up 8% on year, earnings decline 6% from higher allowances

(S\$m)		2Q16	YoY %	
Total income	record	2,919	8	<ul style="list-style-type: none"> ▪ Broad-based, 8% growth in total income to quarterly high ▪ Higher NIM, fee and other non-interest income ▪ Costs rise less quickly than income
Expenses		1,285	6	
Profit before allowances	record	1,634	10	
Allowances		366	>100	
Net profit		1,051	(6)	



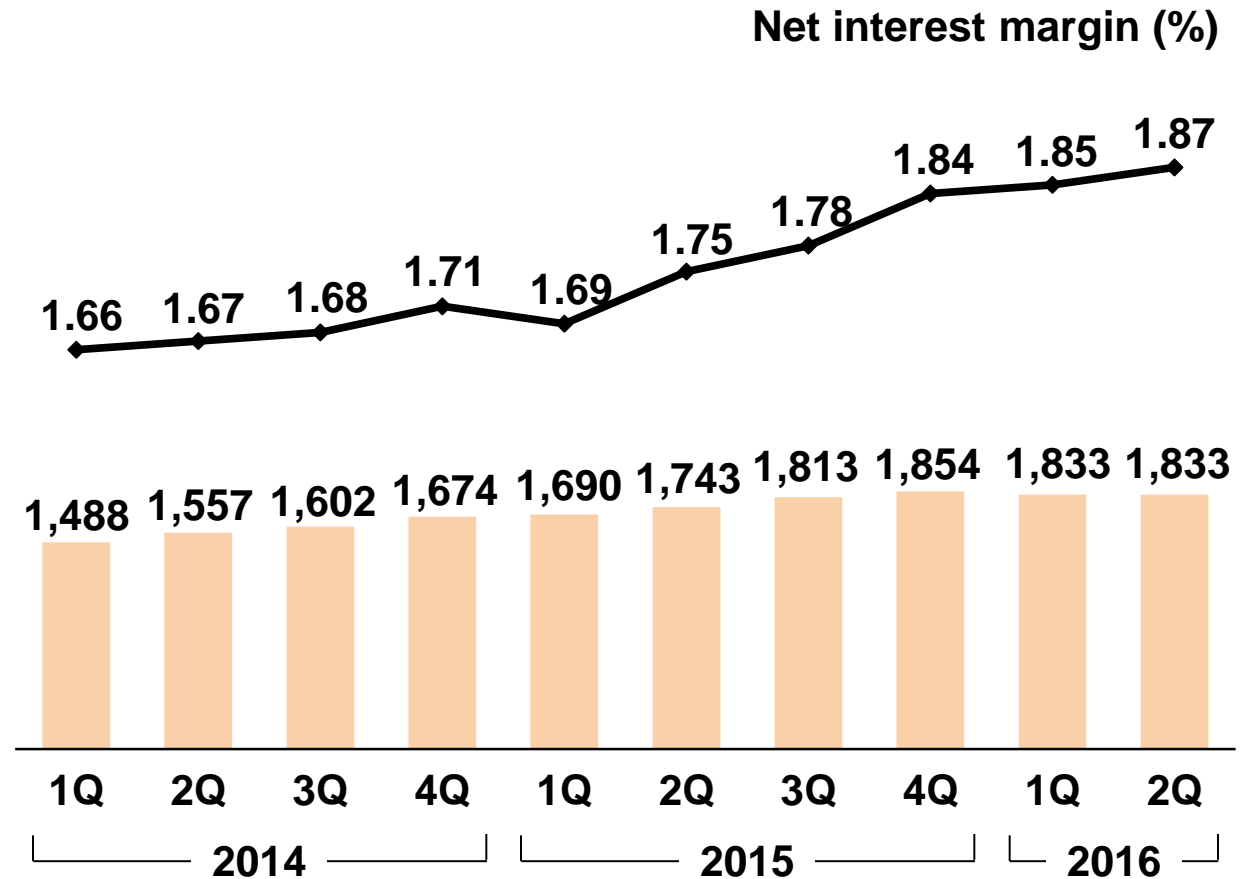
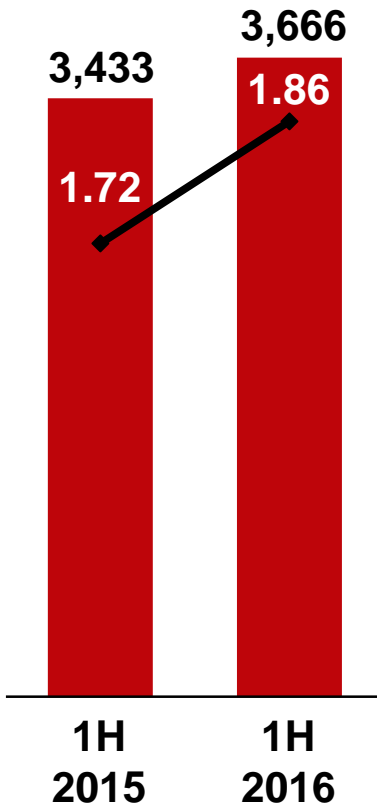
2Q income up 2% on quarter

(S\$m)	<u>2Q16</u>	<u>QoQ %</u>	
Total income	2,919	2	<ul style="list-style-type: none"> Improved business momentum 4% loan growth from corporate, trade and Singapore housing
Expenses	1,285	2	
Profit before allowances	1,634	2	
Allowances	366	>100	<ul style="list-style-type: none"> Fee income growth led by investment banking
Net profit	1,051	(13)	



NIM stable on quarter, up 12bp on year to 1.87%

(S\$m)



Loans up 4% on quarter, trade loans reverse declining trend

(S\$bn)

		QoQ		YoY	
		<u>Reported</u>	<u>Underlying</u>	<u>Reported</u>	<u>Underlying</u>
	288	+11	+11	+5	+6
CBG	91	+2	+2	+6	+6
Other IBG	158	+5	+6	+10	+11
Trade	37	+3	+3	-11	-10

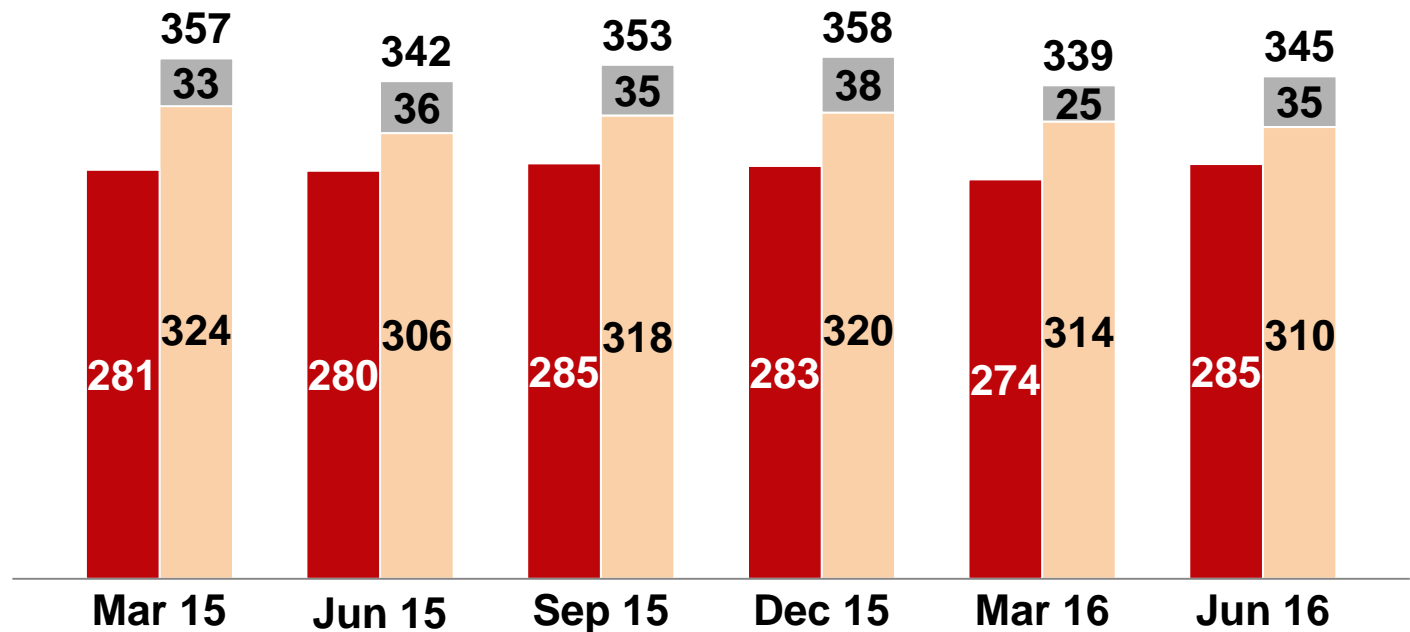
Loans

- Overall loan growth up 4% or \$11 billion on quarter, and 2% or \$5 billion on year
- Non-trade loan growth led by corporate loans and market share gains in Singapore housing loans
- Trade loans up 8% on quarter after several quarters of contraction

Ample liquidity with LCR at 116%

(S\$bn)

Loans Other funding
Deposits



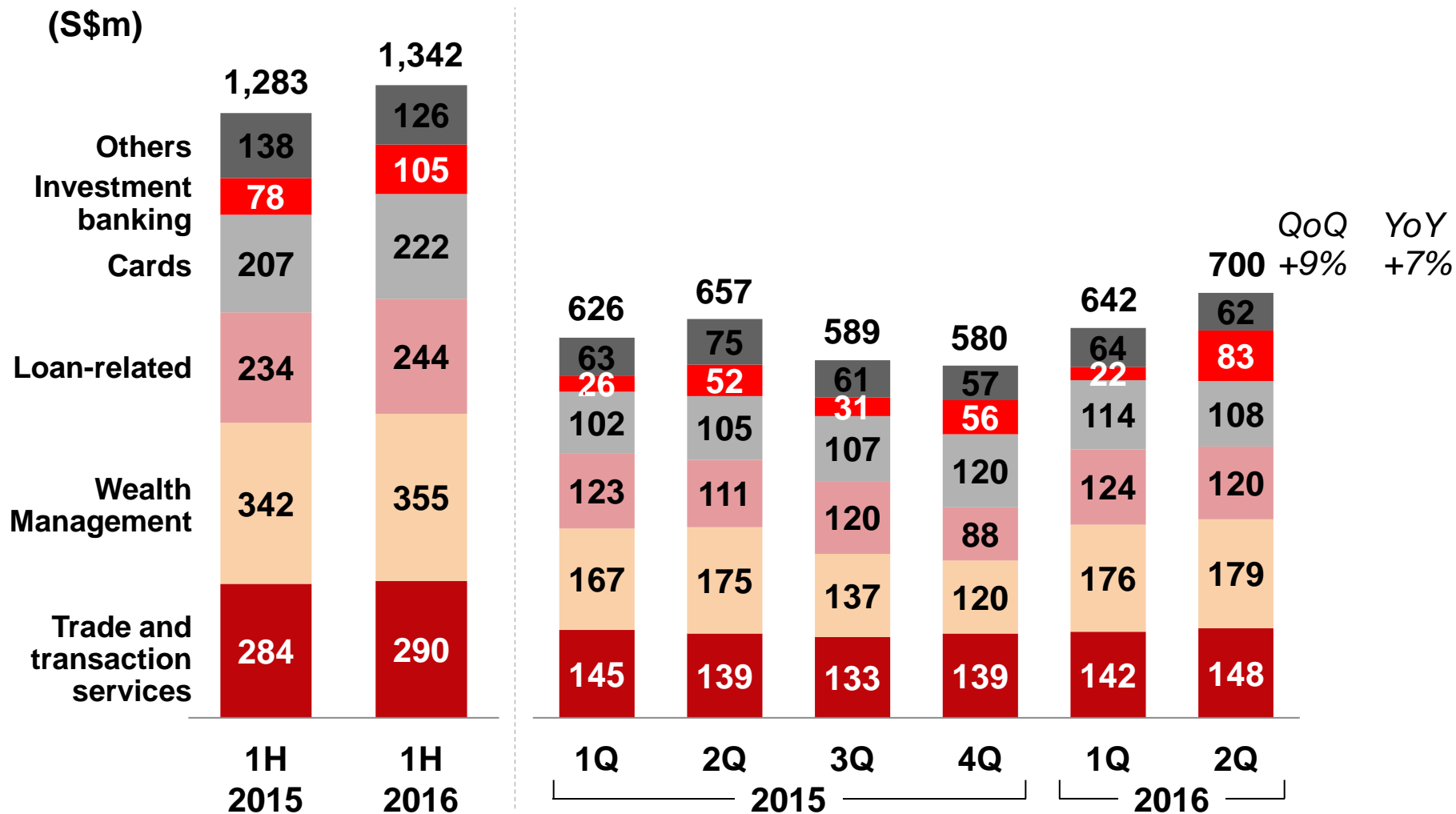
Ratios (%)

LDR	87	92	90	88	87	92
LCR	135	131	121	122	119	116

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



Fee income up 7% on year and 9% on quarter



Gross fee income



IBG 1H income little changed

(S\$m)	1H 2016	1H 2015	YoY %
Total income	2,651	2,672	(1)
Corporate	1,881	1,899	(1)
SME	770	773	0
Loans	1,436	1,412	2
Trade	368	491	(25)
Cash / SFS	396	301	32
Treasury	404	445	(9)
Others	47	23	>100
Expenses	848	818	4
Profit before allowances	1,803	1,854	(3)
Allowances	762	258	>100
Profit before tax	1,041	1,596	(35)
Assets (S\$bn)	221	222	(1)
GTS deposits (S\$bn)	122	114	7

- **Total income stable as higher loans and cash management contributions offset lower trade and treasury customer activities**
- **Higher SP due largely to single exposure**
- **Assets fall 1% or \$1 billion as decline in trade loans more than offset growth in non-trade loans and other assets**
- **GTS deposits rise 7% or \$8 billion**

CBG / WM 1H earnings up 37% to new high

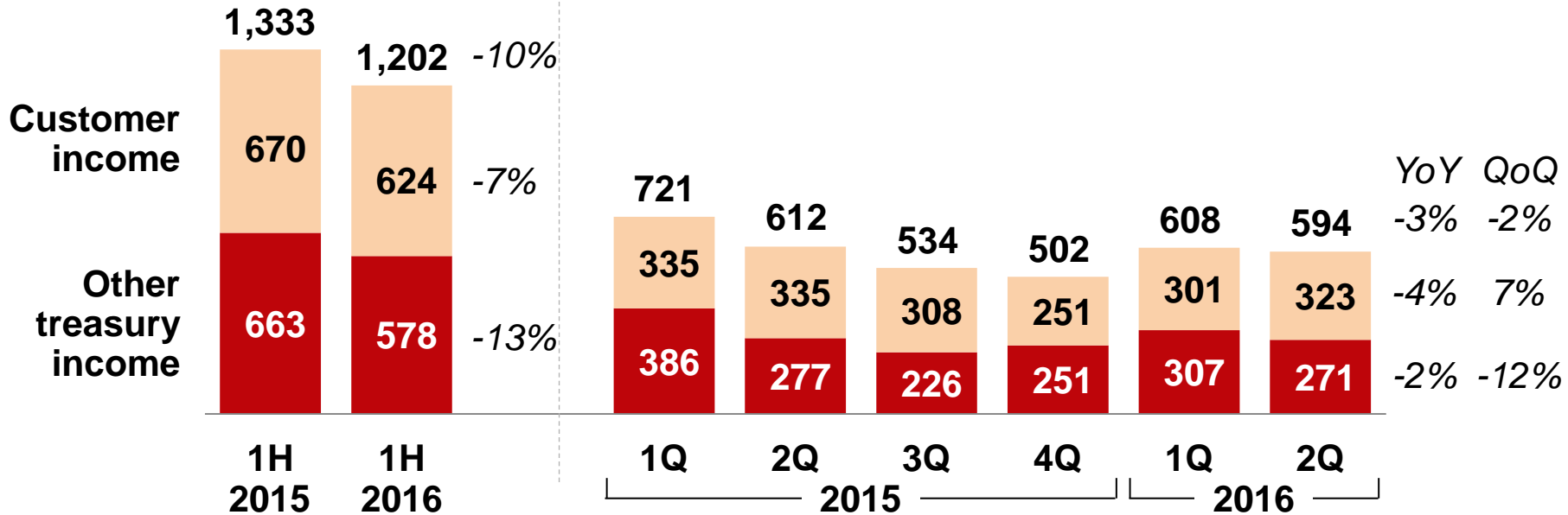
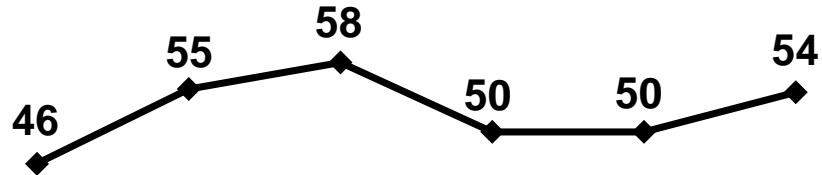
(S\$m)	1H 2016	1H 2015	YoY %
Total income	2,092	1,764	19
Retail	1,286	1,021	26
Wealth Management	806	743	8
Loans and deposits	1,223	918	33
Investment products	566	554	2
Cards	276	265	4
Others	27	27	0
Expenses	1,144	1,067	7
Profit before allowances	948	697	36
Allowances	55	47	17
Profit before tax	893	650	37
AUM (S\$bn)	151	143	6
SGD savings (S\$bn)	103	105	(1)
Market share (%)	52.3	52.5	-0.2 pt

- **Total income increases 19% from higher loan and deposit volumes, NIM, bancassurance and cards income**
- **Expenses up 7%, resulting in improved cost / income ratio**
- **Market share for SGD savings accounts maintained at 52%**

Treasury customer income stable on quarter and on year

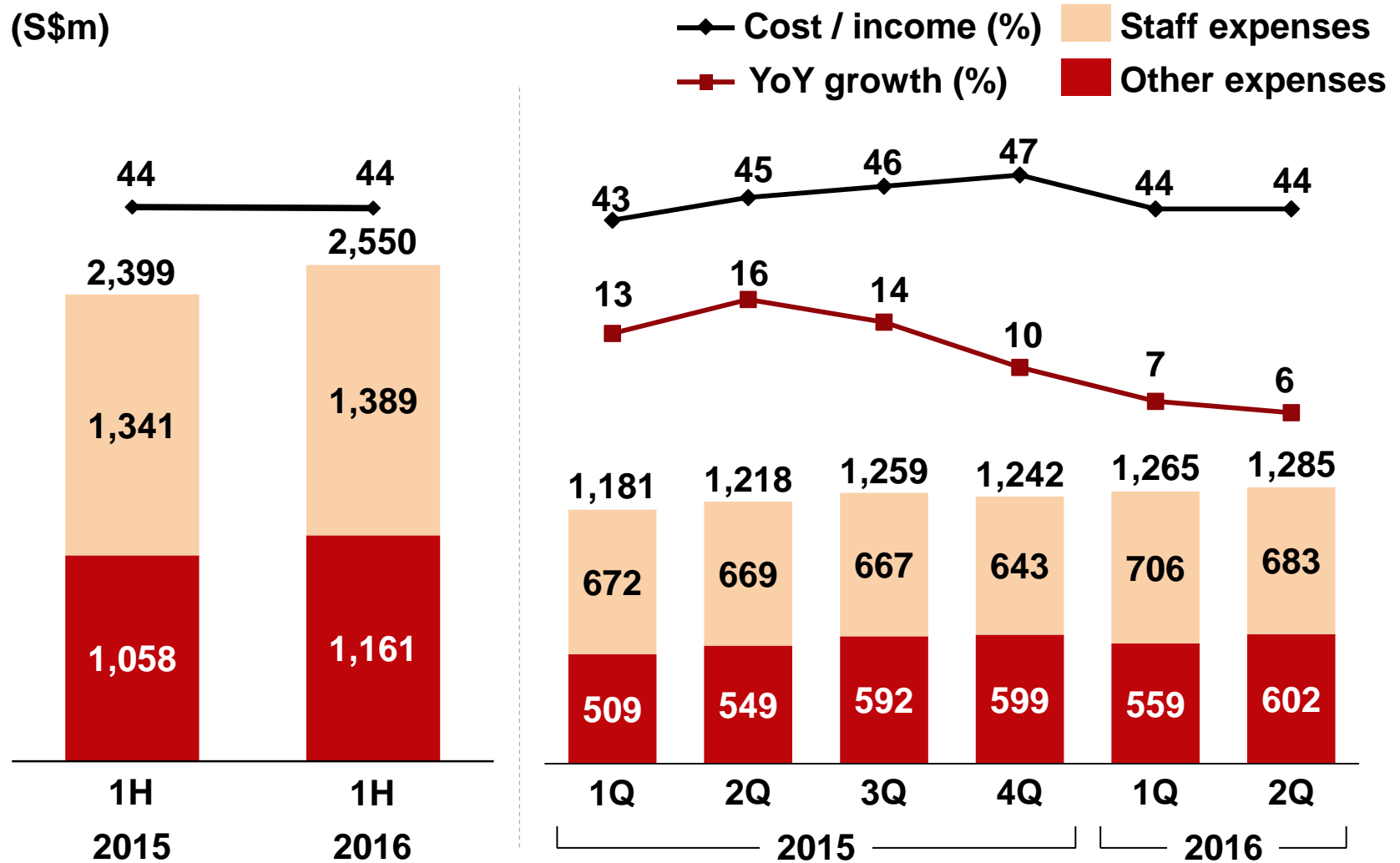
(S\$m)

Customer income / total treasury income (%)



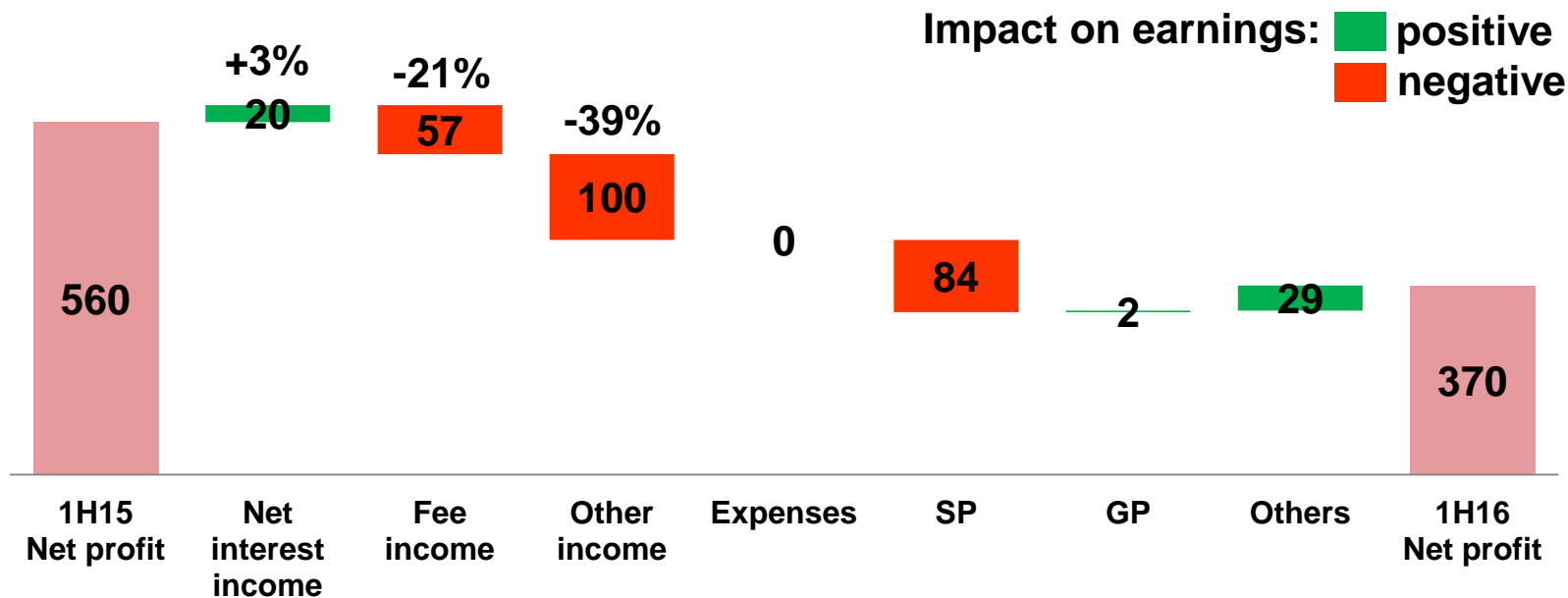
Cost growth decelerates, cost-income ratio at 44%

(S\$m)



Hong Kong's 1H earnings at \$370m

(S\$m)	1H16	YoY %	Underlying YoY %	
Total income	1,024	(12)	(13)	<ul style="list-style-type: none"> Non-interest income affected by weak market and high year-ago base Higher SP from RMB derivative exposures
Expenses	460	0	(2)	
Profit before allowances	564	(20)	(21)	
Allowances	125	>100	>100	
Net profit	370	(34)	(35)	

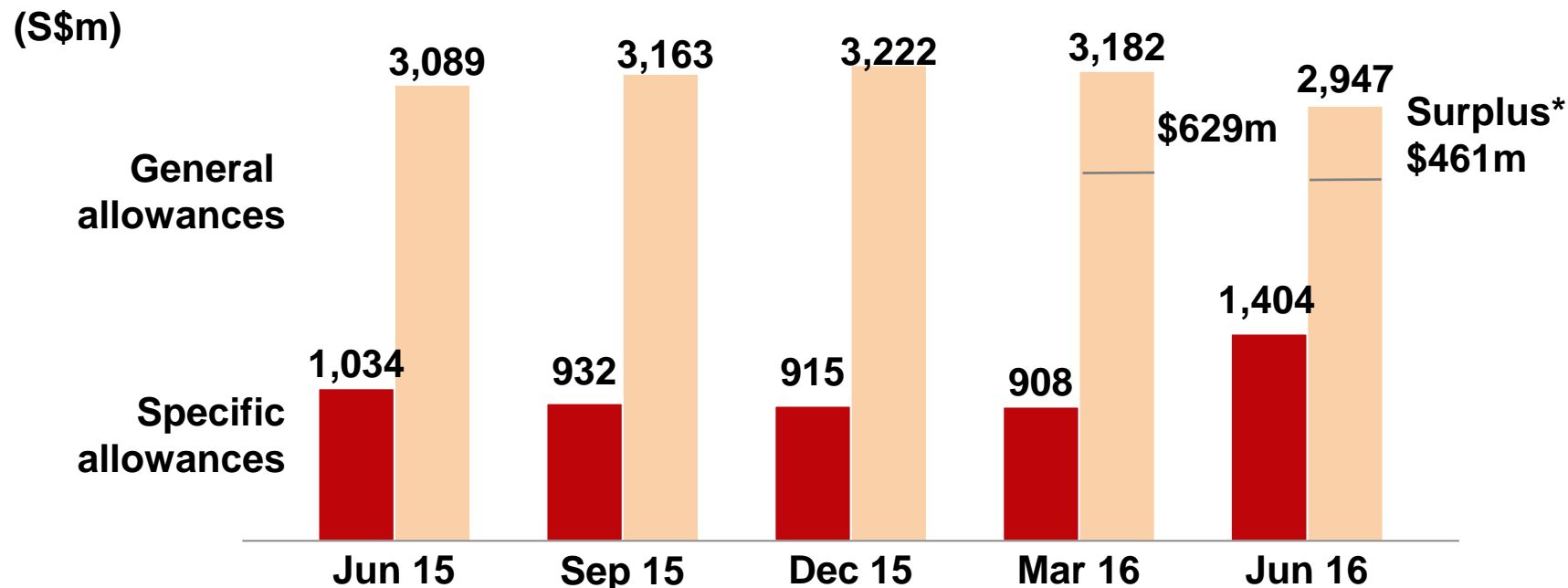


New NPAs led by single exposure

(S\$m)	2Q 2016	1Q 2016	2Q 2015
NPAs at start of period	3,048	2,792	2,590
New NPAs	1,105	607	281
Upgrades, recoveries and translation	(212)	(205)	(142)
Write-offs	(87)	(146)	(158)
NPAs at end of period	3,854	3,048	2,571
NPL ratio (%)	1.1	1.0	0.9
SP / loans (bp)	48	18	19

Allowance coverage at 113% with cumulative GP at \$2.9 billion

- Surplus GP over what counts as Tier 2 capital is \$461m, providing strong cushion to absorb additional SP without impacting CAR

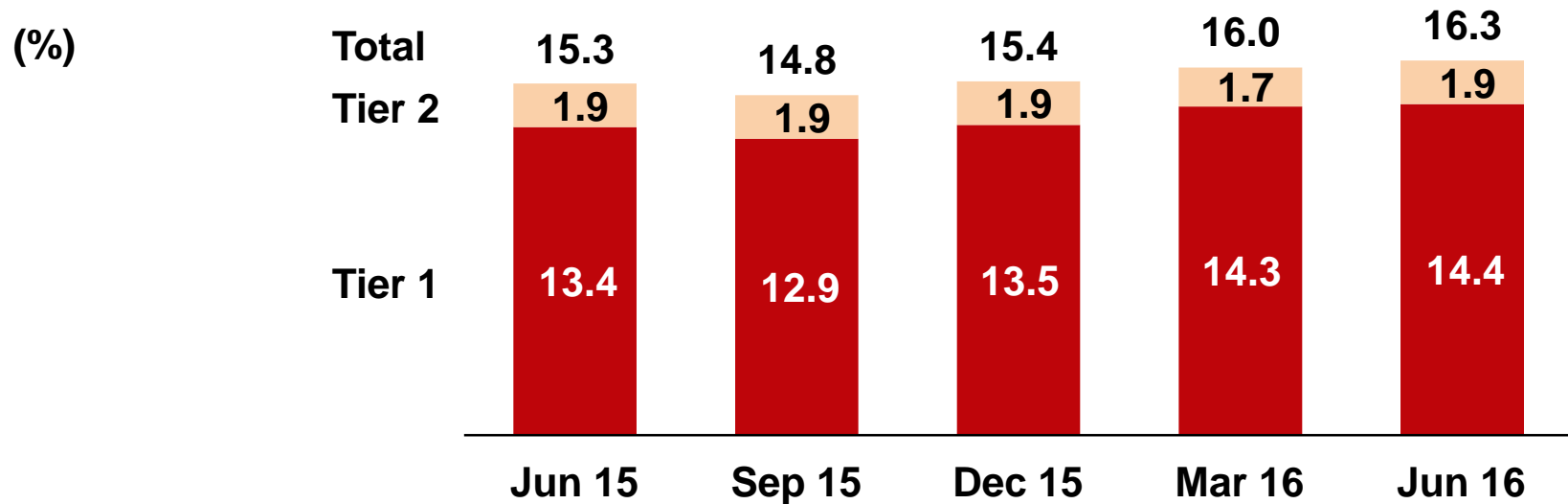


Cumulative general and specific allowances as % of:

NPA	160	161	148	134	113
Unsecured NPA	304	324	303	286	226

* per Pillar 3 disclosures

Strong CET 1 and leverage ratios

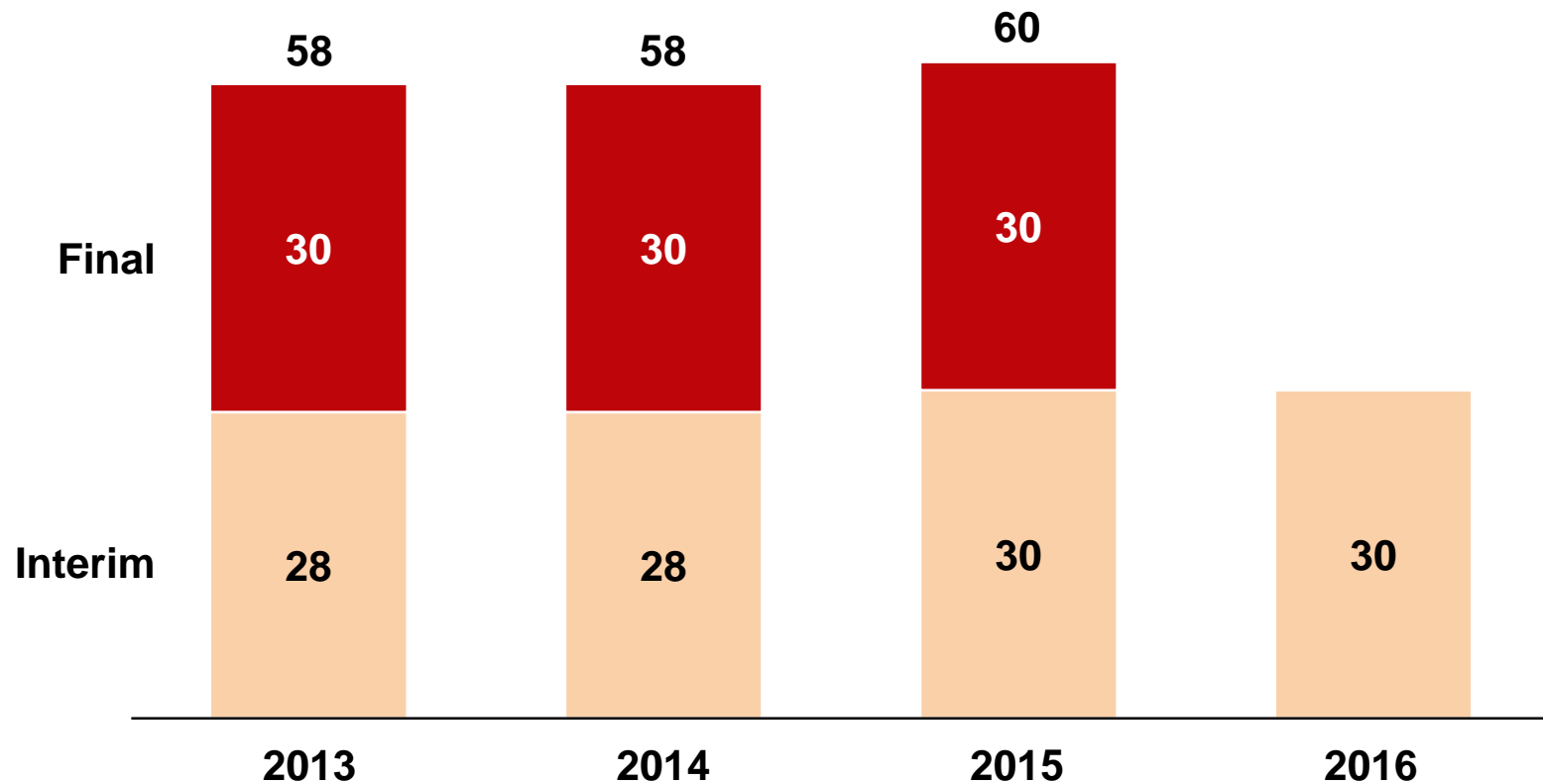


Common Equity Tier 1 (%)

Transitional	13.4	12.9	13.5	14.0	14.2
Fully phased-in	12.3	11.9	12.4	13.2	13.4
RWA (S\$bn)	268	279	274	269	268
Leverage ratio (%)	7.3	7.1	7.3	7.8	7.7

Interim dividend of 30 cents per share

(S¢ per share)



In summary – record first-half and second-quarter income

Record 1H and 2Q income and profit before allowances, reflecting strong franchise despite a challenging environment

Asset quality and allowance coverage remain sound

Strong capital adequacy ratios and liquidity

Strong operating performance and balance sheet have enabled us to absorb additional specific allowances and maintain record earnings

Well prepared to meet challenges ahead

Supplementary slides

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1H earnings unchanged on year

(S\$m)	1H 2016	1H 2015	YoY %	2H 2015	HoH %
Net interest income	3,666	3,433	7	3,667	-
Fee income	1,202	1,142	5	1,002	20
Trading income	622	629	(1)	575	8
Other income	294	236	25	117	>100
Non-interest income	2,118	2,007	6	1,694	25
Total income	5,784	5,440	6	5,361	8
Staff expenses	1,389	1,341	4	1,310	6
Other expenses	1,161	1,058	10	1,191	(3)
Expenses	2,550	2,399	6	2,501	2
Profit before allowances	3,234	3,041	6	2,860	13
General allowances	(228)	19	NM	102	NM
Specific allowances	764	299	>100	323	>100
Allowances	536	318	69	425	26
Net profit	2,254	2,250	0	2,068	9
One-time items	-	136	(100)	-	-
Net profit incl. one-time items	2,254	2,386	(6)	2,068	9

Record 2Q income up 8% on year

(S\$m)	2Q 2016	2Q 2015	YoY %	1Q 2016	QoQ %
Net interest income	1,833	1,743	5	1,833	-
Fee income	628	582	8	574	9
Trading income	307	273	12	315	(3)
Other income	151	102	48	143	6
Non-interest income	1,086	957	13	1,032	5
Total income	2,919	2,700	8	2,865	2
Staff expenses	683	669	2	706	(3)
Other expenses	602	549	10	559	8
Expenses	1,285	1,218	6	1,265	2
Profit before allowances	1,634	1,482	10	1,600	2
General allowances	(228)	(2)	(>100)	-	NM
Specific allowances	594	139	>100	170	>100
Allowances	366	137	>100	170	>100
Net profit	1,051	1,117	(6)	1,203	(13)
One-time items	-	-	-	-	-
Net profit incl. one-time items	1,051	1,117	(6)	1,203	(13)

1H16 ROE at 11.0%

(%)	2Q 2016	2Q 2015	1Q 2016	1H 2016	1H 2015	2H 2015
Net interest margin	1.87	1.75	1.85	1.86	1.72	1.81
Fee income/total income	22	22	20	21	21	19
Non-interest income/total income	37	35	36	37	37	32
Cost/income	44	45	44	44	44	47
ROE	10.1	11.6	11.9	11.0	11.9	10.5
Loan/deposit	92	92	87	92	92	88
SP/loans (bp)	48	19	18	32	20	19
NPL ratio	1.1	0.9	1.0	1.1	0.9	0.9

Hong Kong's 1H earnings at \$370m

Constant-currency terms

(S\$m)	1H 2016	1H 2015	YoY %	YoY %	2H 2015	HoH %	HoH %
Net interest income	650	630	3	2	700	(7)	(5)
Non-interest income	374	531	(30)	(31)	428	(13)	(11)
Total income	1,024	1,161	(12)	(13)	1,128	(9)	(7)
Expenses	460	460	0	(2)	491	(6)	(4)
Profit before allowances	564	701	(20)	(21)	637	(11)	(9)
General allowances	1	3	(67)	(68)	(46)	NM	NM
Specific allowances	124	40	>100	>100	61	>100	>100
Allowances	125	43	>100	>100	15	>100	>100
Net profit	370	560	(34)	(35)	531	(30)	(29)
Net interest margin (%)	1.80	1.61			1.75		
Loan growth (%)				(9)			0
Non-trade growth (%)				(1)			2
Trade growth (%)				(35)			(7)
Deposit growth (%)				(7)			(2)

Hong Kong's profit before allowances up 4% on quarter

Constant-currency terms

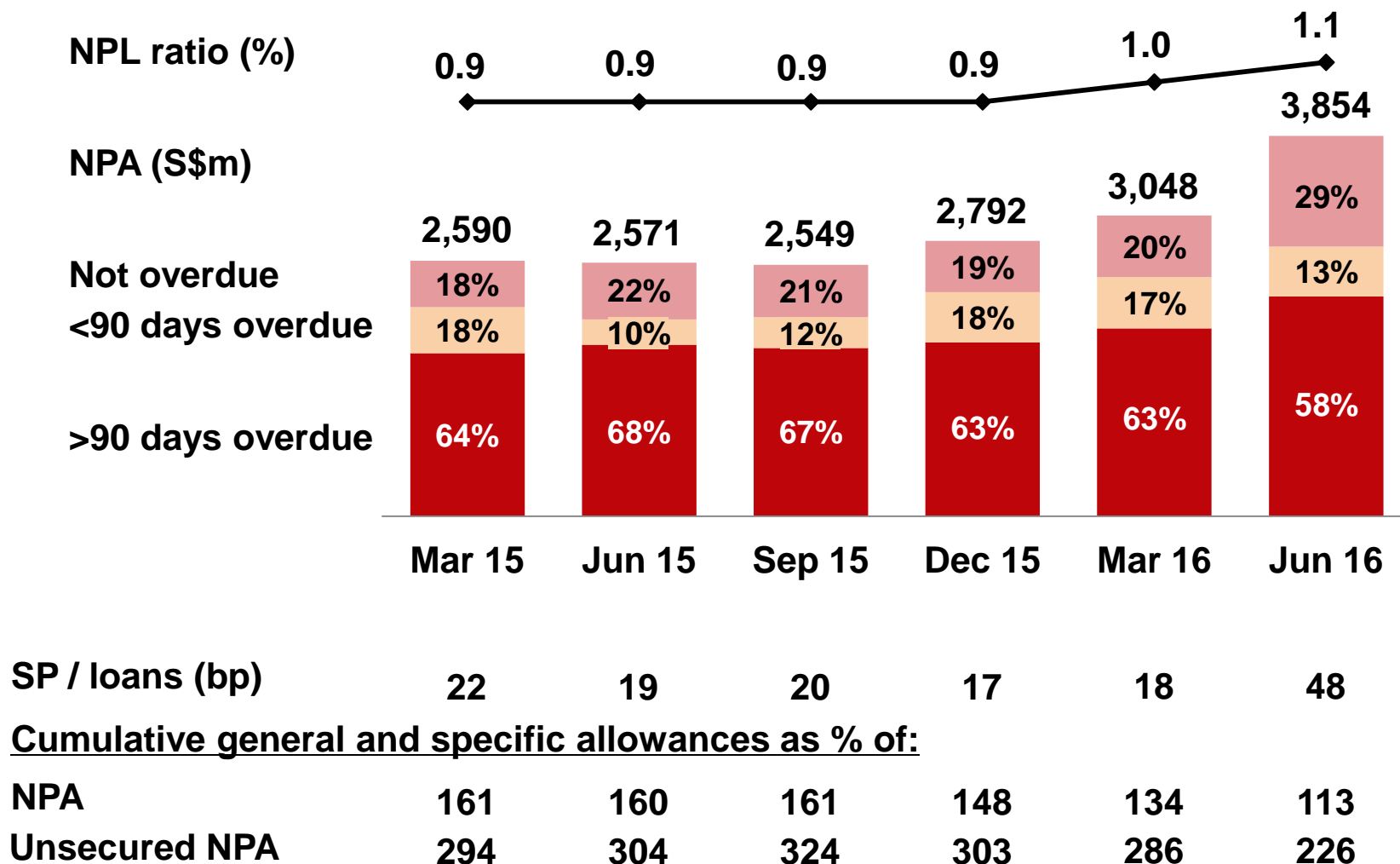
(S\$m)	2Q 2016	2Q 2015	YoY %	YoY %	1Q 2016	QoQ %	QoQ %
Net interest income	320	321	(0)	(2)	330	(3)	(1)
Non-interest income	200	301	(34)	(35)	174	15	17
Total income	520	622	(16)	(18)	504	3	5
Expenses	232	231	0	(1)	228	2	4
Profit before allowances	288	391	(26)	(27)	276	4	7
General allowances	24	7	>100	>100	(23)	NM	NM
Specific allowances	72	8	>100	>100	52	38	44
Allowances	96	15	>100	>100	29	>100	>100
Net profit	161	320	(50)	(50)	209	(23)	(21)
Net interest margin (%)	1.80	1.67			1.81		
Loan growth (%)				(9)			3
Non-trade growth (%)				(1)			2
Trade growth (%)				(35)			11
Deposit growth (%)				(7)			(3)

Regional 1H income 6% lower on year

(S\$m)	1H 2016	1H 2015	YoY %	2H 2015	HoH %
Net interest income	528	558	(5)	554	(5)
Non-interest income	365	393	(7)	334	9
Total income	893	951	(6)	888	1
Expenses	550	554	(1)	579	(5)
Profit before allowances	343	397	(14)	309	11
Allowances	191	179	(7)	186	3
Net profit	100	184	(46)	88	14

Figures for operations outside of Singapore and Hong Kong

NPL ratio up slightly, allowance coverage sound



Increase in specific allowances for loans due to a significant exposure

(S\$m)	2Q 2016	1Q 2016	2Q 2015
<u>Add charges for</u>			
New NPLs	286	77	59
Existing NPLs	81	76	116
	367	153	175
<u>Subtract charges for</u>			
Upgrading	1	1	-
Settlements	14	13	32
Recoveries	16	16	11
	31	30	43
Total SP charges for loans	336	123	132
SP/loans (bp)	48	18	19

AFS duration remains short

(S\$m)	Jun 16	Mar 16
Government securities	22,593	24,340
Less than 3 years	14,864	15,627
3 to 5 years	3,046	2,413
5 to 10 years	3,653	4,988
More than 10 years	1,029	1,311
Supranational, bank and corporate bonds	14,330	13,824
Equities	1,681	1,667
Total	38,603	39,831
AFS reserves	512	518

Time-banding is based on maturity date from reporting date

European AFS exposure mostly in AAA and AA entities

(S\$m)	Government / Govt-owned	Bank / Corporates	Total
Supranational	465 *	0	465
France	0	14	14
Germany	156 *	0	156
Netherlands	0	8	8
Switzerland	0	8	8
United Kingdom	633 *	144	777
Total	1,254	173	1,427

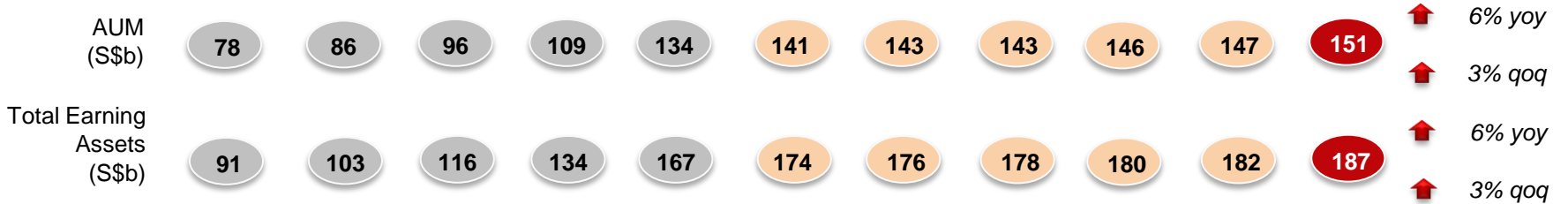
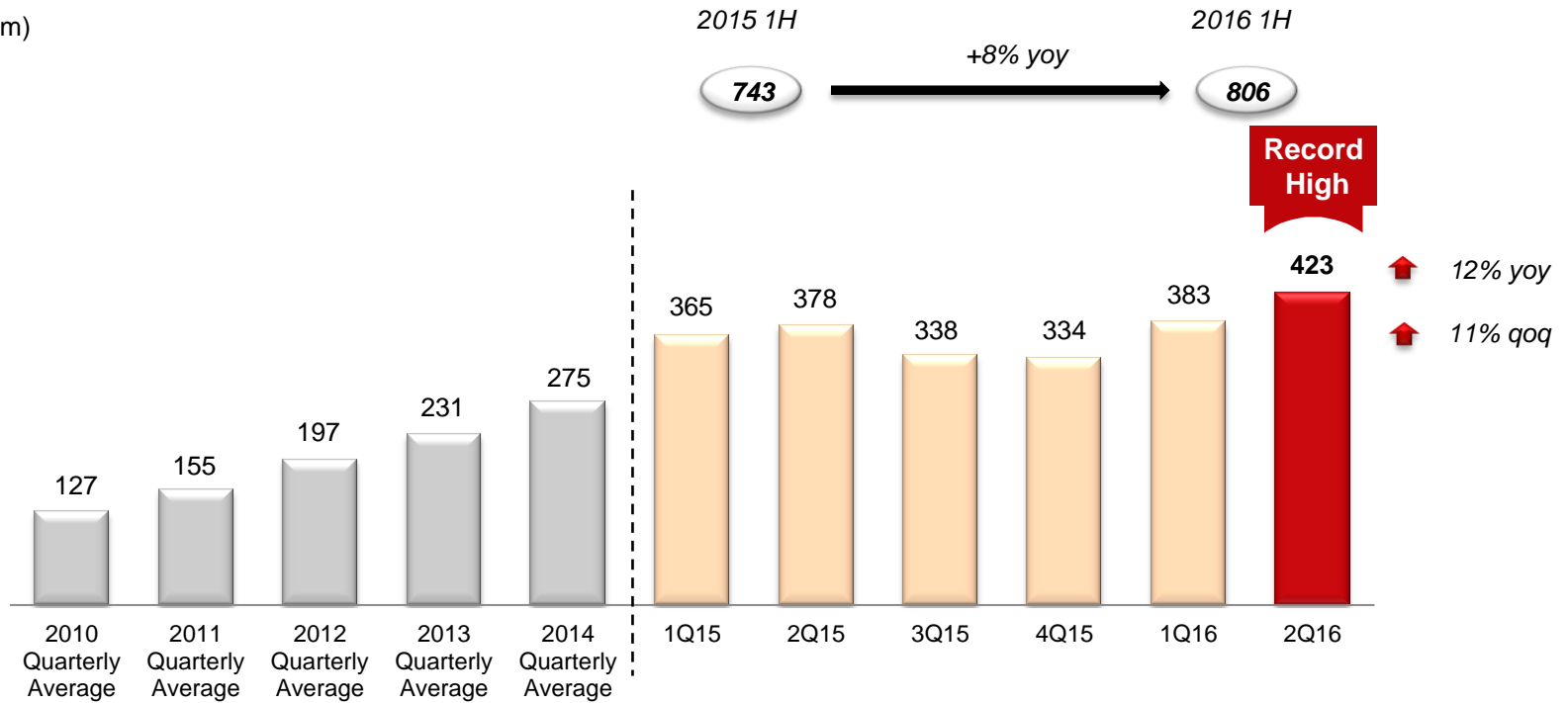
* Supranational and German entities rated AAA/Aaa by S&P, Moody's and Fitch. UK entities rated AA by S&P, AA1 by Moody's and AA by Fitch

Deposits reflect strong growth in CASA

(S\$bn)	QoQ		YoY		
	Jun 16	Reported	Underlying	Reported	Underlying
Deposits	310	(4)	(3)	4	6
By product					
CASA	197	3	3	12	12
Fixed deposits	110	(7)	(6)	(7)	(5)
Others	3	0	0	(1)	(1)
By currency					
Singapore dollar	143	1	1	3	3
US dollar	94	(1)	(1)	9	9
HK dollar	31	(2)	(2)	(3)	(3)
Chinese yuan	9	(3)	(2)	(8)	(7)
Others	33	1	1	3	4
LDR (%)	Jun 16	Mar 16		Jun 15	
Overall	92	87		92	
Singapore dollar	85	83		81	
US dollar	99	88		106	

Wealth Management segment

Income (S\$m)

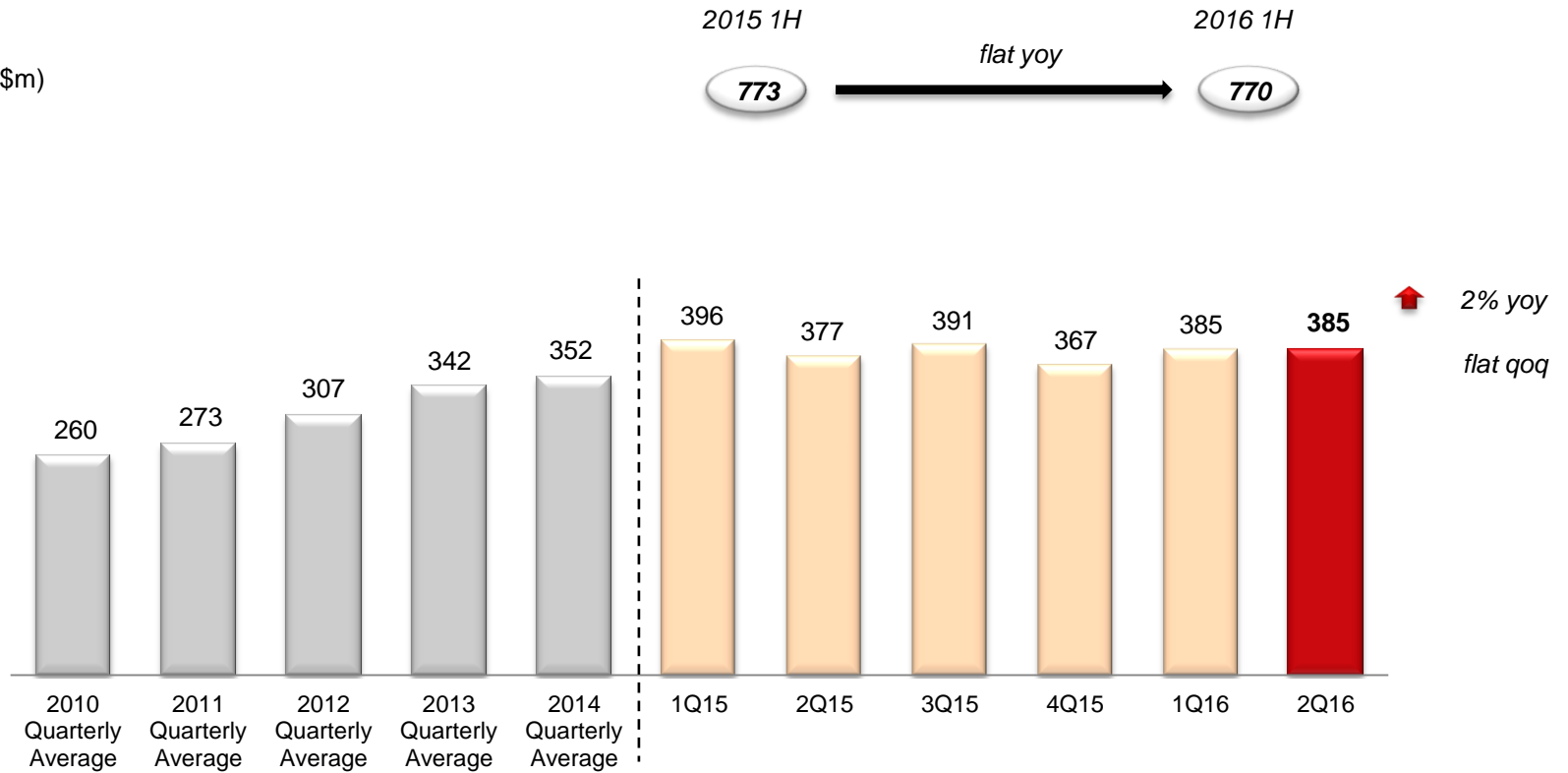


Comprising Treasures, Treasures Private Client and Private Bank
Total earning assets and AUMs at end of period



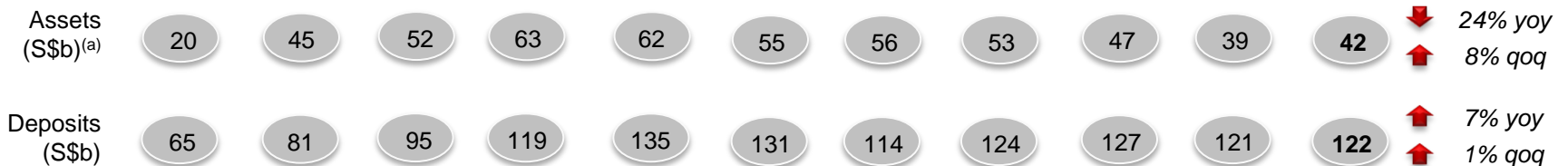
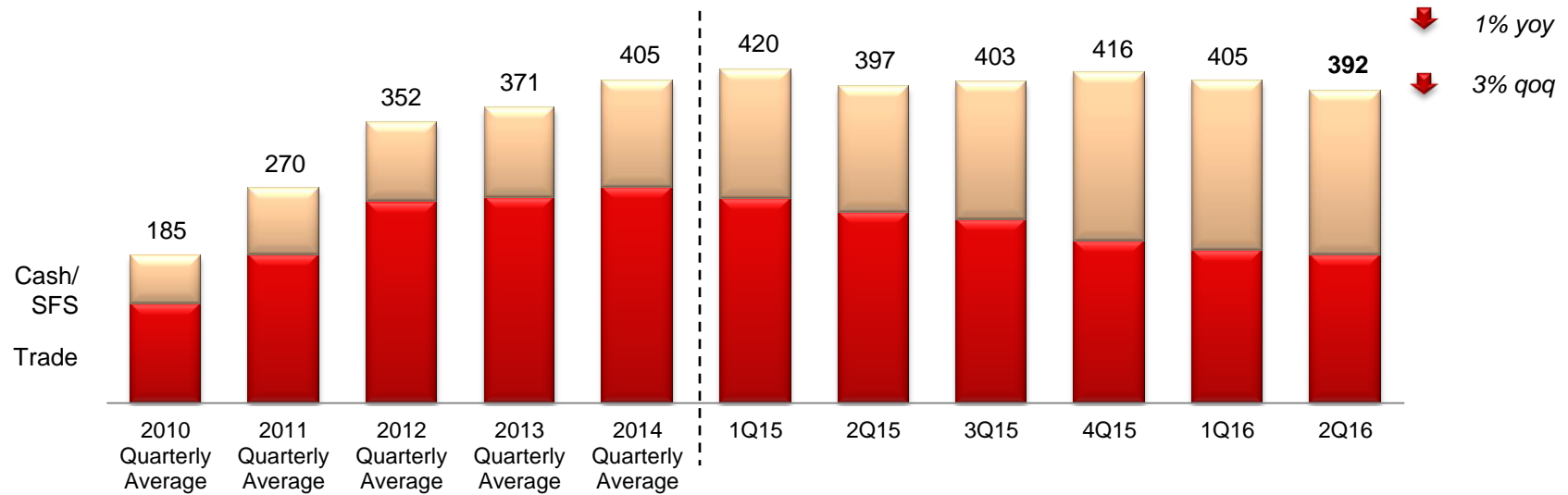
SME segment

Income (S\$m)



Global transaction services

Income (S\$m)



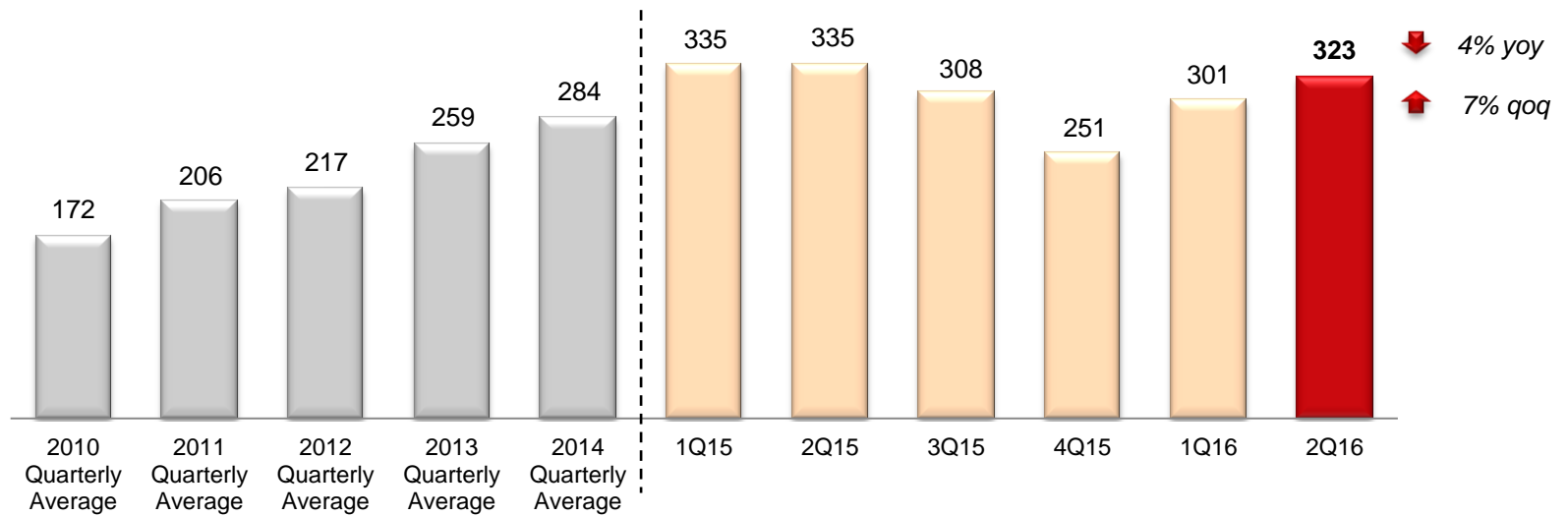
Assets and deposits at end of period

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



Treasury customer flows

Income (S\$m)



2Q16 customer income: 54% of total Treasury income

Record first-half and second-quarter income

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