



Live more,
Bank less

A record first half

**DBS Group Holdings
2Q 2018 financial results
August 2, 2018**

Highlights

First-half profit up 23% to record \$2.89 billion

- Total income up 13% to new high of \$6.56 billion, underpinned by broad-based growth in loans and fee income as well as higher net interest margin
- Income growth due to Consumer Banking / Wealth Management (CBG / WM) and Institutional Banking (IBG), moderated by decline in Treasury Markets (TM)
- Return on equity at 12.5%

Second-quarter earnings up 20% to \$1.37 billion

- Business momentum healthy as consumer and corporate loan growth, underlying net interest margin progression and overall fee trends sustained
- Income growth for CBG / WM and IBG accelerate during quarter, while TM income lowest on record
- Cost-income ratio at 43% if TM income at recent quarters' levels

Balance sheet remains strong

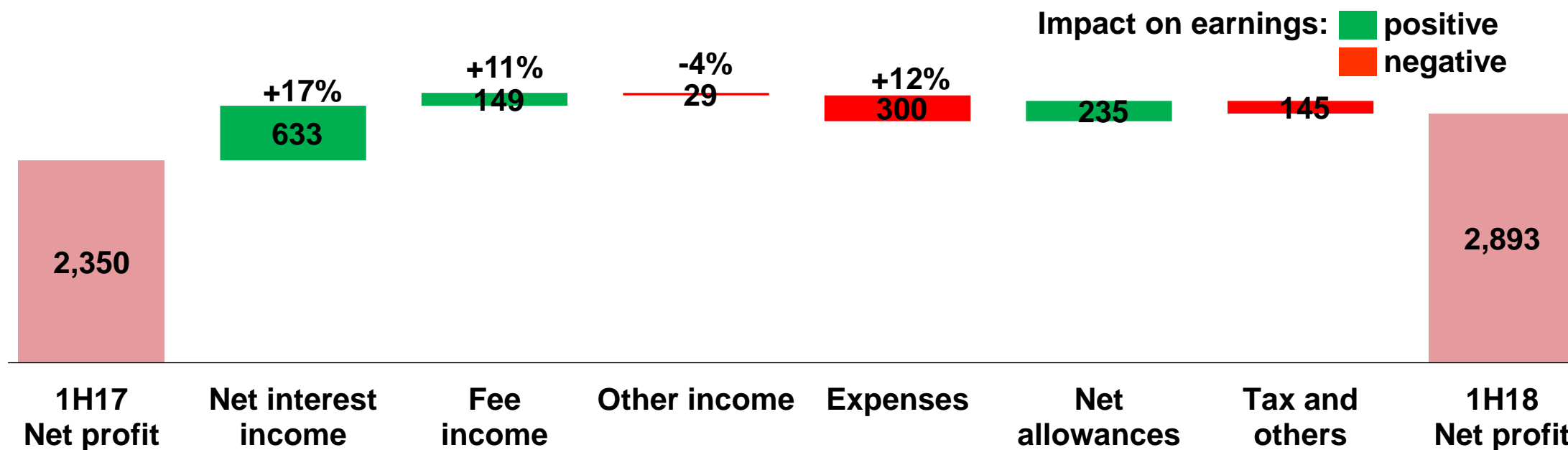
- Asset quality healthy as first-half non-performing asset formation and SP halve
- CET-1 at 13.6%, LCR at 135%, NSFR at 110%

First-half dividends at 60 cents compared to 33 cents year ago, in line with guidance

1H net profit up 23% on year

(S\$m)		1H18	YoY %
Total income	record	6,563	13
Expenses		2,816	12
Profit before allowances	record	3,747	14
Allowances		269	(47)
Net profit	record	2,893	23

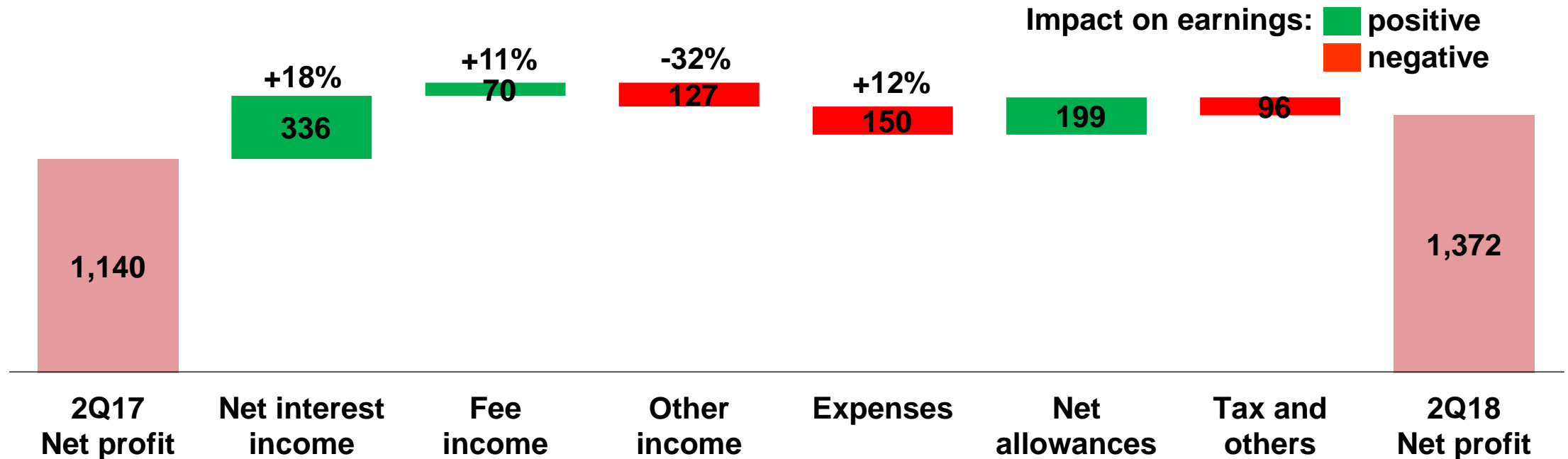
- Broad-based growth in loans and fee income as well as higher net interest margin underpin 13% increase in total income
- Cost-income ratio maintained at 43%
- Specific allowances halve in line with non-performing asset formation



2Q net profit up 20% on year

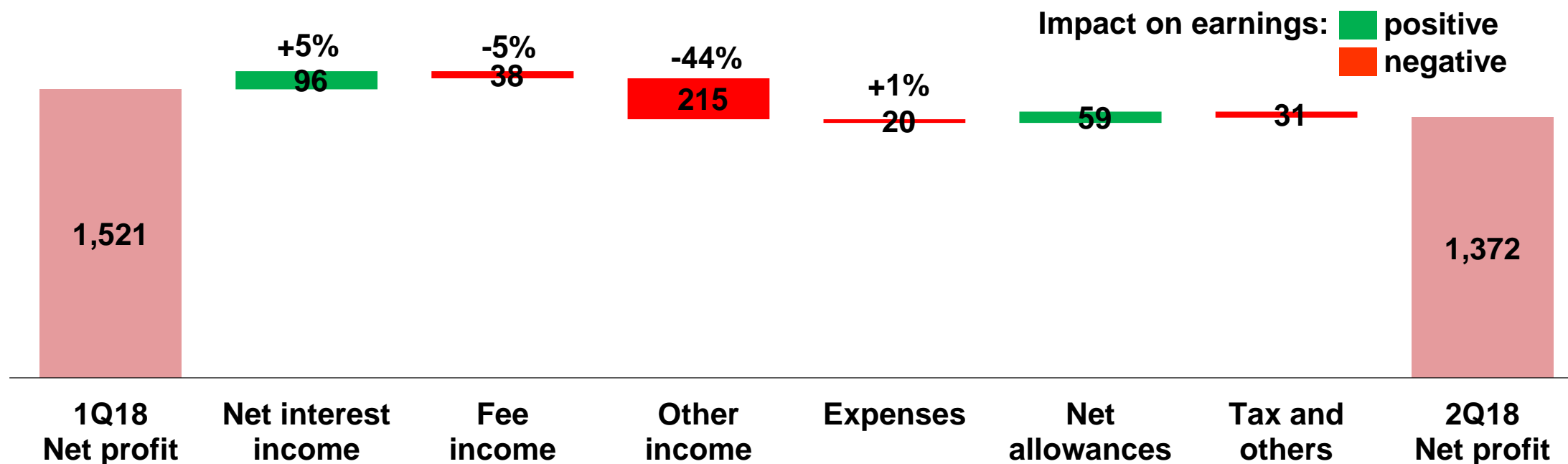
(S\$m)	2Q18	YoY %
Total income	3,203	10
Expenses	1,418	12
Profit before allowances	1,785	8
Allowances	105	(65)
Net profit	1,372	20

- Double-digit percentage growth in net interest income and fee income
- Business momentum healthy as income growth for CBG / WM and IBG accelerate during quarter
- Performance moderated by weak TM income

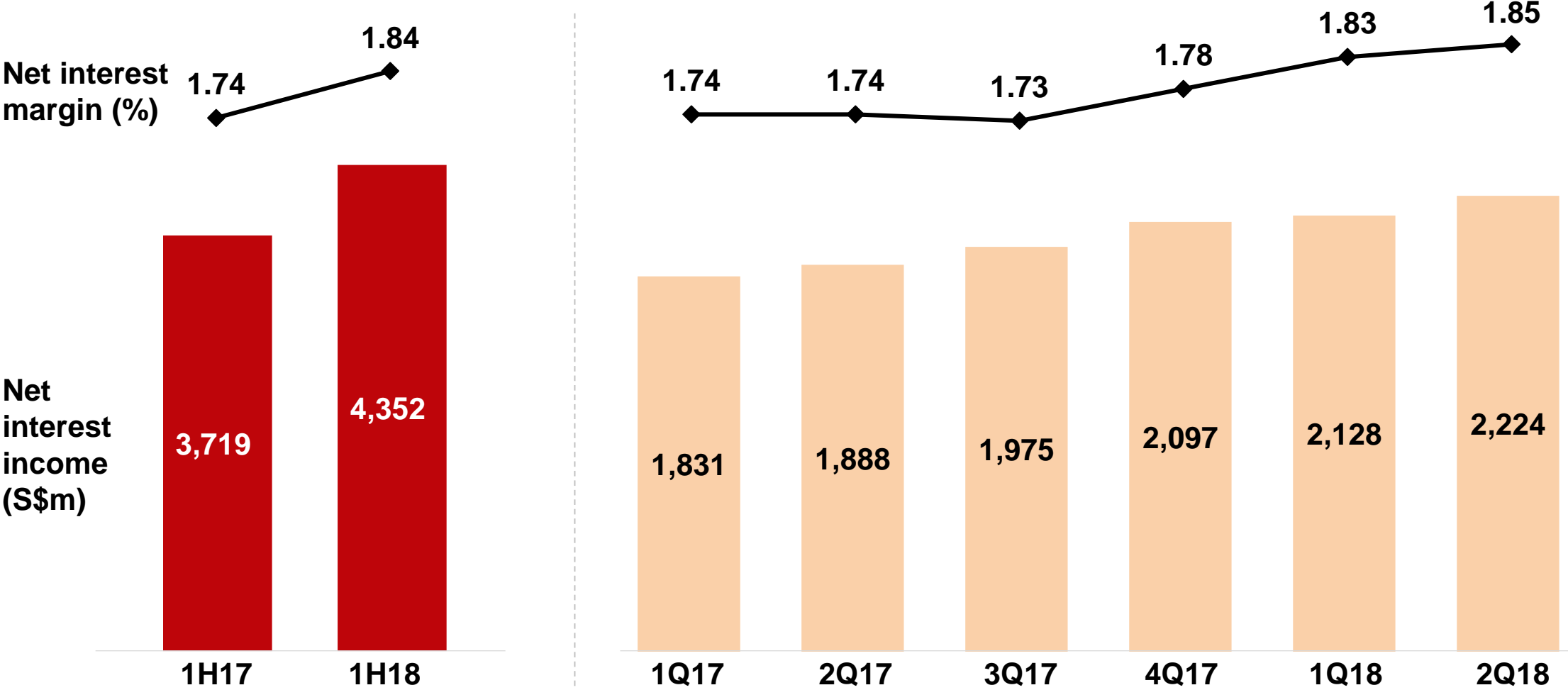


2Q net profit 10% lower on quarter

(S\$m)	2Q18	QoQ %	
Total income	3,203	(5)	<ul style="list-style-type: none"> Decline in total income due to weaker trading, absence of property disposal gain, and lower wealth management income from high 1Q base
Expenses	1,418	1	
Profit before allowances	1,785	(9)	<ul style="list-style-type: none"> Business momentum healthy as net interest income up 5% from loan growth and higher net interest margin, overall fee income trends sustained
Allowances	105	(36)	
Net profit	1,372	(10)	

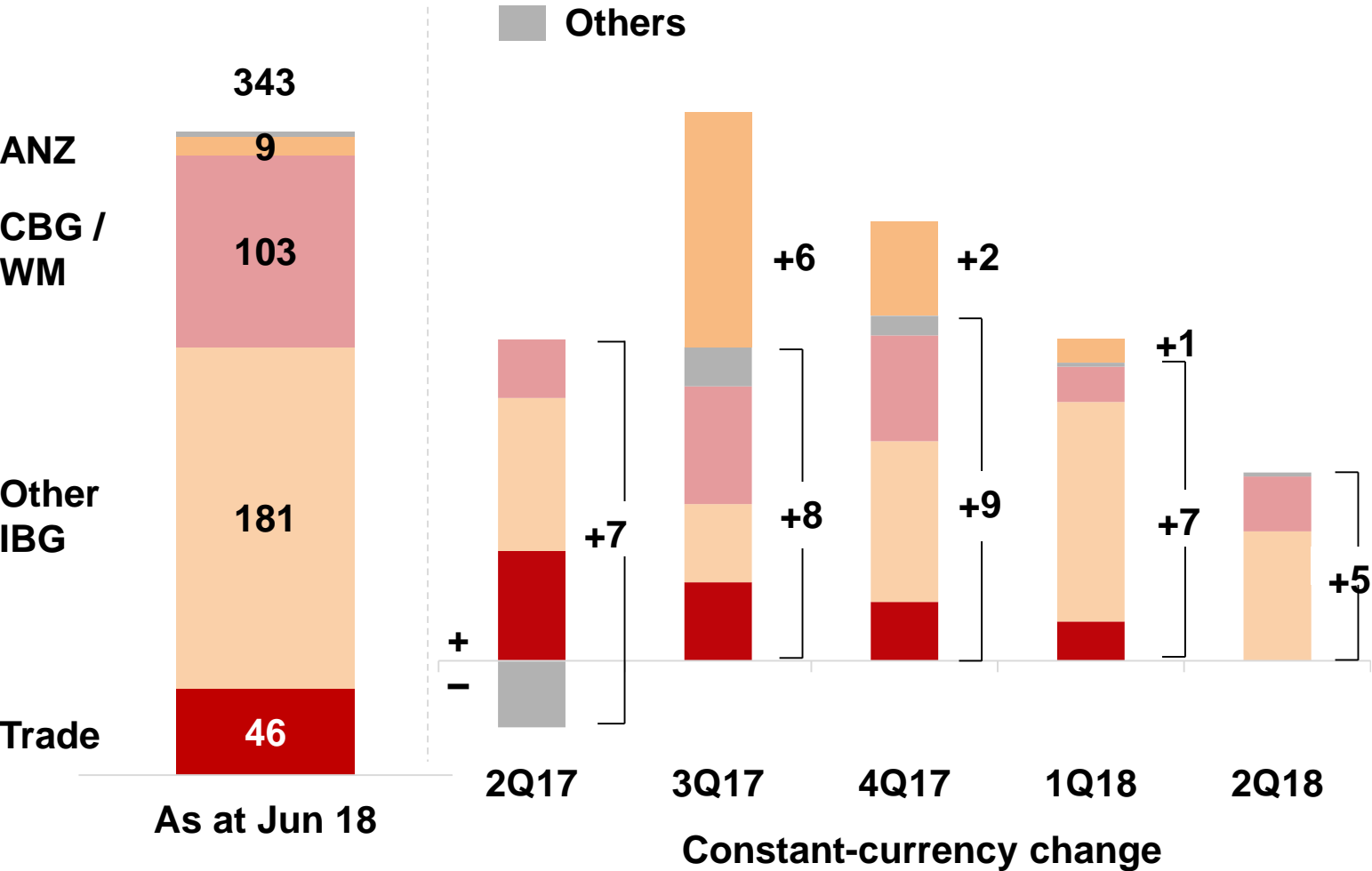


Net interest margin rises to 1.85%, underpinned by higher interest rates in Singapore and Hong Kong



Non-trade corporate loans and consumer loans up underlying 2% on quarter

(S\$bn)



In constant-currency terms

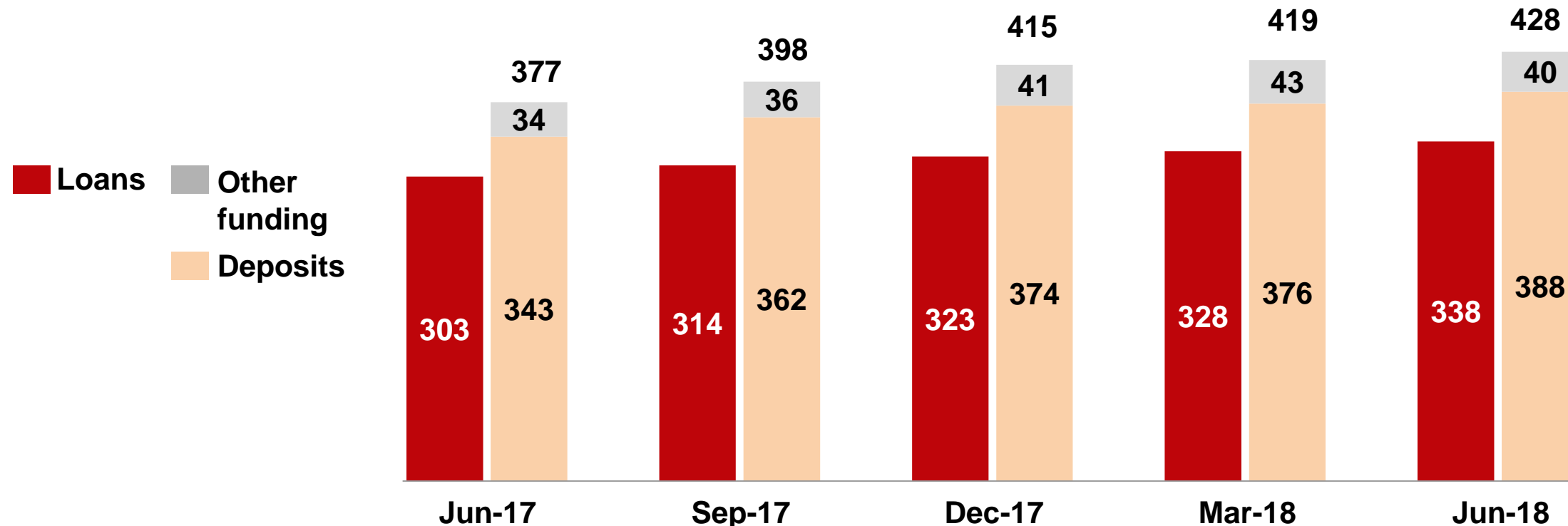
- Non-trade corporate loans and consumer loans up \$5bn or 2% on quarter
- Trade loans unchanged on quarter
- Overall loans up \$5bn or 1% on quarter
- Overall loans up \$37bn or 12% on year including \$9bn from ANZ



Gross loans

Ample liquidity with LCR at 135% and NSFR at 110%

(S\$bn)



Ratios (%)

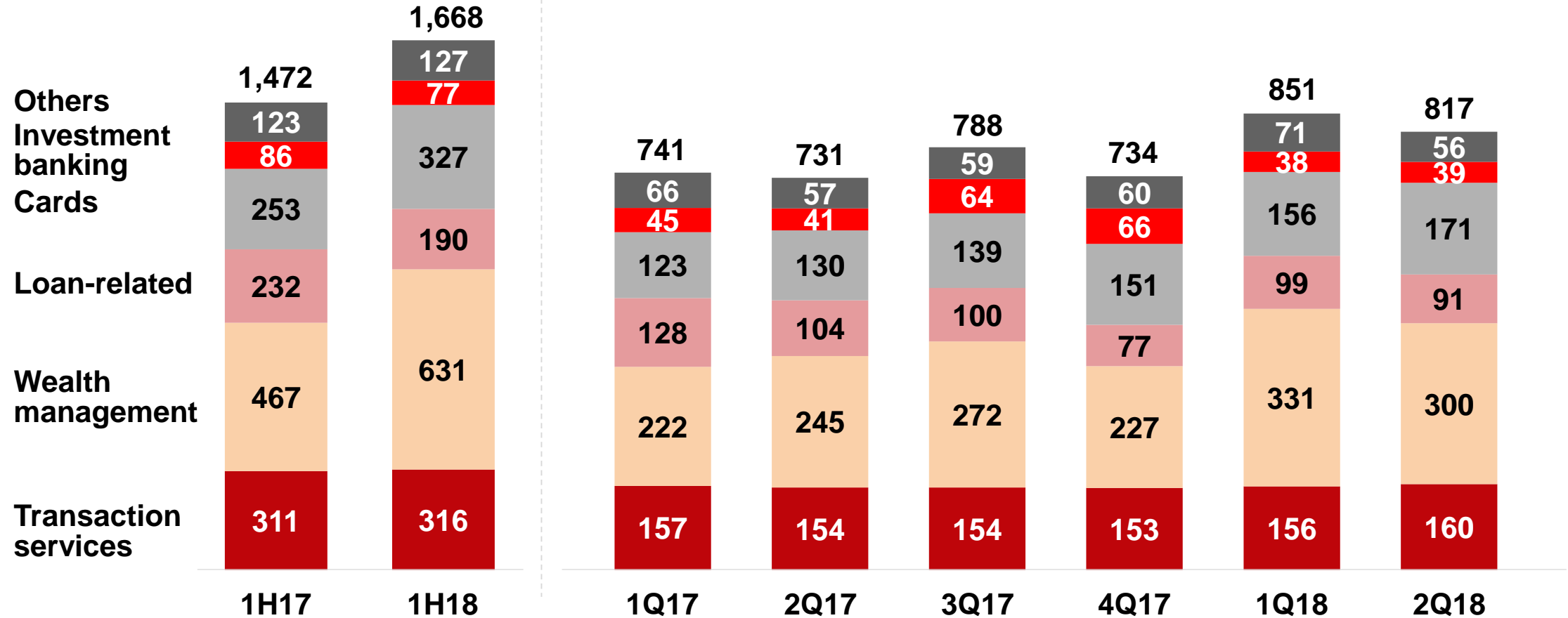
LDR	88	87	86	87	87
LCR	150	141	131	125	135
NSFR	–	–	–	110	110



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

2Q gross fee income up 12% on year led by wealth management and cards

(S\$m)



Gross fee income

1H CBG / WM income up 20% from broad-based growth

(S\$m)	1H18	1H17	YoY %
Total income	2,758	2,299	20
Retail	1,427	1,273	12
Wealth Management	1,331	1,027	30
Loans and deposits	1,522	1,293	18
Investment products	830	684	21
Cards	377	293	29
Others	29	30	(3)
Expenses	1,433	1,230	17
Profit before allowances	1,325	1,069	24
AUM (S\$bn)	216	175	23
SGD savings (S\$bn)	117	113	4

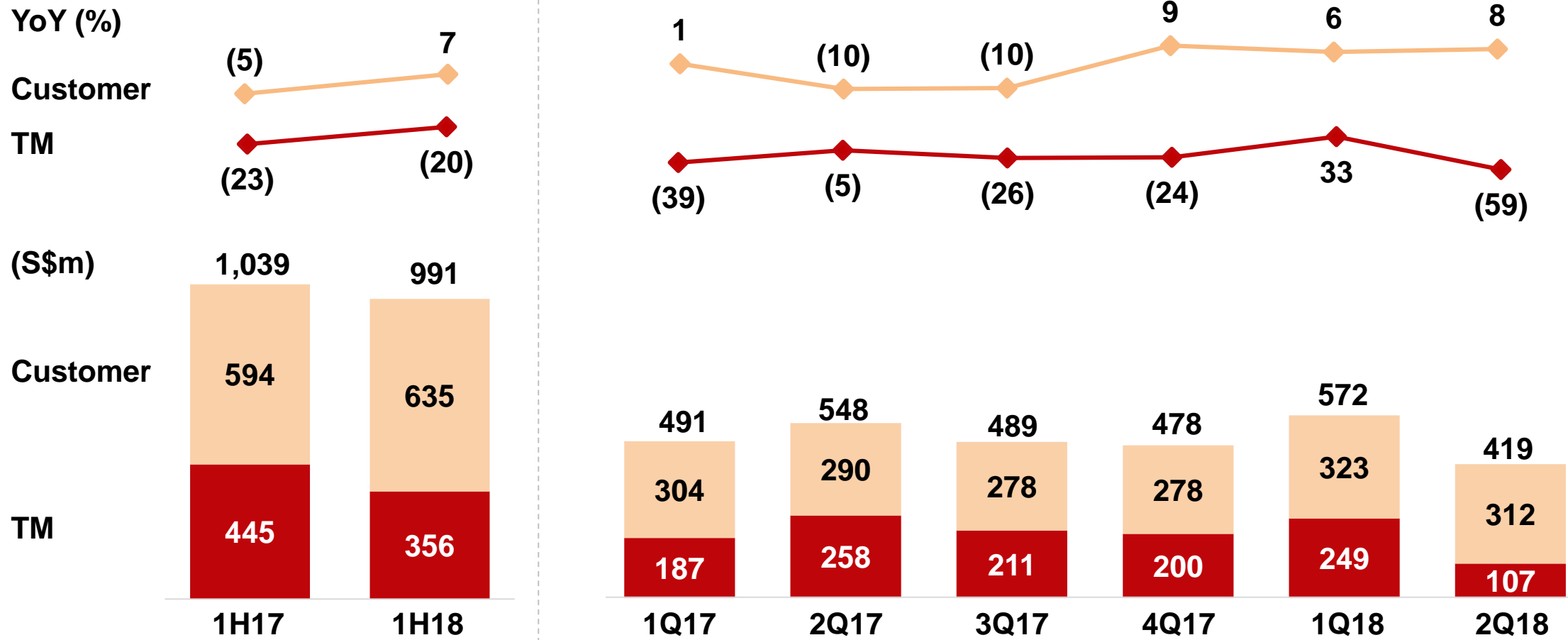
- Total income up 20% to record \$2.76 billion, with YoY growth accelerating from 17% in first quarter to 23% in second quarter
- Broad-based growth across loans and deposits, investment products and cards
- Wealth Management segment income up 30% to \$1.33 billion as AUM rises 23% to \$216 billion
- Singapore housing loan market share at 31%, SGD savings account market share at 52%

1H IBG income growth led by cash management

(S\$m)	1H18	1H17	YoY %
Total income	2,779	2,617	6
Corporate	1,838	1,778	3
SME	941	838	12
Loans	1,294	1,373	(6)
Trade	360	367	(2)
Cash / SFS	746	506	47
Treasury	308	303	2
Investment banking	71	68	4
Expenses	897	860	4
Profit before allowances	1,882	1,757	7
Assets (S\$bn)	258	236	9
GTS deposits (S\$bn)	137	130	5

- First-half total income up 6% as YoY growth accelerates from 3% in first quarter to 9% in second quarter
- Cash management increases 47% to record \$746 million, with growth accelerating from 40% in first quarter to 54% in second quarter from higher deposit volumes and net interest margin
- Expenses up 4%, profit before allowances increases 7%
- Assets rise 9% from loan growth

1H TM income down 20% with brunt in 2Q, 1H treasury customer income up 7%

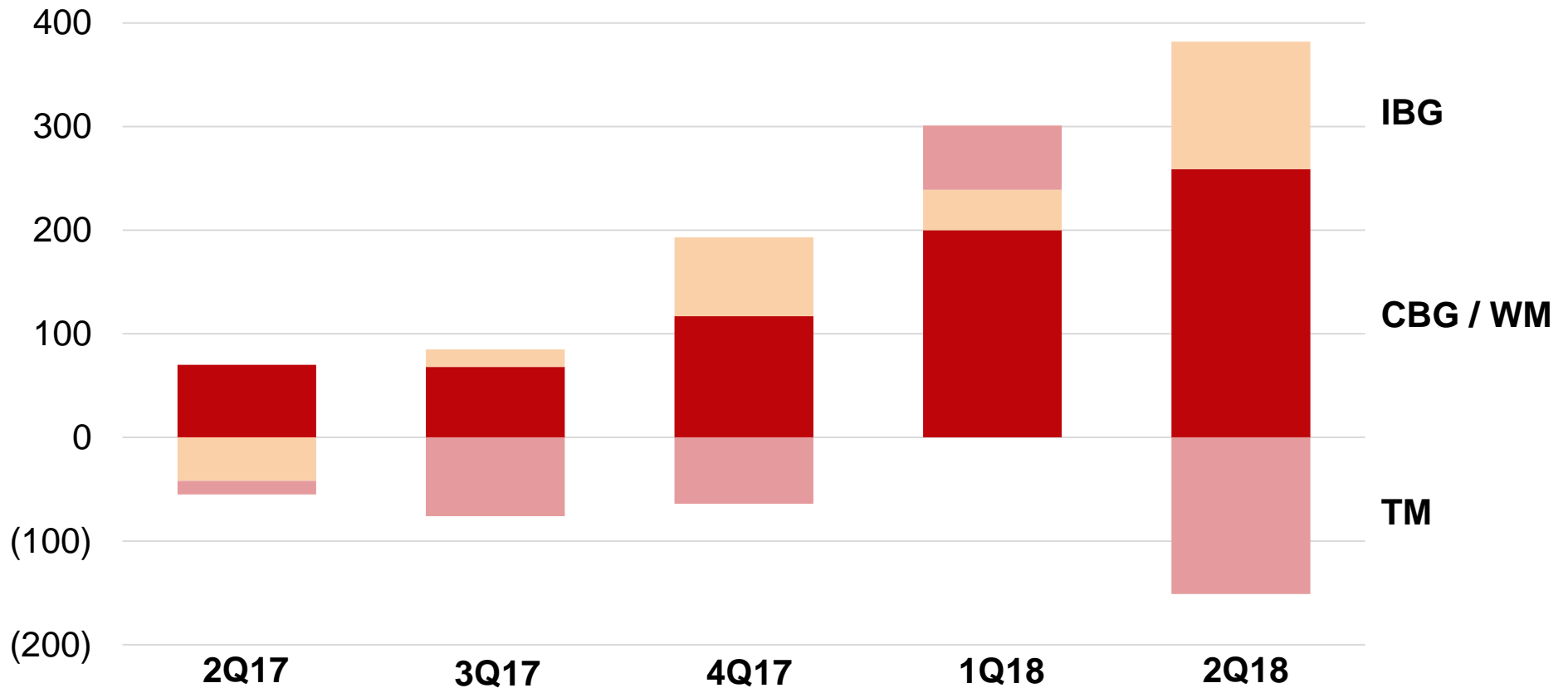


Treasury customer income is included under IBG/CBG segment income. It is included in this chart for a complete product view

CBG / WM and IBG income growth accelerates, moderated by TM weakness

Change over year-ago period

(S\$m)



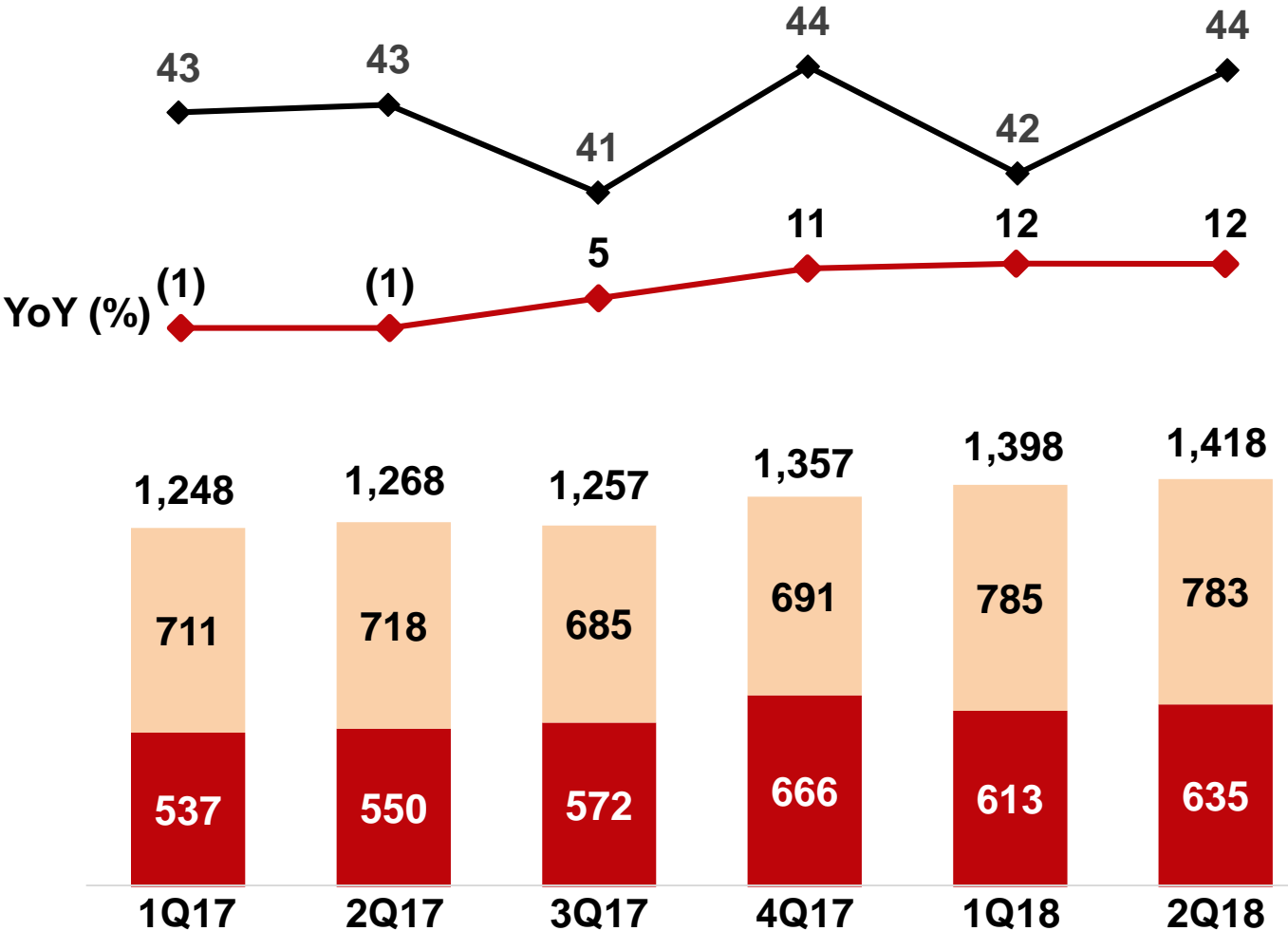
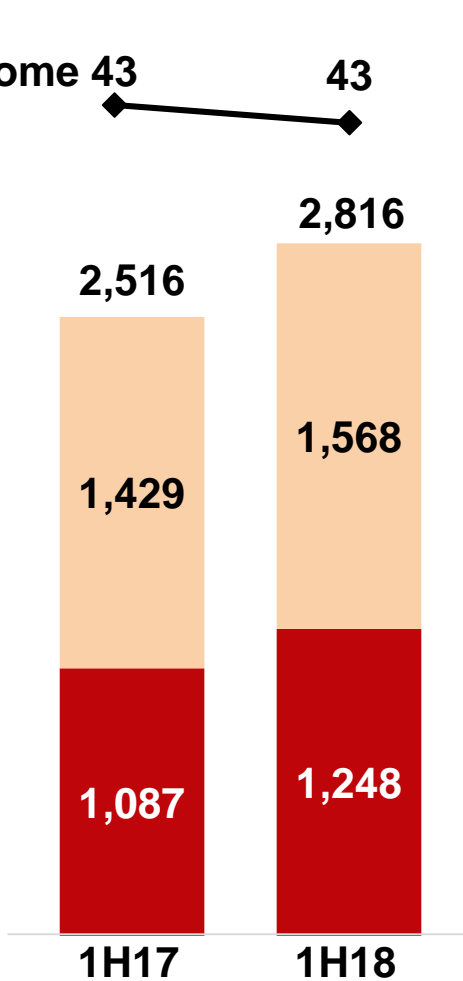
1H cost-income ratio at 43%

Cost / income ratio (%)

(S\$m)

Staff expenses

Other expenses



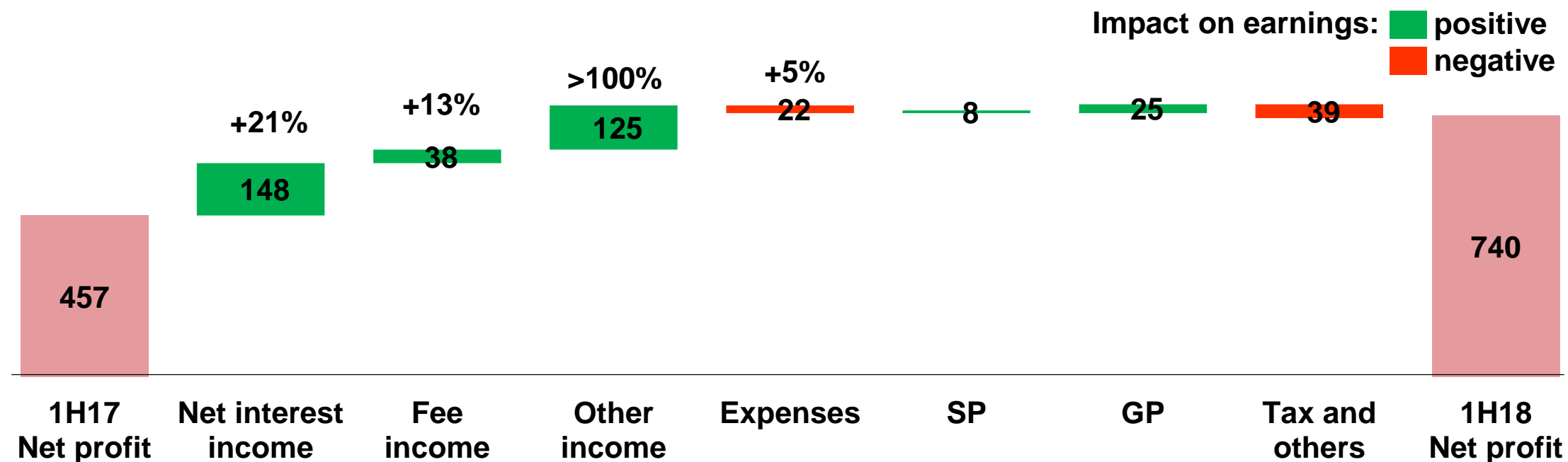
Underlying headcount

20,939 20,719 20,887 21,099 21,322 21,179



1H Hong Kong earnings rise 71% on year

(S\$m)		1H18	YoY %	Constant-currency YoY %	<u>In constant-currency terms</u>
Total income	record	1,371	29	37	<ul style="list-style-type: none"> Total income up 37% from loan growth, higher net interest margin and broad-based non-interest income growth Positive jaw as expenses rise 11%, boosting profit before allowances and net profit
Expenses		487	5	11	
Profit before allowances	record	884	49	57	
Allowances		13	(72)	(70)	
Net profit	record	740	62	71	



New NPAs offset by recoveries and write-offs on quarter, NPL ratio unchanged at 1.6%

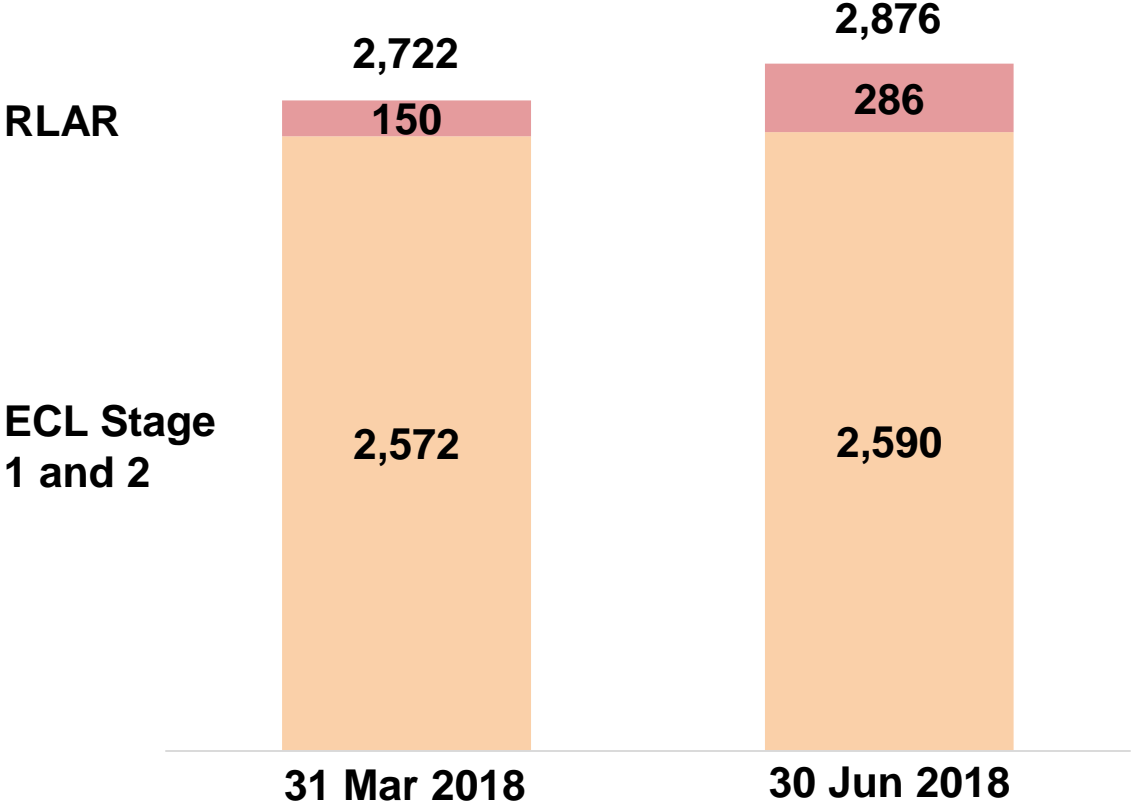
(S\$m)	2Q17	3Q17	4Q17	1Q18	2Q18
NPAs at start of period	4,833	4,846	6,127	6,070	5,817
New NPAs	657	2,063	362	195	358
Upgrades, recoveries and translation	(188)	(329)	(298)	(313)	(73)
Write-offs	(456)	(576)	(187)	(166)	(232)
NPAs at end of period (excluding ANZ)	4,846	6,004	6,004	5,786	5,870
ANZ consolidation	–	123	66	31	–
NPAs at end of period (including ANZ)	4,846	6,127	6,070	5,817	5,870
NPL ratio (%)	1.5	1.7	1.7	1.6	1.6

SP (ECL Stage 3) declines to 12 bp of loans

(S\$m)	2Q17	3Q17	4Q17	1Q18	2Q18
<u>Add charges for</u>					
New NPLs	178	943	79	41	105
Existing NPLs	180	675	199	205	121
	358	1,618	278	246	226
<u>Subtract charges for</u>					
Upgrades	0	0	0	0	0
Settlements	46	57	27	51	89
Recoveries	11	23	45	33	39
	57	80	72	84	128
Total SP charges for loans	301	1,538	206	162	98
SP / loans (bp)	40	195	25	20	12

Moderate rise in GP (ECL Stage 1 and 2)

(S\$m)

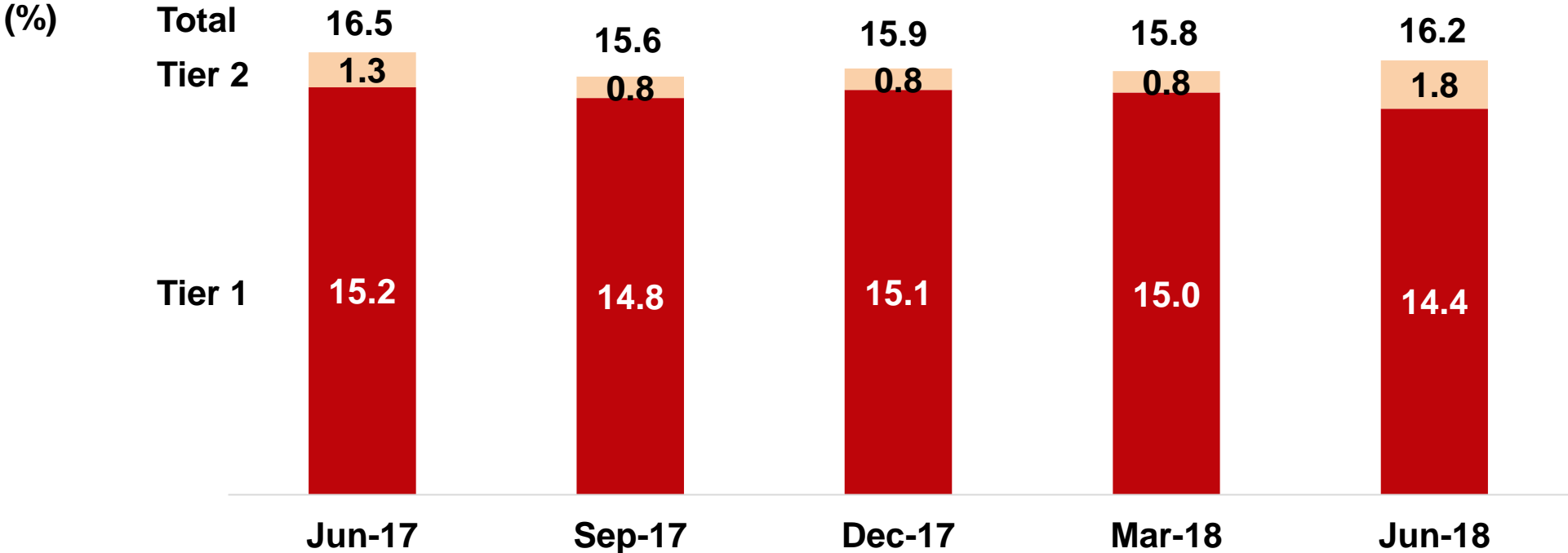


Movement during 2Q

- **ECL**
 - \$7m taken through profit and loss for loan growth and migration between Stage 1 and Stage 2, net of transfers to SP
 - \$11m taken through balance sheet due to translation

- **RLAR**
 - Additional \$136 million transferred from retained earnings to RLAR

Strong CET-1 and leverage ratios

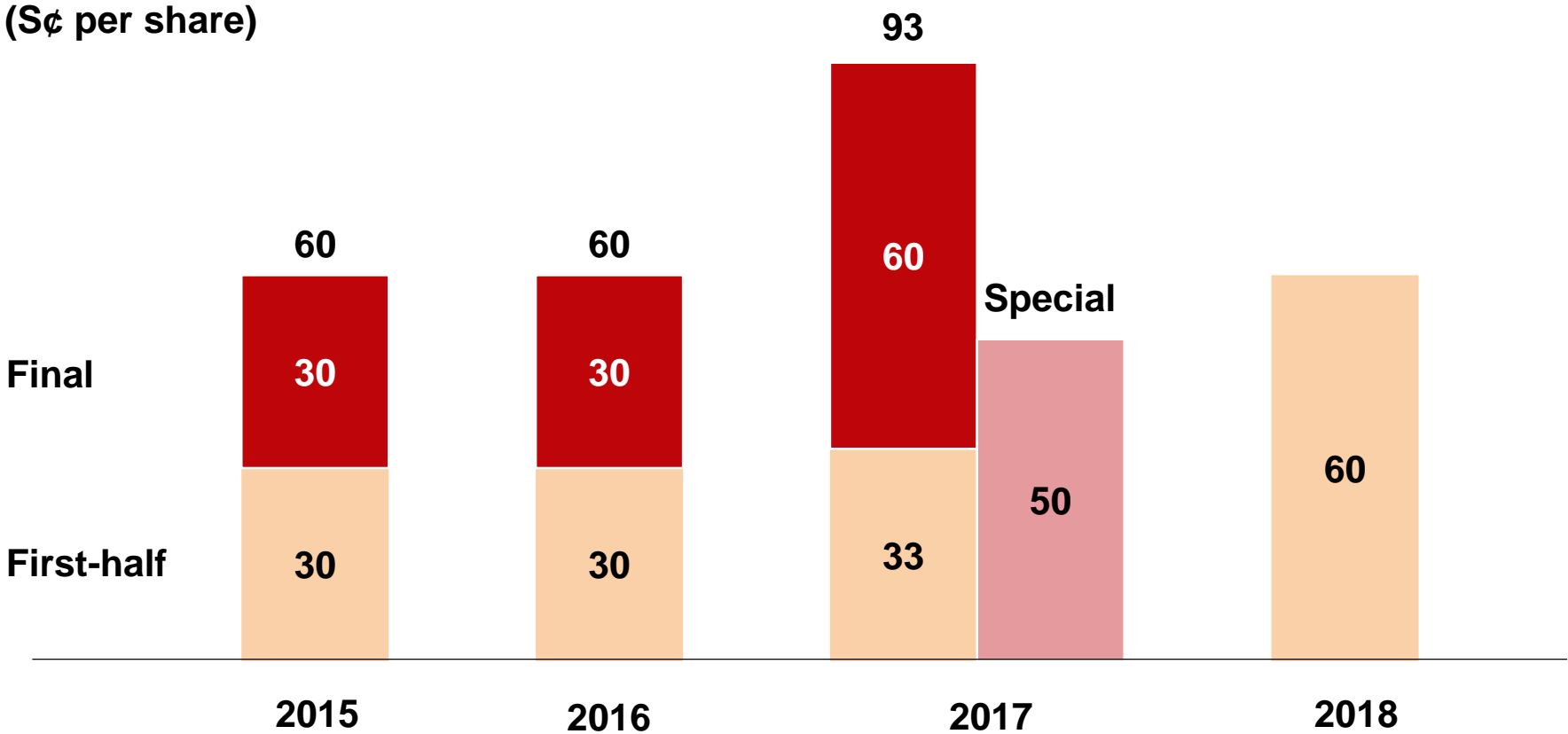


Common Equity Tier-1 (%)

Fully phased-in	14.0	13.6	13.9	14.0	13.6
RWA (S\$bn)	280	286	288	295	292
Leverage ratio (%)	7.9	7.5	7.6	7.6	7.0



First-half dividends at 60 cents compared to 33 cents year ago, in line with guidance



In summary – Record first-half earnings

First-half performance underpinned by broad-based growth in loans and fee income

Sustained business momentum accelerates income growth for CBG / WM and IBG in second quarter, moderated by weakness in TM

Higher first-half ROE demonstrates improved franchise profitability with normalisation of interest rates and allowances

Region's fundamentals intact even if short-term outlook tempered by heightened uncertainty

Well placed to continue delivering growth and returns with strong balance sheet, multiple business lines and nimble execution



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Supplementary slides

**DBS Group Holdings
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August 2, 2018**

Record 1H earnings

(S\$m)

Net interest income

Fee income

Trading income

Other income

Non-interest income

Total income

Staff expenses

Other expenses

Expenses

Profit before allowances

GP

SP

Allowances

Net profit

One-time items

Net profit incl. one-time items

	1H18	1H17	YoY %	2H17	HoH %
Net interest income	4,352	3,719	17	4,072	7
Fee income	1,450	1,301	11	1,321	10
Trading income	595	565	5	493	21
Other income	166	225	(26)	228	(27)
Non-interest income	2,211	2,091	6	2,042	8
Total income	6,563	5,810	13	6,114	7
Staff expenses	1,568	1,429	10	1,376	14
Other expenses	1,248	1,087	15	1,238	1
Expenses	2,816	2,516	12	2,614	8
Profit before allowances	3,747	3,294	14	3,500	7
GP	14	0	NM	(855)	NM
SP	255	504	(49)	1,895	(87)
Allowances	269	504	(47)	1,040	(74)
Net profit	2,893	2,350	23	2,040	42
One-time items	(48)	25	NM	(44)	(9)
Net profit incl. one-time items	2,845	2,375	20	1,996	43

2Q earnings up 20% on year

(S\$m)

Net interest income

Fee income

Trading income

Other income

Non-interest income

Total income

Staff expenses

Other expenses

Expenses

Profit before allowances

GP

SP

Allowances

Net profit

One-time items

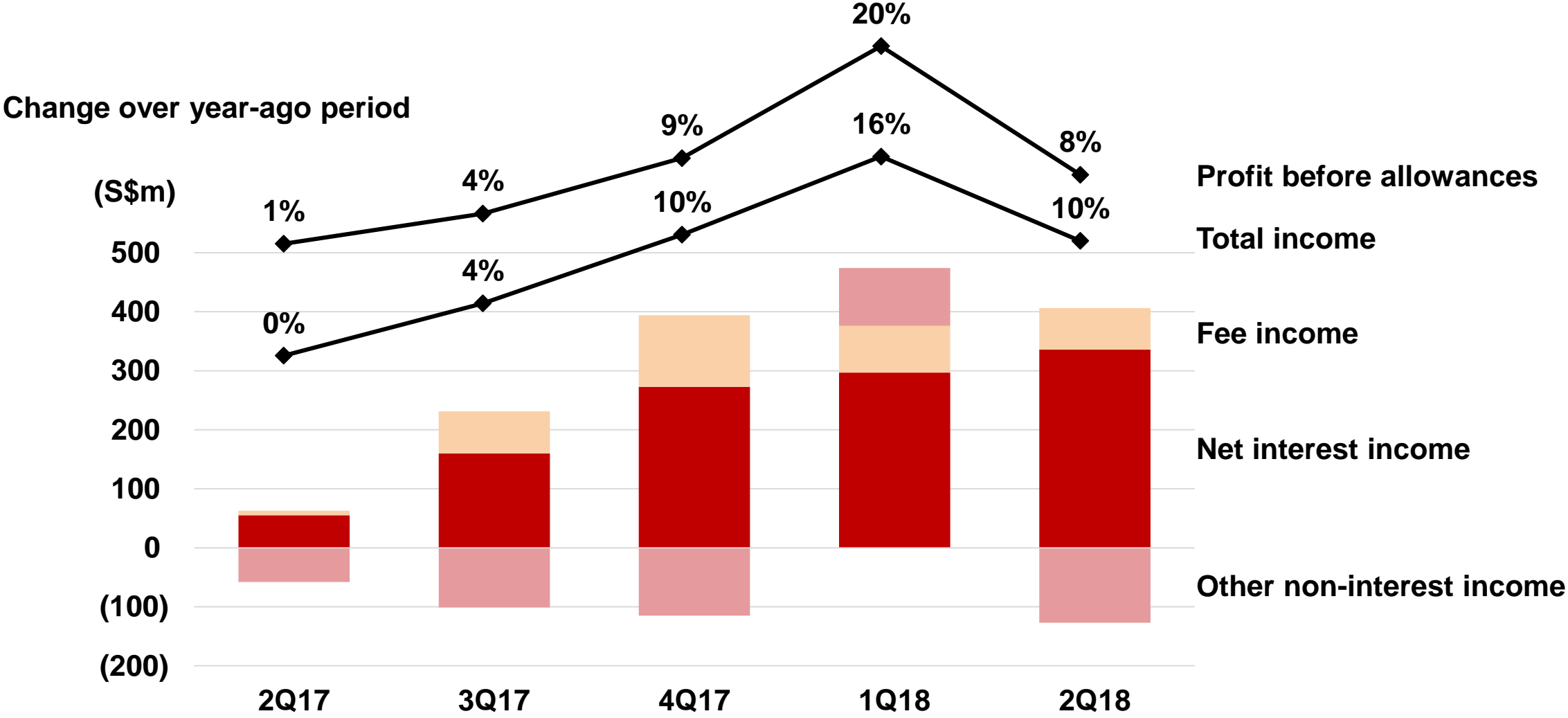
Net profit incl. one-time items

	2Q18	2Q17	YoY %	1Q18	QoQ %
Net interest income	2,224	1,888	18	2,128	5
Fee income	706	636	11	744	(5)
Trading income	227	295	(23)	368	(38)
Other income	46	105	(56)	120	(62)
Non-interest income	979	1,036	(6)	1,232	(21)
Total income	3,203	2,924	10	3,360	(5)
Staff expenses	783	718	9	785	–
Other expenses	635	550	15	613	4
Expenses	1,418	1,268	12	1,398	1
Profit before allowances	1,785	1,656	8	1,962	(9)
GP	7	0	NM	7	0
SP	98	304	(68)	157	(38)
Allowances	105	304	(65)	164	(36)
Net profit	1,372	1,140	20	1,521	(10)
One-time items	(38)	(10)	(>100)	(10)	(>100)
Net profit incl. one-time items	1,334	1,130	18	1,511	(12)

1H ROE at 12.5%

(%)	2Q18	2Q17	1Q18	1H18	1H17	2H17
Net interest margin	1.85	1.74	1.83	1.84	1.74	1.76
Fee income / total income	22	22	22	22	22	22
Non-interest income / total income	31	35	37	34	36	33
Cost / income	44	43	42	43	43	43
ROE	11.8	10.1	13.1	12.5	10.6	8.8
Loan / deposit	87	88	87	87	88	87
SP / loans (bp)	12	40	20	16	33	109
NPL ratio	1.6	1.5	1.6	1.6	1.5	1.7

Sustained momentum in total income and profit before allowances from high base in previous quarter



1H Hong Kong performance at record

Constant-currency terms

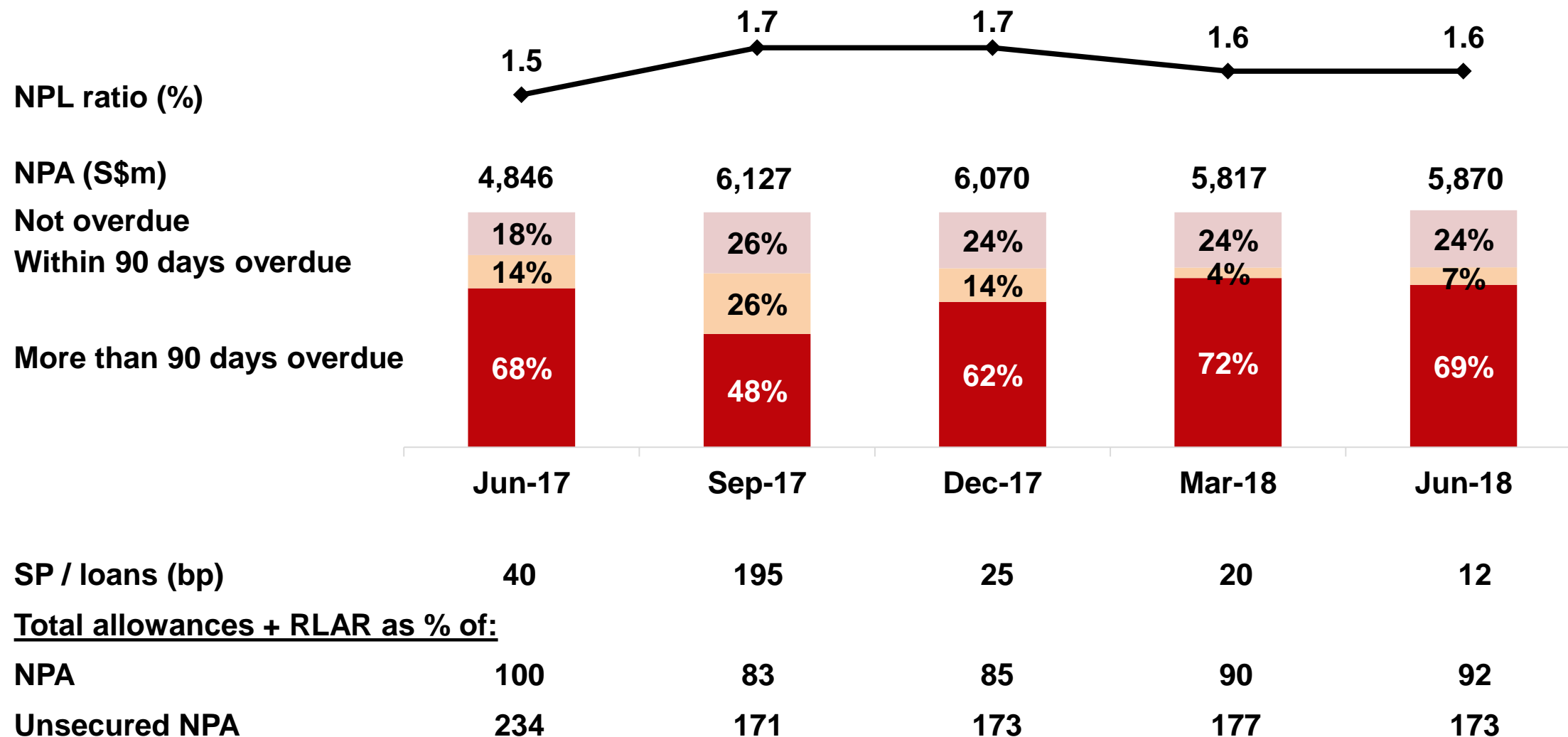
(S\$m)

	1H18	1H17	YoY %	YoY %	2H17	HoH %	HoH %
Net interest income	842	694	21	29	745	13	16
Net fee and commission income	321	283	13	20	308	4	7
Other non-interest income	208	83	>100	>100	110	89	94
Non-interest income	529	366	44	53	418	26	30
Total income	1,371	1,060	29	37	1,163	18	21
Expenses	487	465	5	11	493	(1)	1
Profit before allowances	884	595	49	57	670	32	35
GP	3	28	(89)	(88)	47	(94)	(93)
SP	10	18	(44)	(41)	(13)	NM	NM
Allowances	13	46	(72)	(70)	34	(62)	(60)
Net profit	740	457	62	71	528	40	43
Net interest margin (%)	1.92	1.74			1.73		
Loan growth (%)				20			7
Non-trade growth (%)				19			7
Trade growth (%)				24			9
Deposit growth (%)				23			2

1H regional earnings improve

(S\$m)	1H18	1H17	YoY %	2H17	HoH %
Net interest income	732	603	21	648	13
Non-interest income	399	354	13	298	34
Total income	1,131	957	18	946	20
Expenses	664	571	16	588	13
Profit before allowances	467	386	21	358	30
Allowances	94	101	(7)	230	(59)
Net profit	291	223	30	105	>100

Allowance coverage at 92% and at 173% with collateral



Duration of FVOCI instruments remains short

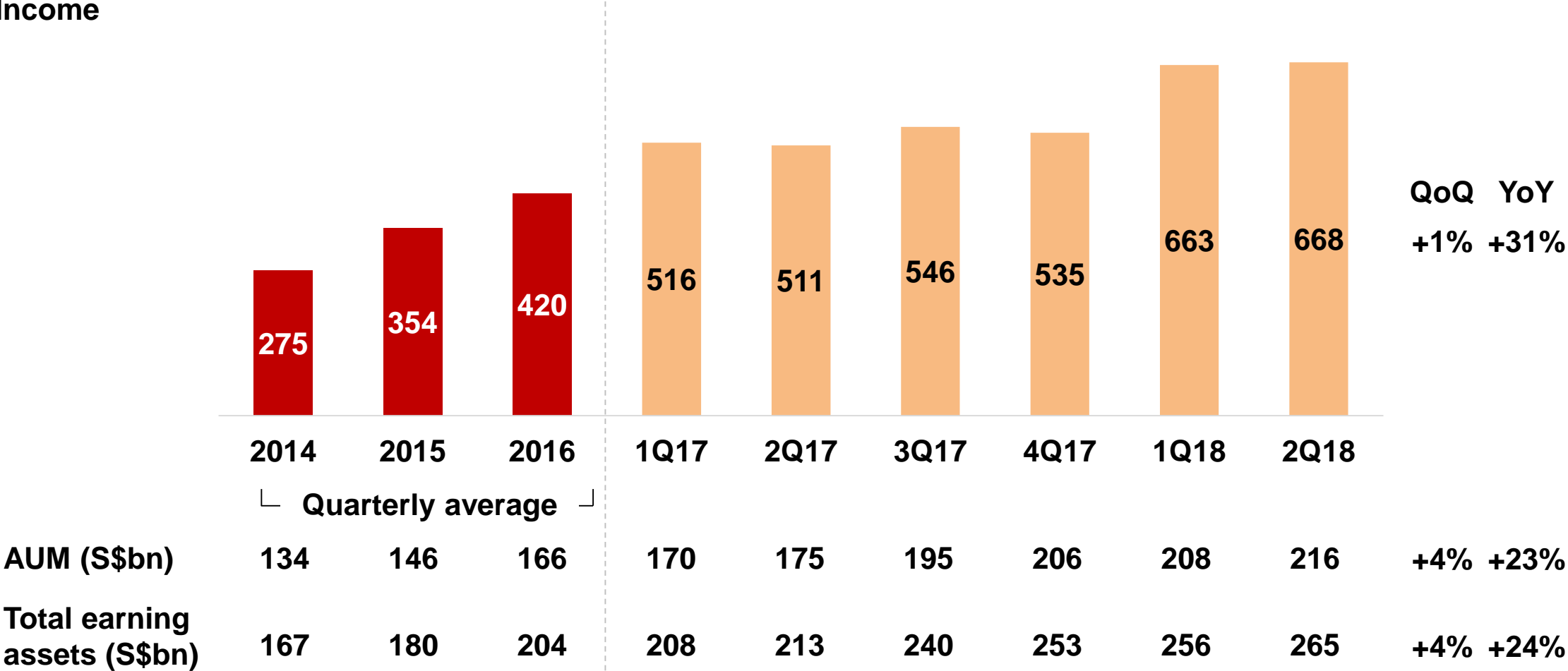
(\$m)	Jun-18	Mar-18
Government securities	21,271	19,669
Less than 3 years	15,525	13,899
3 to 5 years	2,998	3,080
5 to 10 years	2,555	2,494
More than 10 years	193	196
Supranational, bank and corporate bonds	7,816	7,490
Equities	1,972	1,958
Total	31,059	29,117
FVOCI reserves	(364)	(214)

Deposits little up 2% quarter and up 14% on year in constant-currency terms

	(S\$bn)	QoQ (%)		YoY (%)	
	Jun-18	Reported	Underlying	Reported	Underlying
Deposits	388	3	2	13	14
By product					
Casa	232	(1)	(3)	7	7
Fixed deposits	153	11	9	24	26
Other	3	(5)	(8)	(5)	(3)
By currency					
Singapore dollar	155	(3)	(3)	2	2
US dollar	135	7	3	22	23
HK dollar	39	15	10	17	19
Chinese yuan	12	4	6	20	18
Others	46	5	6	27	30
LDR (%)	Jun-18	Mar-18		Jun-17	
Overall	87	87		88	
Singapore dollar	89	86		83	
US dollar	80	82		92	

Wealth Management segment

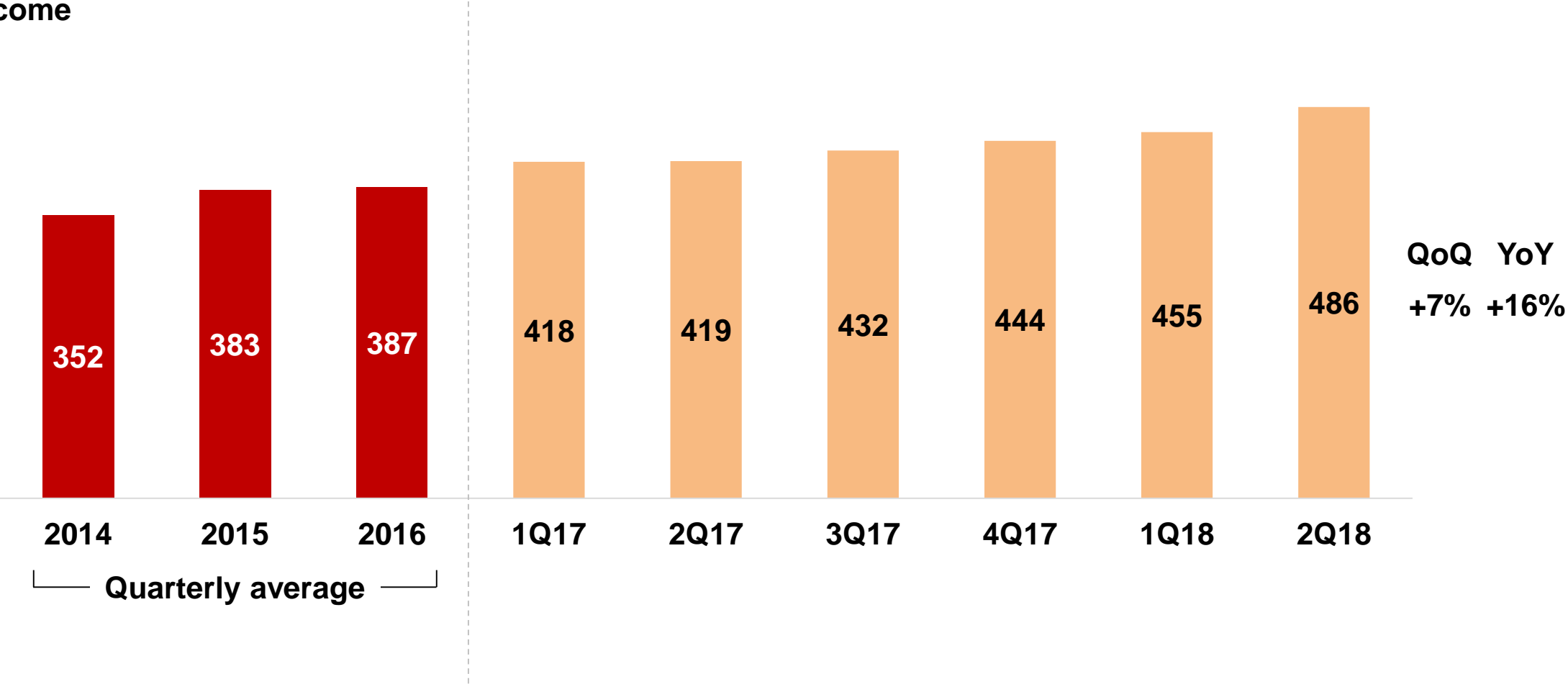
(S\$m)
Income



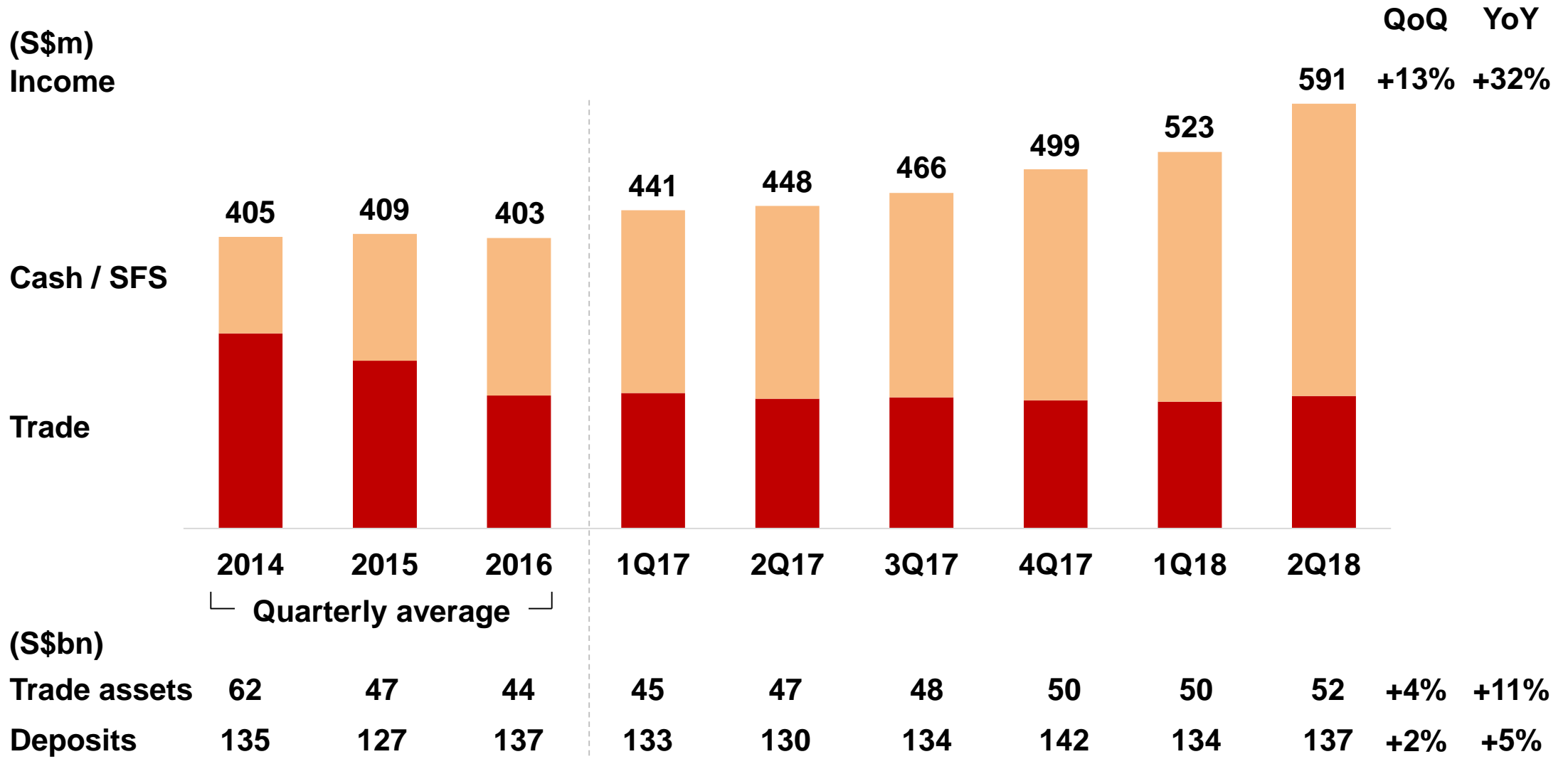
Comprising Treasures, Treasures Private Client and Private Bank
Total earning assets and AUMs at end of period

SME segment

(S\$m)
Income



Global transaction services



Assets and deposits at end of period



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