

# Record first-half earnings

**DBS Group Holdings**  
**2Q 2017 financial results**  
**August 4, 2017**

# Highlights

## First-half earnings rise 4% to a record \$2.35 billion

- Total income at record \$5.81 billion as loan and fee income growth offsets lower NIM and trading income
- Expenses down 1% on year from digitalisation and productivity initiatives, improving cost-income ratio by one percentage point to 43%
- Total allowances decline 6% to \$504 million as NPA formation lower

## Second-quarter earnings up 8% to \$1.14 billion

- Total income of \$2.92 billion just shy of quarterly high, underpinned by 2% loan growth over quarter and sustained fee income trends
- Total allowances down 17% to \$304 million

## Balance sheet remains sound

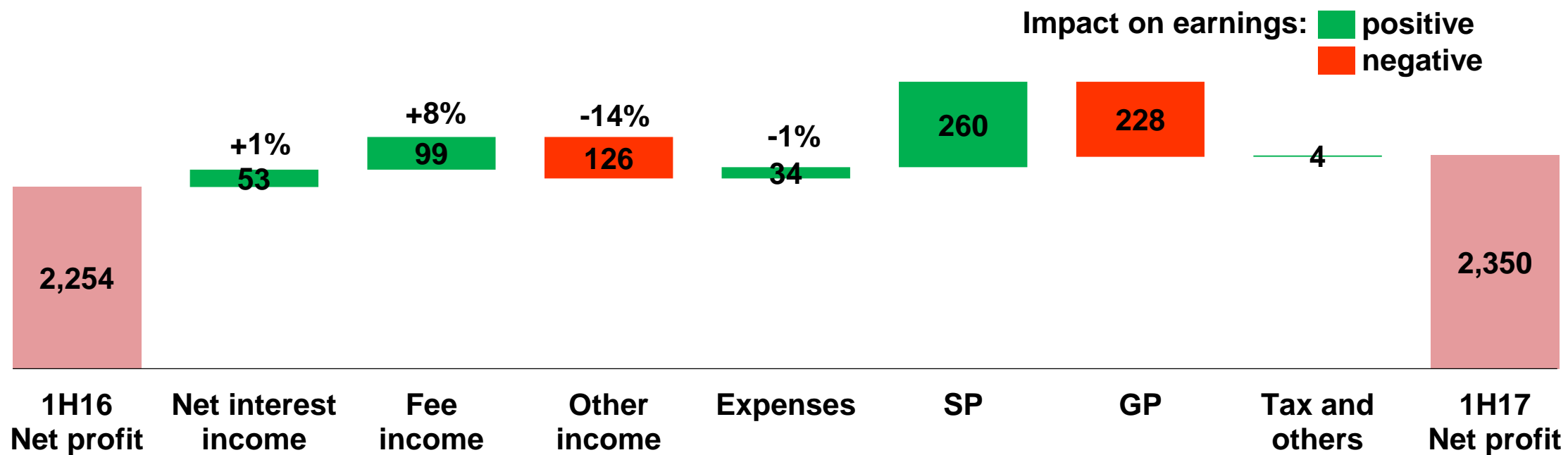
- NPA formation in first-half lower than the preceding quarters, NPA amount little changed on quarter
- Allowance coverage at 100% and at 234% with collateral
- LCR at 150%, NSFR above 100%, final CET 1 at 14.0%

## First-half dividends increase 10% to 33 cents

# 1H net profit up 4% to record

(S\$m)	1H17	YoY %
Total income	5,810	0
Expenses	2,516	(1)
Profit before allowances	3,294	2
Allowances	504	(6)
Net profit	2,350	4

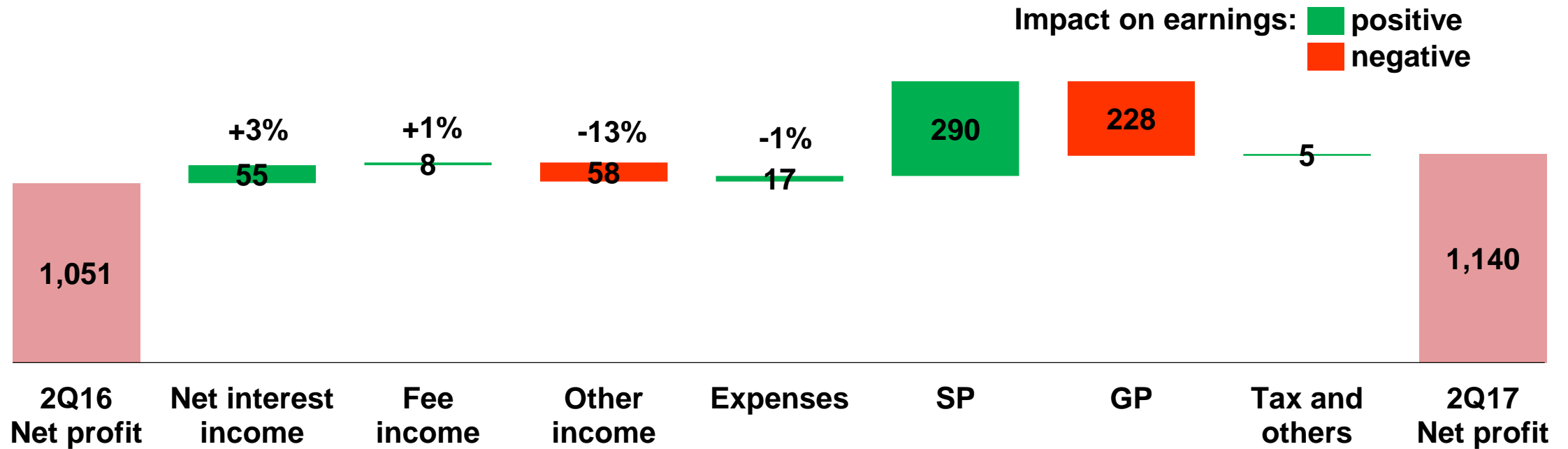
- Total income at half-year high as broad-based loan growth and record fee income offset impact of lower NIM and trading income
- Expenses decline 1% from digitalisation and productivity initiatives
- Allowances decline in line with lower non-performing loan formation



# 2Q earnings up 8% on year

(S\$m)	2Q17	YoY %
Total income	2,924	0
Expenses	1,268	(1)
Profit before allowances	1,656	1
Allowances	304	(17)
Net profit	1,140	8

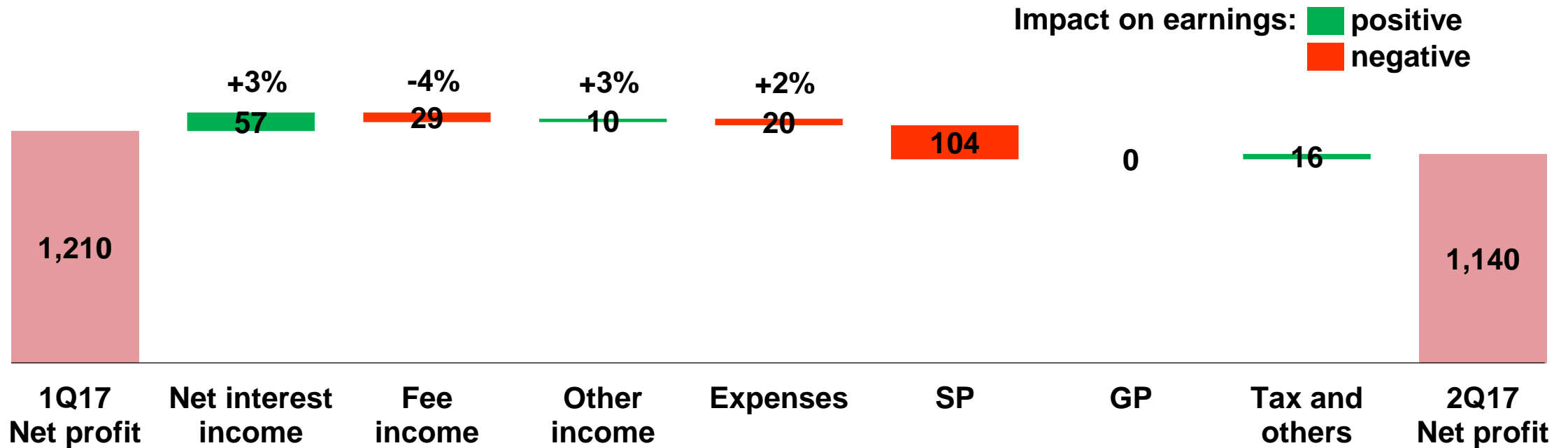
- Higher net interest income offsets impact of lower trading, investment and fixed asset gains
- Cost-income ratio improves one percentage point to 43%
- Lower SP partially offset by absence of GP write-back



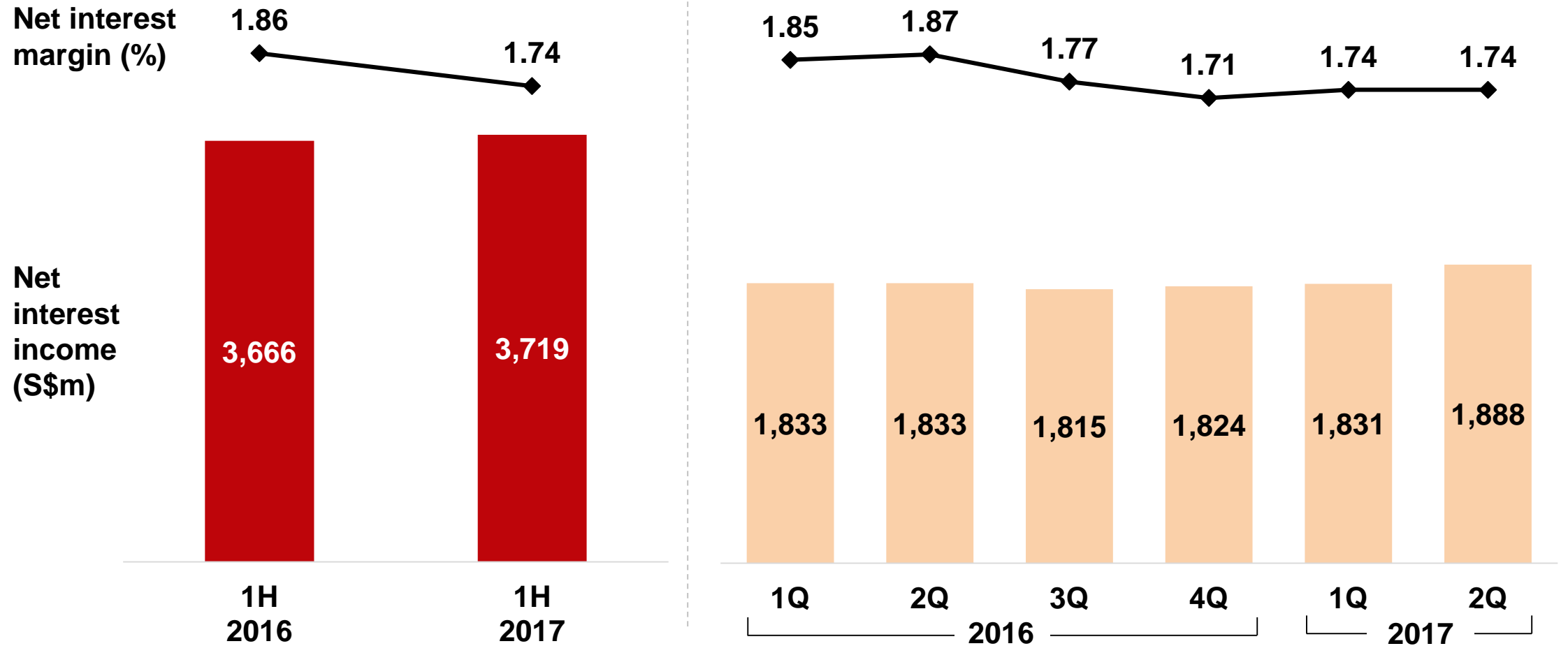
# 2Q income up 1% on quarter to near quarterly high

(S\$m)	2Q17	QoQ %
Total income	2,924	1
Expenses	1,268	2
Profit before allowances	1,656	1
Allowances	304	52
Net profit	1,140	(6)

- Total income up 1% to near quarterly high
- Net interest income rises 3% as loans grow 2% over quarter
- Fee income 4% below previous quarter's record, momentum sustained



# 2Q NIM stable on quarter as higher SGD interest rates offset lower HKD rates



# Gross loans up 2% on quarter and 5% on year in constant-currency terms from broad-based growth

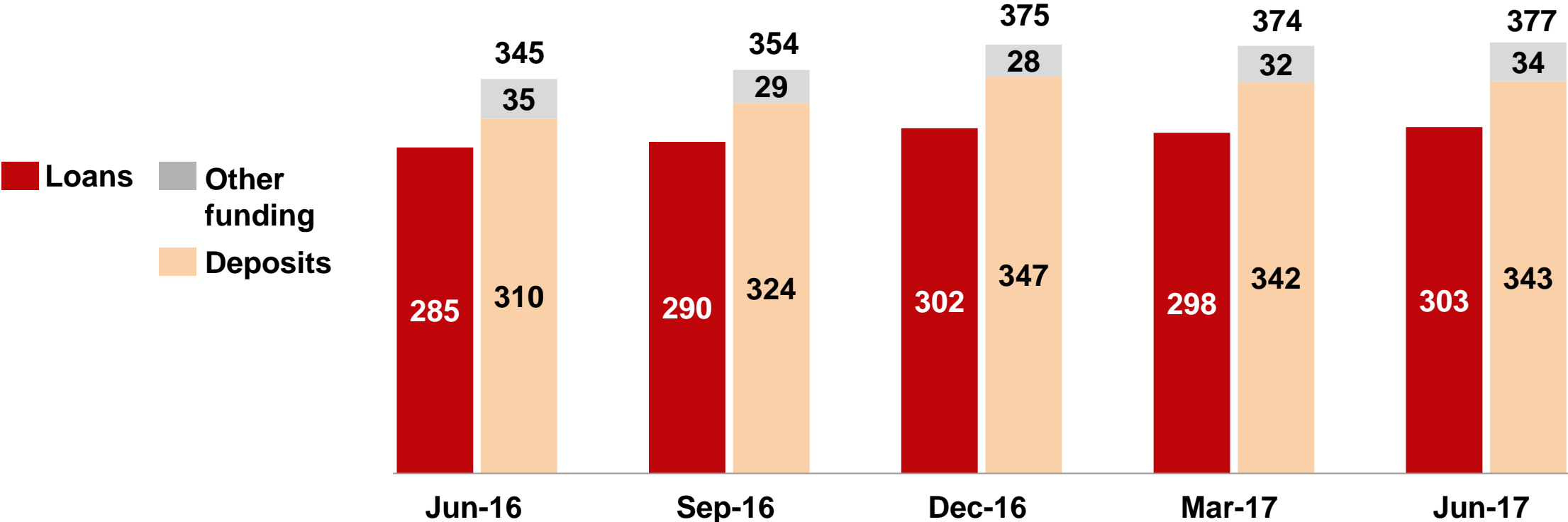
(S\$bn)

		QoQ		YoY	
		<u>Reported</u>	<u>Underlying</u>	<u>Reported</u>	<u>Underlying</u>
	<b>307</b>	<b>+5</b>	<b>+7</b>	<b>+19</b>	<b>+16</b>
		<b>+1%</b>	<b>+2%</b>	<b>+7%</b>	<b>+5%</b>
<b>CBG</b>	<b>96</b>	<b>+1</b>	<b>+2</b>	<b>+5</b>	<b>+4</b>
<b>Other IBG</b>	<b>167</b>	<b>+3</b>	<b>+4</b>	<b>+8</b>	<b>+7</b>
<b>Trade</b>	<b>43</b>	<b>+2</b>	<b>+3</b>	<b>+6</b>	<b>+5</b>
<b>Gross loans</b>					

- Underlying gross loans up 2% or \$7 billion on quarter, and 5% or \$16 billion on year
- Non-trade corporate and consumer loans up 2% on quarter and 4% on year
- Trade loans up 7% on quarter and 13% on year

# Ample liquidity with LCR at 150%

(S\$bn)



Ratios (%)

LDR	92	89	87	87	88
LCR	116	115	133	138	150

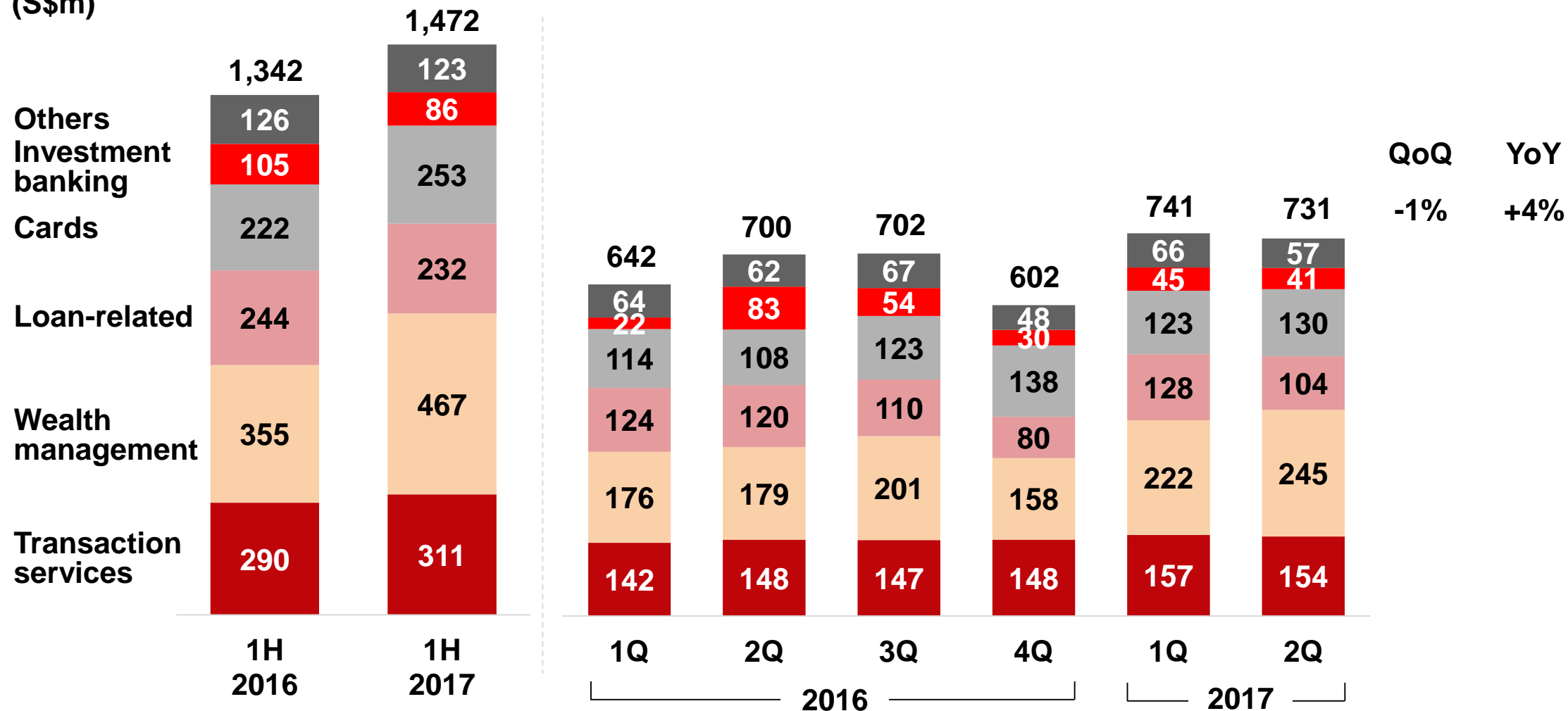
Other funding comprises senior medium term notes, commercial papers, negotiable certificates of deposit, other debt securities and covered bonds





# 2Q fee growth in wealth management and cards offset by investment banking and loan activities

(S\$m)



Gross fee income. Wealth management fees in 2Q17 included \$23 million 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

# 1H IBG earnings up 23%

(S\$m)	1H17	1H16	YoY %
<b>Total income</b>	<b>2,617</b>	<b>2,651</b>	<b>(1)</b>
Corporate	1,779	1,881	(5)
SME	838	770	9
<b>Loans</b>	<b>1,373</b>	<b>1,436</b>	<b>(4)</b>
Trade	367	368	-
Cash / SFS	506	396	28
Treasury	346	404	(14)
Investment banking	25	47	(47)
<b>Expenses</b>	<b>860</b>	<b>848</b>	<b>1</b>
<b>Profit before allowances</b>	<b>1,757</b>	<b>1,803</b>	<b>(3)</b>
<b>Allowances</b>	<b>480</b>	<b>762</b>	<b>(37)</b>
<b>Profit before tax</b>	<b>1,277</b>	<b>1,041</b>	<b>23</b>
<b>Assets (S\$bn)</b>	<b>236</b>	<b>221</b>	<b>7</b>
<b>GTS deposits (S\$bn)</b>	<b>130</b>	<b>122</b>	<b>7</b>

- Total income falls 1% as growth in cash management offset by lower contributions from other activities
- Expenses up 1%; profit before allowances down 3%
- SP declines as new NPL formation lower
- Assets rise 7% or \$15 billion from loan growth
- Cash management deposits up 7% or \$8 billion

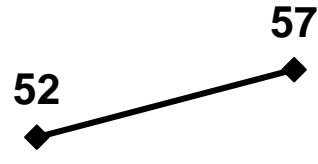
# 1H CBG / Wealth income and earnings rise to new highs

(S\$m)	1H17	1H16	YoY %
<b>Total income</b>	<b>2,299</b>	<b>2,092</b>	<b>10</b>
Retail	1,272	1,286	(1)
Wealth Management	1,027	806	27
Loans and deposits	1,293	1,223	6
Investment products	684	566	21
Cards	293	276	6
Others	30	27	11
<b>Expenses</b>	<b>1,230</b>	<b>1,144</b>	<b>8</b>
<b>Profit before allowances</b>	<b>1,069</b>	<b>948</b>	<b>13</b>
<b>Allowances</b>	<b>66</b>	<b>55</b>	<b>20</b>
<b>Profit before tax</b>	<b>1,003</b>	<b>893</b>	<b>12</b>
<b>AUM (S\$bn)</b>	<b>175</b>	<b>151</b>	<b>16</b>
<b>SGD savings (S\$bn)</b>	<b>113</b>	<b>103</b>	<b>9</b>

- Total income up 10% from broad-based growth in investment products, loans and deposits, and cards
- Expenses up 8%; positive jaw contributes to 12% increase in profit before tax
- Singapore housing loan market share higher; more than 50% of SGD savings account market share

# 1H treasury customer income down 5%, treasury markets income declines 23%

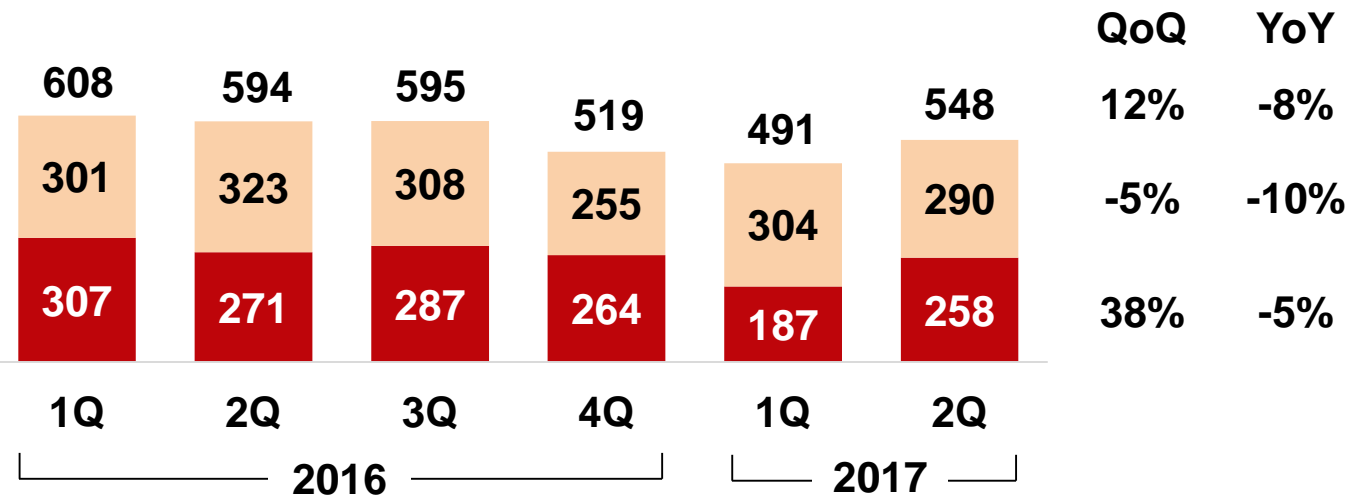
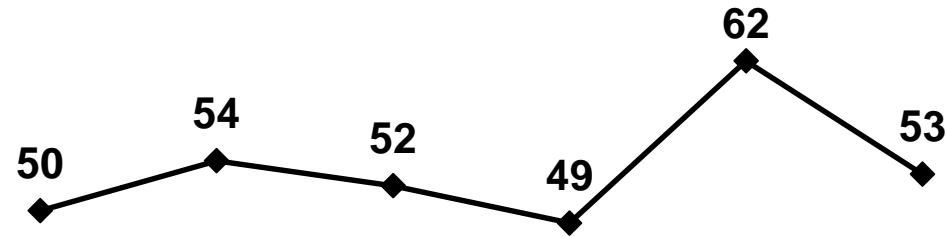
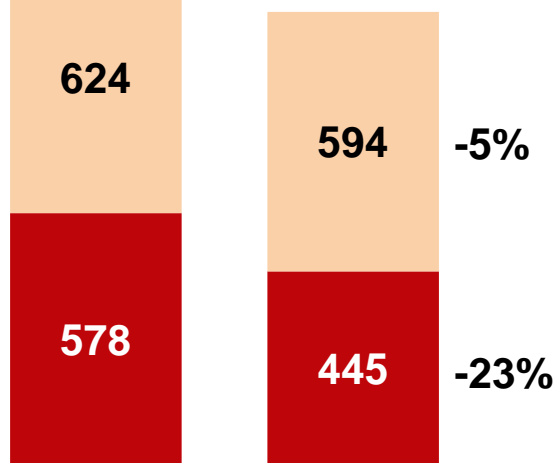
Customer Income / Total Treasury Income (%)



Customer Income (S\$m)



Treasury Markets Income (S\$m)



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

# 1H expenses decline 1%, cost-income ratio improves to 43% from ongoing digitalisation and productivity initiatives

Cost / income (%)

44  
43

Staff expenses (S\$m)

2,550  
2,516

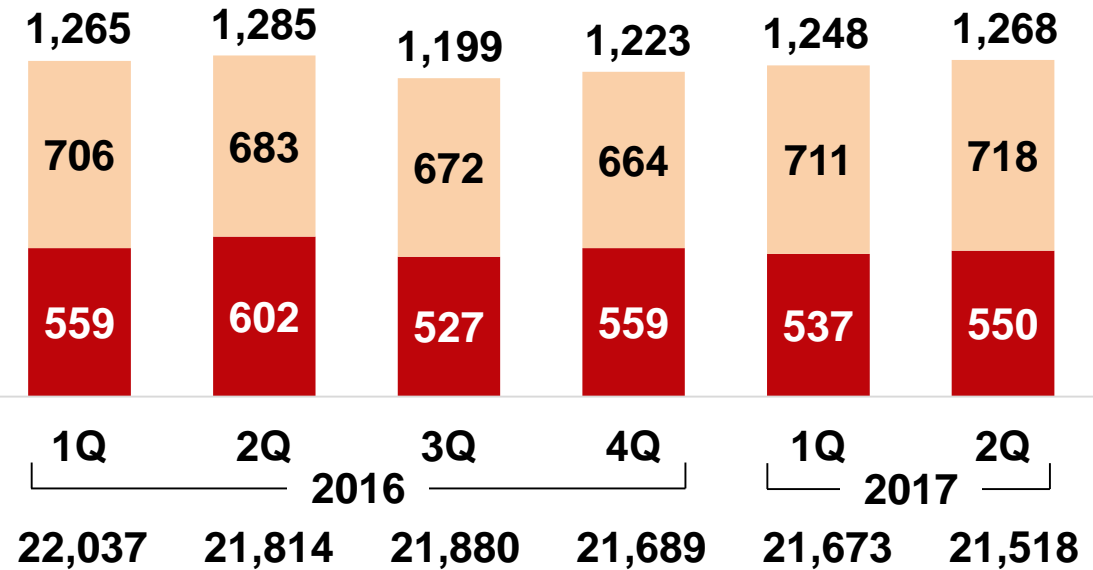
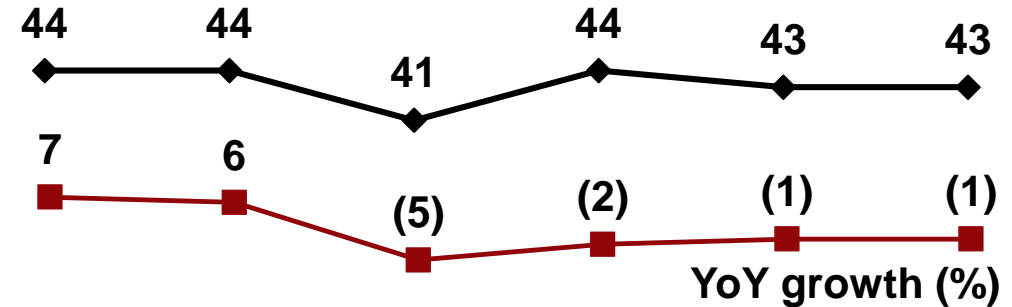
Other expenses (S\$m)

1,389  
1,429

1H 2016

1H 2017

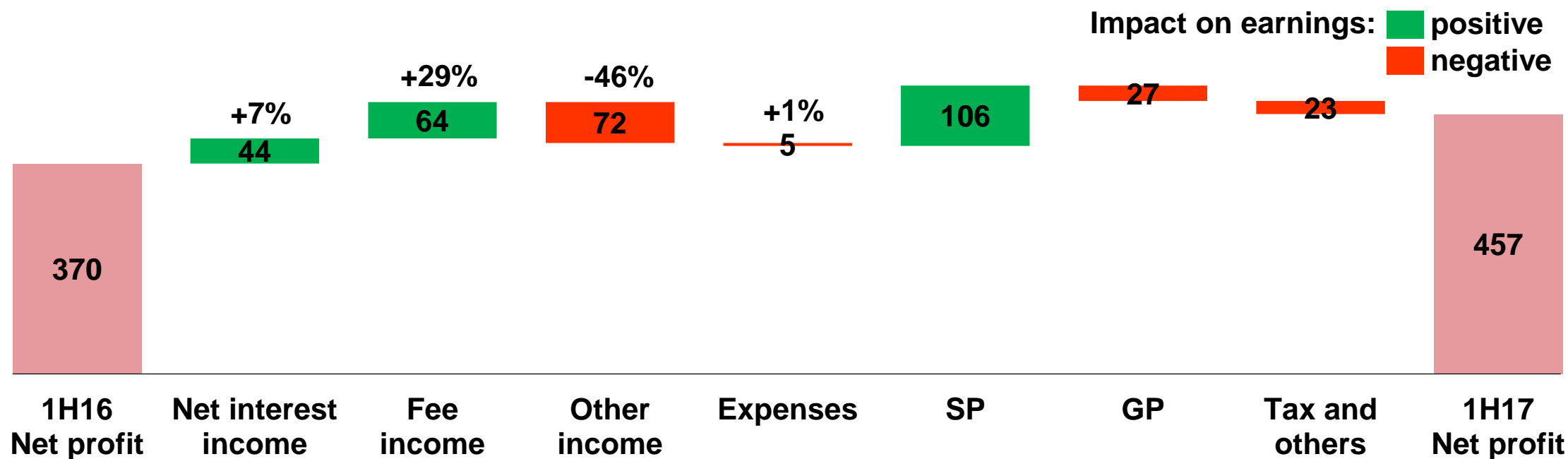
Underlying headcount



# 1H Hong Kong earnings rise 24% on year

(S\$m)	1H17	YoY %
Total income	1,060	4
Expenses	465	1
Profit before allowances	595	5
Allowances	46	(63)
Net profit	457	24

- Income up 4% from higher loan volumes and broad-based fee income growth, partially offset by lower NIM and other non-interest income
- Expenses stable; profit before allowances up 5%
- Lower SP partially offset by higher GP

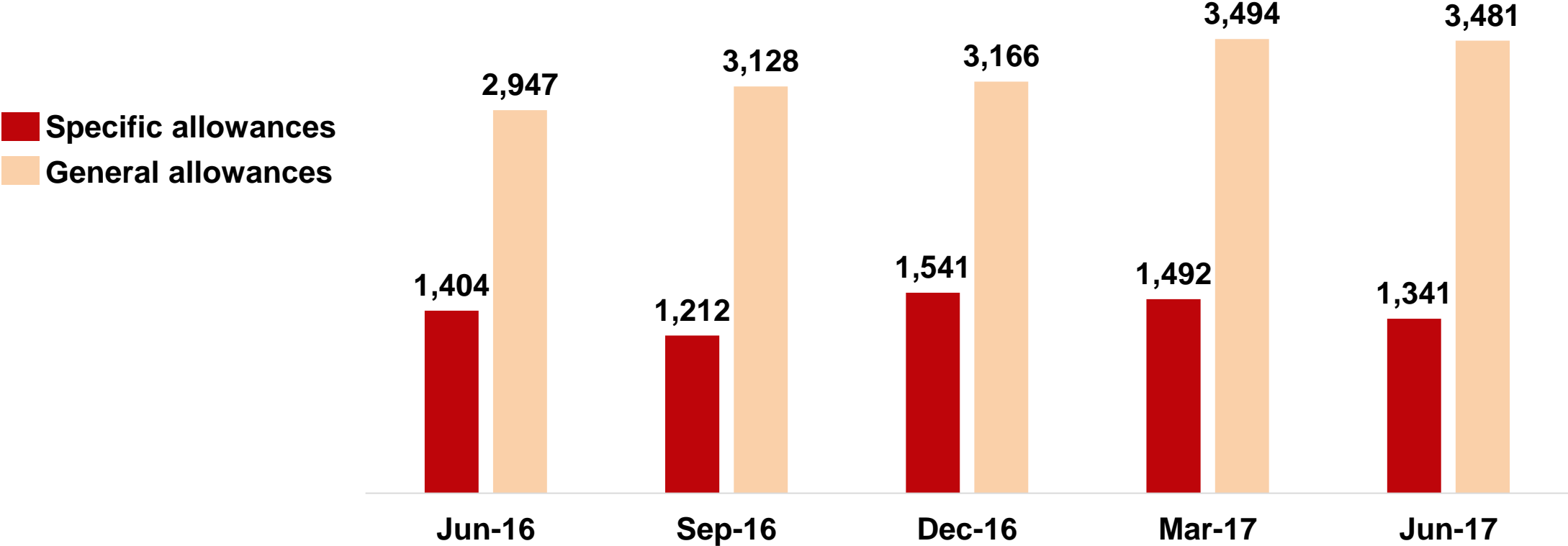


# New NPAs offset by write-offs and recoveries on quarter, NPL ratio up slightly to 1.5%

(S\$m)	2Q17	1Q17	2Q16
NPAs at start of period	4,833	4,856	3,048
New NPAs	657	523	1,105
Upgrades, recoveries and translation	(188)	(307)	(212)
Write-offs	(456)	(239)	(87)
NPAs at end of period	4,846	4,833	3,854
NPL ratio (%)	1.5	1.4	1.1
Specific allowance charges	304	200	594

# Allowance coverage at 100%

(S\$m)

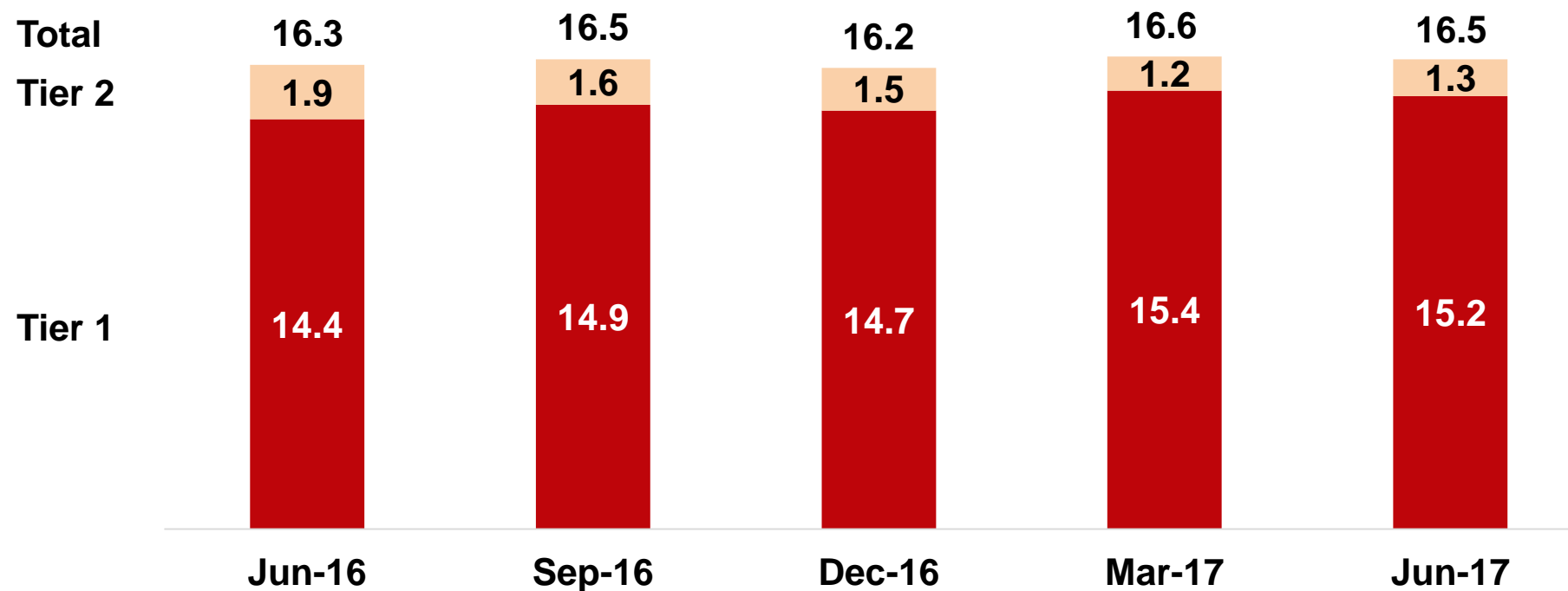


**Cumulative general and specific allowances as % of:**

NPA	113	100	97	103	100
Unsecured NPA	226	204	210	217	234



# Strong CET-1 and leverage ratios

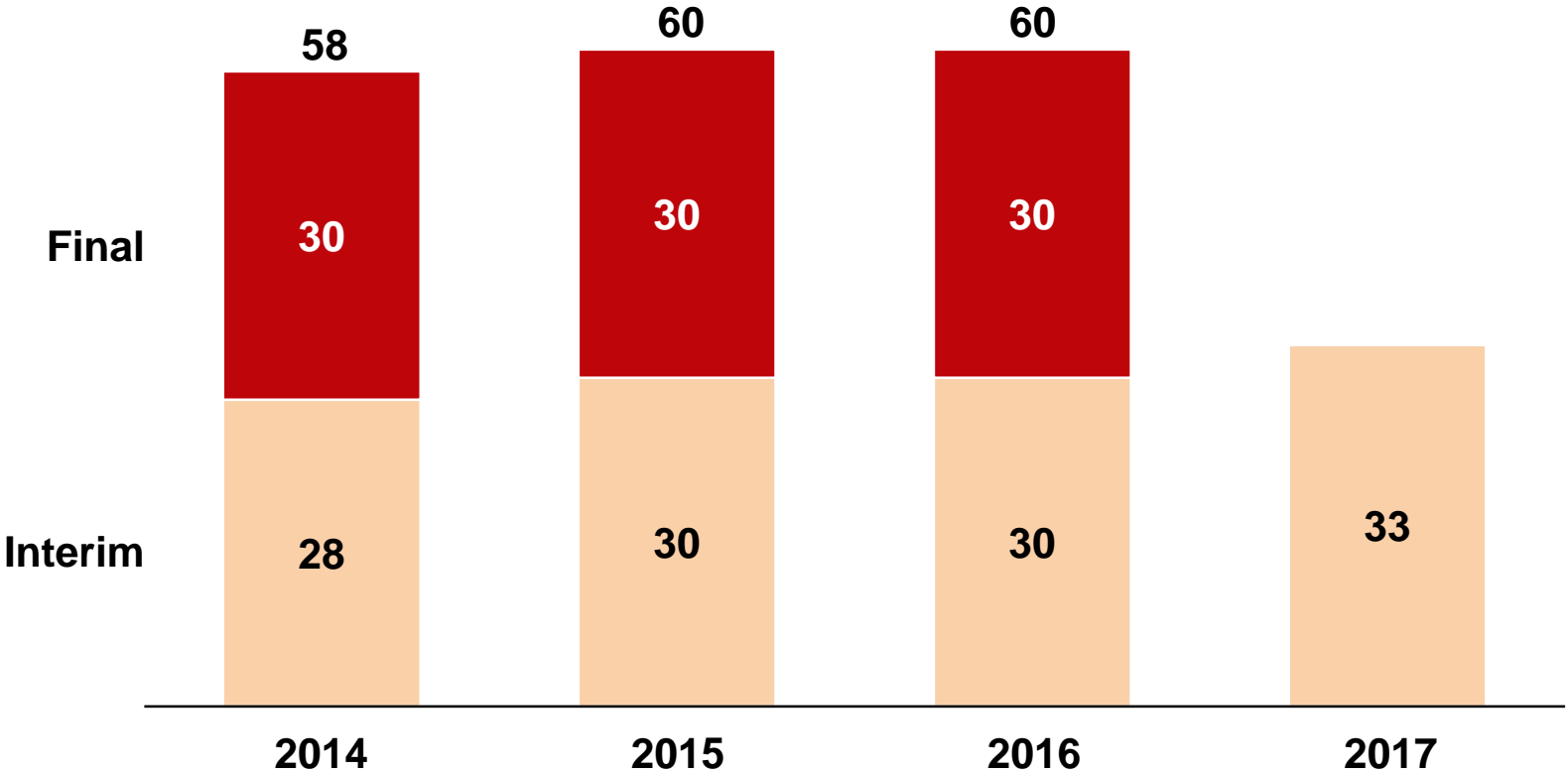


## Common Equity Tier-1 (%)

Transitional	14.2	14.4	14.1	14.6	14.4
Fully phased-in	13.4	13.5	13.3	14.2	14.0
RWA (S\$bn)	268	271	279	272	280
Leverage ratio (%)	7.7	7.8	7.7	7.9	7.9

# First-half dividends up 10% to 33 cents

(S¢ per share)



## **In summary – Record first-half earnings**

**Strong first-half performance underpinned by broad-based loan growth and record fee income muted by lower Singapore dollar interest rates and weaker trading performance**

**Business pipeline healthy**

**Asset quality will remain under pressure and heightened credit costs to persist with low oil prices**

**Consistent financial performance and strong capital position underpin 10% dividend increase**

# Supplementary slides

**DBS Group Holdings  
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# Record 1H earnings

(S\$m)

	1H17	1H16	YoY %	2H16	HoH %
<b>Net interest income</b>	<b>3,719</b>	<b>3,666</b>	<b>1</b>	<b>3,639</b>	<b>2</b>
Fee income	1,301	1,202	8	1,129	15
Trading income	565	622	(9)	735	(23)
Other income	225	294	(23)	202	11
<b>Non-interest income</b>	<b>2,091</b>	<b>2,118</b>	<b>(1)</b>	<b>2,066</b>	<b>1</b>
<b>Total income</b>	<b>5,810</b>	<b>5,784</b>	<b>-</b>	<b>5,705</b>	<b>2</b>
Staff expenses	1,429	1,389	3	1,336	7
Other expenses	1,087	1,161	(6)	1,086	-
<b>Expenses</b>	<b>2,516</b>	<b>2,550</b>	<b>(1)</b>	<b>2,422</b>	<b>4</b>
<b>Profit before allowances</b>	<b>3,294</b>	<b>3,234</b>	<b>2</b>	<b>3,283</b>	<b>-</b>
General allowances	-	(228)	NM	169	NM
Specific allowances	504	764	(34)	729	(31)
<b>Allowances</b>	<b>504</b>	<b>536</b>	<b>(6)</b>	<b>898</b>	<b>(44)</b>
<b>Net profit</b>	<b>2,350</b>	<b>2,254</b>	<b>4</b>	<b>1,984</b>	<b>18</b>
One-time items	25	-	NM	-	NM
<b>Net profit incl. one-time items</b>	<b>2,375</b>	<b>2,254</b>	<b>5</b>	<b>1,984</b>	<b>20</b>

## 2Q earnings up 8% on year

(S\$m)	2Q17	2Q16	YoY %	1Q17	QoQ %
<b>Net interest income</b>	<b>1,888</b>	<b>1,833</b>	<b>3</b>	<b>1,831</b>	<b>3</b>
Fee income	636	628	1	665	(4)
Trading income	295	307	(4)	270	9
Other income	105	151	(30)	120	(13)
<b>Non-interest income</b>	<b>1,036</b>	<b>1,086</b>	<b>(5)</b>	<b>1,055</b>	<b>(2)</b>
<b>Total income</b>	<b>2,924</b>	<b>2,919</b>	<b>-</b>	<b>2,886</b>	<b>1</b>
Staff expenses	718	683	5	711	1
Other expenses	550	602	(9)	537	2
<b>Expenses</b>	<b>1,268</b>	<b>1,285</b>	<b>(1)</b>	<b>1,248</b>	<b>2</b>
<b>Profit before allowances</b>	<b>1,656</b>	<b>1,634</b>	<b>1</b>	<b>1,638</b>	<b>1</b>
General allowances	-	(228)	NM	-	-
Specific allowances	304	594	(49)	200	52
<b>Allowances</b>	<b>304</b>	<b>366</b>	<b>(17)</b>	<b>200</b>	<b>52</b>
<b>Net profit</b>	<b>1,140</b>	<b>1,051</b>	<b>8</b>	<b>1,210</b>	<b>(6)</b>
One-time items	(10)	-	NM	35	NM
<b>Net profit incl. one-time items</b>	<b>1,130</b>	<b>1,051</b>	<b>8</b>	<b>1,245</b>	<b>(9)</b>

# 1H ROE at 10.6%

(%)	2Q17	2Q16	1Q17	1H17	1H16	2H16
Net interest margin	1.74	1.87	1.74	1.74	1.86	1.74
Fee income / total income	22	22	23	22	21	20
Non-interest income / total income	35	37	37	36	37	36
Cost / income	43	44	43	43	44	42
ROE	10.1	10.1	11.1	10.6	11.0	9.2
Loan / deposit	88	92	87	88	92	87
SP / loans (bp)	40	48	26	33	32	44
NPL ratio	1.5	1.1	1.4	1.5	1.1	1.4

# 1H Hong Kong earnings up 24% on year

Constant-currency terms

(S\$m)	1H17	1H16	YoY %	YoY %	2H16	HoH %	HoH %
Net interest income	694	650	7	5	667	4	4
Non-interest income	366	374	(2)	(3)	411	(11)	(11)
Total income	1,060	1,024	4	2	1,078	(2)	(2)
Expenses	465	460	1	0	501	(7)	(7)
Profit before allowances	595	564	5	4	577	3	3
General allowances	28	1	>100	>100	(2)	NM	NM
Specific allowances	18	124	(85)	(86)	179	(90)	(90)
Allowances	46	125	(63)	(64)	177	(74)	(74)
Net profit	457	370	24	22	343	33	32
Net interest margin (%)	1.74	1.80			1.68		
Loan growth (%)				3			4
Non-trade growth (%)				4			4
Trade growth (%)				(3)			4
Deposit growth (%)				6			(1)



# 2Q Hong Kong earnings up 42% on year

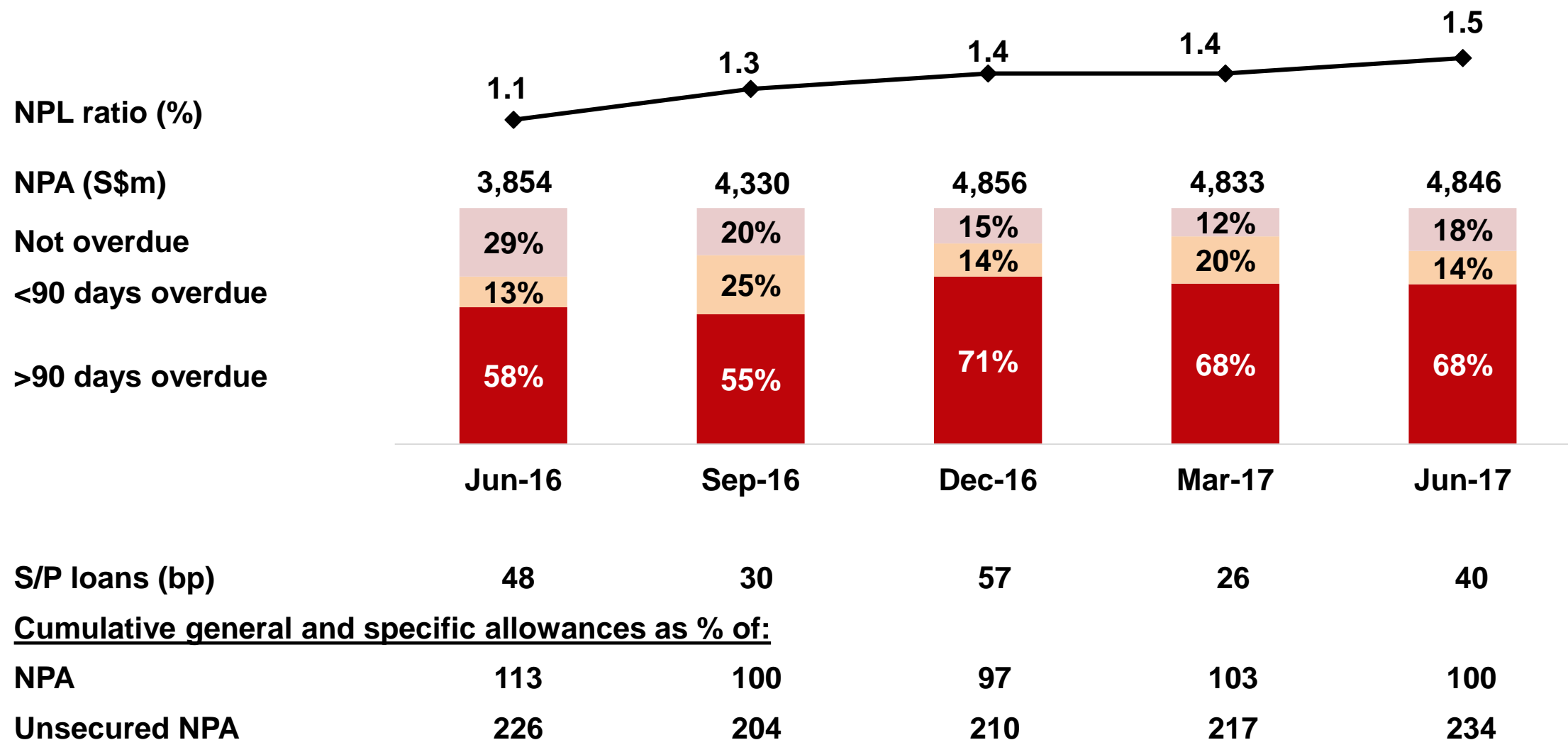
Constant-currency terms

(S\$m)	2Q17	2Q16	YoY %	YoY %	1Q17	QoQ %	QoQ %
Net interest income	343	320	7	5	351	(2)	(1)
Non-interest income	193	200	(4)	(4)	173	12	14
Total income	536	520	3	1	524	2	4
Expenses	235	232	1	0	230	2	4
Profit before allowances	301	288	5	3	294	2	4
General allowances	16	24	(33)	(29)	12	33	48
Specific allowances	10	72	(86)	(87)	8	25	8
Allowances	26	96	(73)	(73)	20	30	31
Net profit	229	161	42	40	228	0	2
Net interest margin (%)	1.70	1.80			1.79		
Loan growth (%)				3			3
Non-trade growth (%)				4			5
Trade growth (%)				(3)			(4)
Deposit growth (%)				6			1

# 1H regional earnings double on year

(S\$m)	1H17	1H16	YoY %	2H16	HoH %
Net interest income	603	528	14	572	5
Non-interest income	354	365	(3)	382	(7)
<b>Total income</b>	<b>957</b>	<b>893</b>	<b>7</b>	<b>954</b>	<b>-</b>
Expenses	571	550	4	590	(3)
<b>Profit before allowances</b>	<b>386</b>	<b>343</b>	<b>13</b>	<b>364</b>	<b>6</b>
Allowances	101	191	(47)	283	(64)
<b>Net profit</b>	<b>223</b>	<b>100</b>	<b>&gt;100</b>	<b>29</b>	<b>&gt;100</b>

# NPA little changed on quarter, allowance coverage at 100%



## 2Q specific allowances for loans at 40 bp

(S\$m)	2Q17	1Q17	2Q16
<u>Add charges for</u>			
New NPLs	178	53	286
Existing NPLs	180	190	81
	358	243	367
<u>Subtract charges for</u>			
Upgrading	-	-	1
Settlements	46	27	14
Recoveries	11	23	16
	57	50	31
<b>Total SP charges for loans</b>	<b>301</b>	<b>193</b>	<b>336</b>
<b>SP/loans (bp)</b>	<b>40</b>	<b>26</b>	<b>48</b>

# 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

	Jun-17	Mar-17
<b>Government securities</b>	<b>25,619</b>	<b>24,893</b>
Less than 3 years	16,166	16,452
3 to 5 years	3,917	3,449
5 to 10 years	5,264	4,723
More than 10 years	272	269
<b>Supranational, bank and corporate bonds</b>	<b>14,090</b>	<b>14,879</b>
<b>Equities</b>	<b>1,431</b>	<b>1,530</b>
<b>Total</b>	<b>41,140</b>	<b>41,302</b>
<b>AFS reserves</b>	<b>272</b>	<b>228</b>

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	185*	0	185
Germany	491*	0	491
Netherlands	0	3	3
United Kingdom	257*	186	443
<b>Total</b>	<b>932</b>	<b>189</b>	<b>1,122</b>

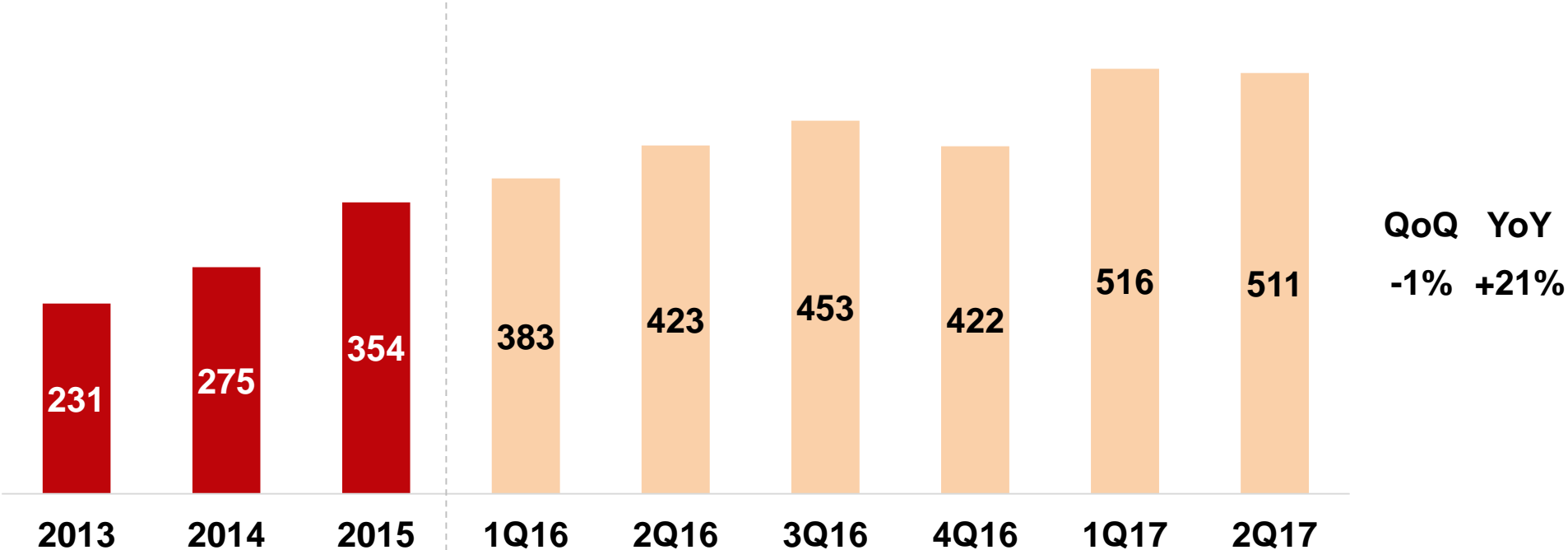
\* Supranational and German entities rated AAA/Aaa by S&P, Moody's and Fitch. UK entities rated AA by S&P, AA1 by Moody's and AA by Fitch

# Deposits little changed on quarter and up 9% on year in constant-currency terms

(S\$bn)	QoQ		YoY		
	Jun-17	Reported	Underlying	Reported	Underlying
<b>Deposits</b>	<b>343</b>	<b>0</b>	<b>3</b>	<b>33</b>	<b>29</b>
<b>By product</b>					
CASA	217	3	4	20	19
Fixed deposits	122	(2)	(1)	12	10
Other	4	0	0	1	1
<b>By currency</b>					
Singapore dollar	153	(1)	(1)	10	10
US dollar	111	1	3	16	14
HK dollar	33	0	0	2	1
Chinese yuan	10	0	0	1	1
Others	36	0	0	3	2
<b>LDR (%)</b>	<b>Jun-17</b>	<b>Mar-17</b>		<b>Jun-16</b>	
<b>Overall</b>	<b>88</b>	<b>87</b>		<b>92</b>	
Singapore dollar	83	81		85	
US dollar	92	92		99	

# Wealth Management segment

Income  
(S\$m)



	2013	2014	2015	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	QoQ	YoY
	Quarterly average										
AUM (S\$bn)	109	134	146	147	151	159	166	170	175	+3%	+16%
Total earning assets (S\$bn)	134	167	180	182	187	196	204	208	213	+2%	+14%

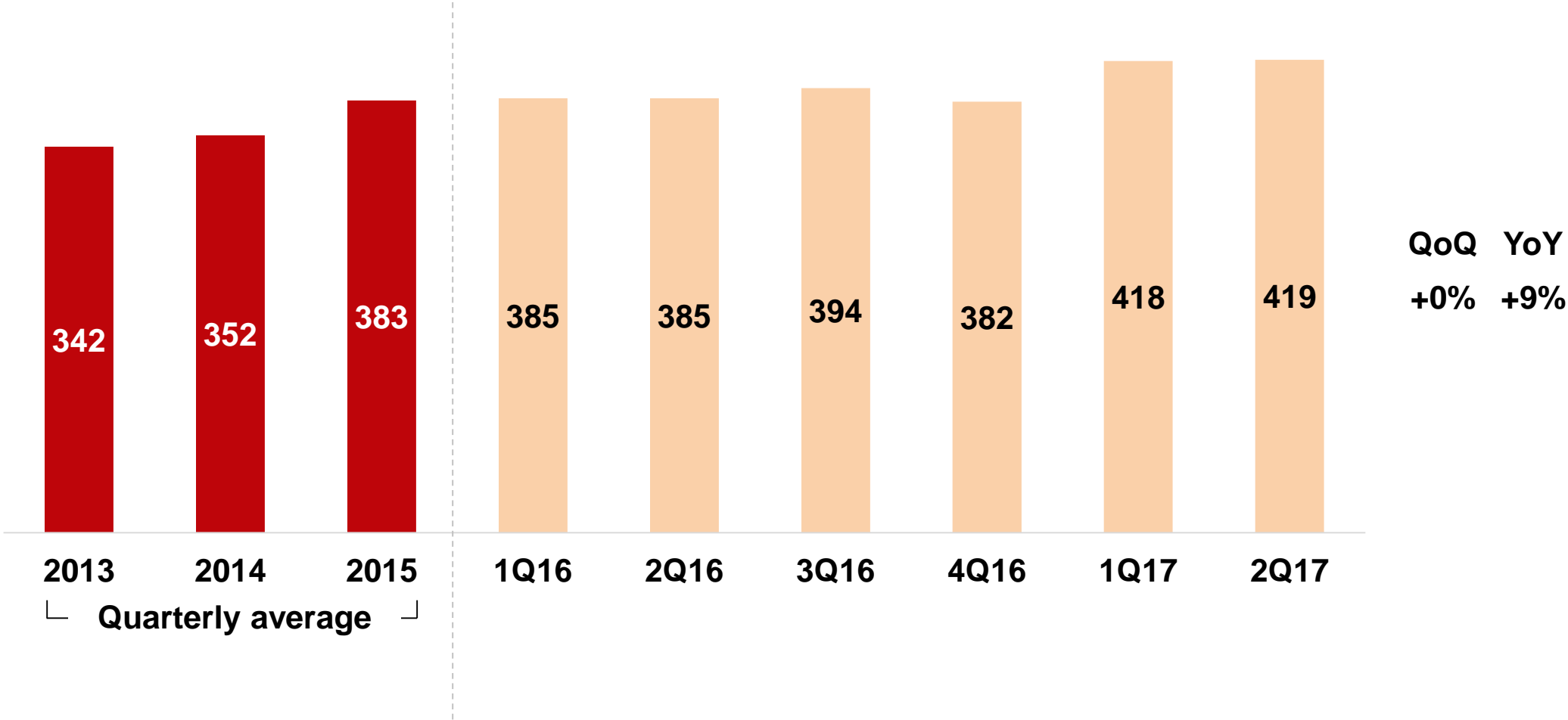
Comprising Treasures, Treasures Private Client and Private Bank  
Total earning assets and AUMs at end of period





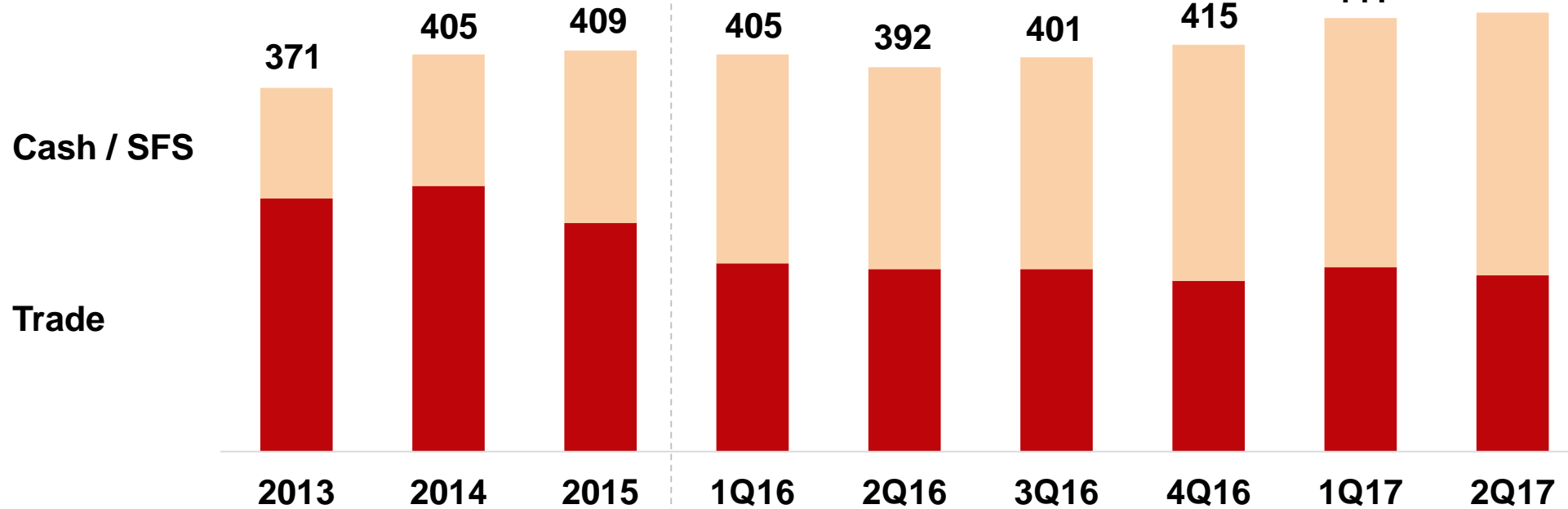
# SME segment

Income  
(S\$m)



# Global transaction services

Income  
(S\$m)



QoQ YoY  
+2% +14%

Quarterly average

Assets  
(S\$bn) <sup>(a)</sup>

63    62    47    39    42    43    44    45    47

+4% +12%

Deposits  
(S\$bn)

119    135    127    121    122    125    137    134    130

-3% +7%

Assets and deposits at end of period

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



# Record first-half earnings

**DBS Group Holdings**  
**2Q 2017 financial results**  
**August 4, 2017**