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# **Record first-half earnings**

**DBS Group Holdings  
2Q 2019 financial results  
July 29, 2019**

# Highlights

## **First-half profit up 12% to record \$3.25 billion**

- Total income rises 11% to new high of \$7.26 billion, underpinned by corporate loan growth, higher net interest margin, record fee income and improved trading performance
- Cost-income ratio improves one percentage point to 42%
- ROE up from 12.5% a year ago to 13.7%

## **Second-quarter earnings up 17% from year ago to \$1.60 billion**

- Business momentum and net interest margin progression from record first quarter sustained into second quarter
- Total income increases 16% from year ago and 4% from previous quarter to new high of \$3.71 billion
- Profit before allowances at new high of \$2.16 billion

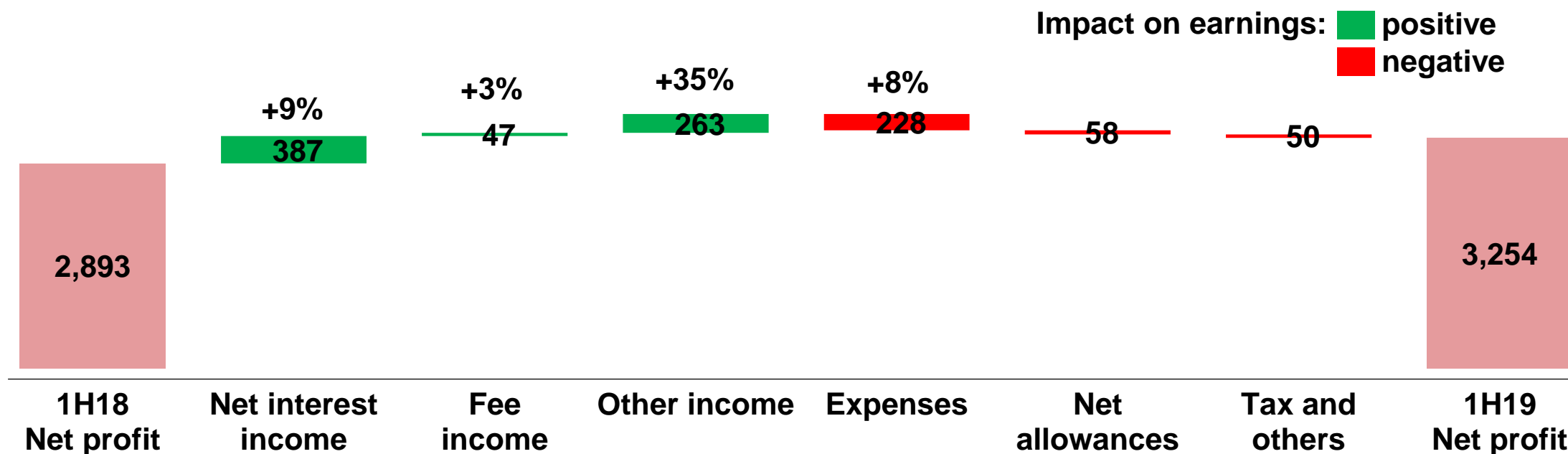
## **Balance sheet remains strong**

- NPL rate unchanged from previous quarter at 1.5% as new NPA formation remains low, SP at 22 basis points of loans for second quarter
- CET-1 at 13.6%, LCR at 137%, NSFR at 109%

# 1H net profit up 12% on year

(S\$m)		1H19	YoY %
Total income	record	7,260	11
Expenses		3,044	8
Profit before allowances	record	4,216	13
Allowances		327	22
Net profit	record	3,254	12

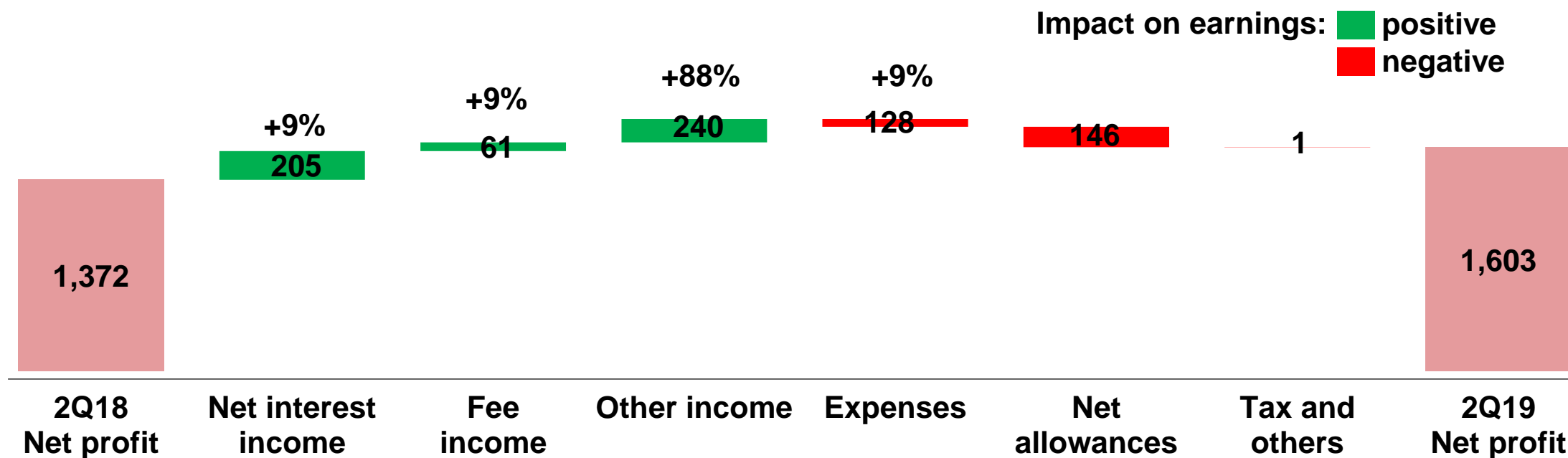
- Record total income underpinned by growth in non-trade corporate loans, higher net interest margin, record fee income and recovery in trading income
- Positive jaw results in one-percentage-point improvement in cost-income ratio to 42%
- SP at 18 basis points of loans



# 2Q net profit up 17% on year

(S\$m)		2Q19	YoY %
Total income	record	3,709	16
Expenses		1,546	9
Profit before allowances	record	2,163	21
Allowances		251	>100
Net profit		1,603	17

- Total income up 16% to quarterly high from loan growth, higher net interest margin, record fee income and recovery in trading income
- Cost-income ratio improves two percentage points to 42%
- Specific allowances double due to year-ago write-back of \$65 million from oil and gas recovery



## 2Q total income up 4% on quarter

(S\$m)		2Q19	QoQ %
Total income	record	3,709	4
Expenses		1,546	3
Profit before allowances	record	2,163	5
Allowances		251	>100
Net profit		1,603	(3)

- Sustained business momentum from loan and fee income growth, together with net interest margin progression, result in 4% increase in total income
- Profit before allowances up 5% to new high
- Net profit 3% lower due to general allowance charge of \$58m compared to write-back of \$100m in previous quarter



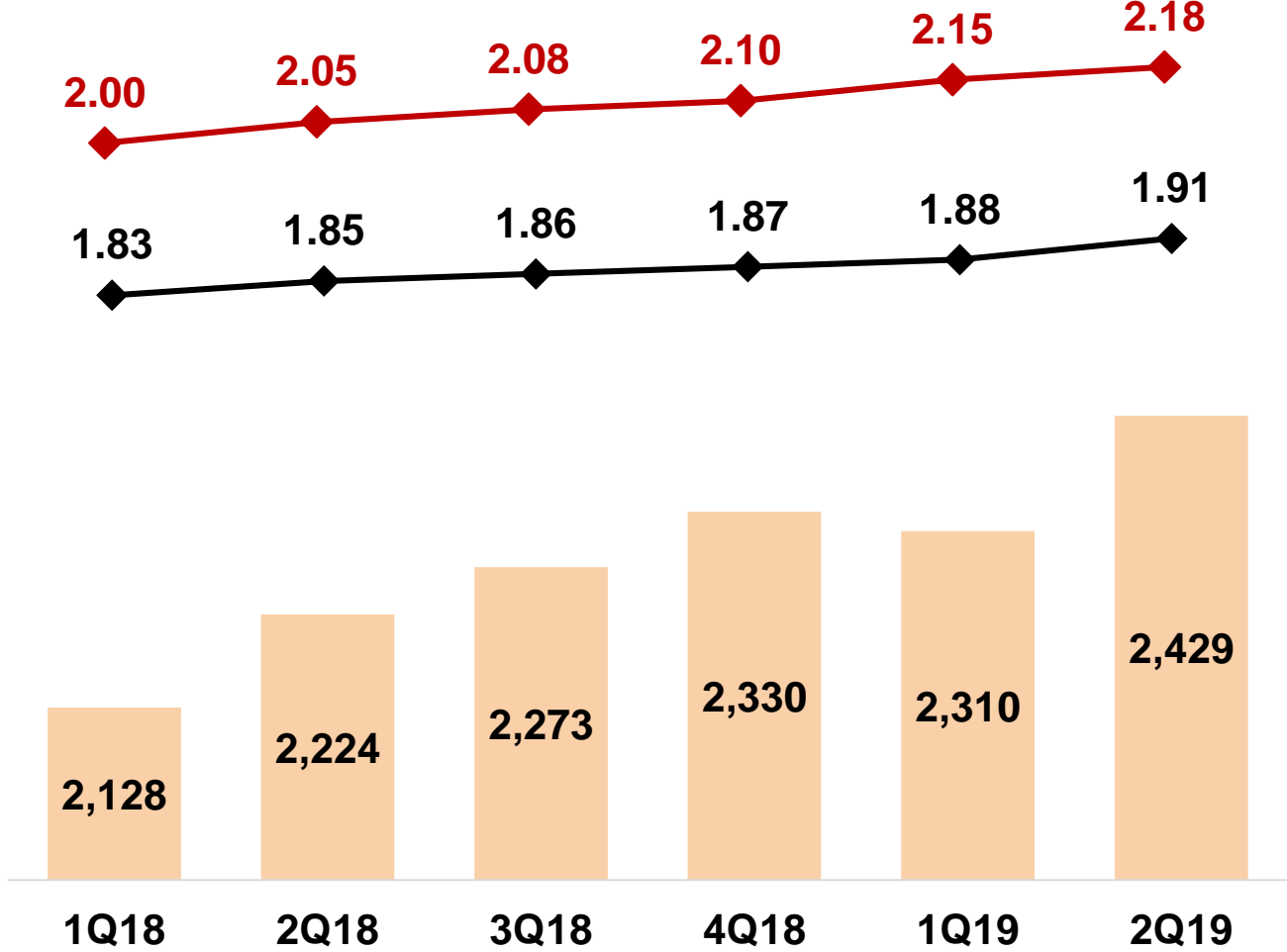
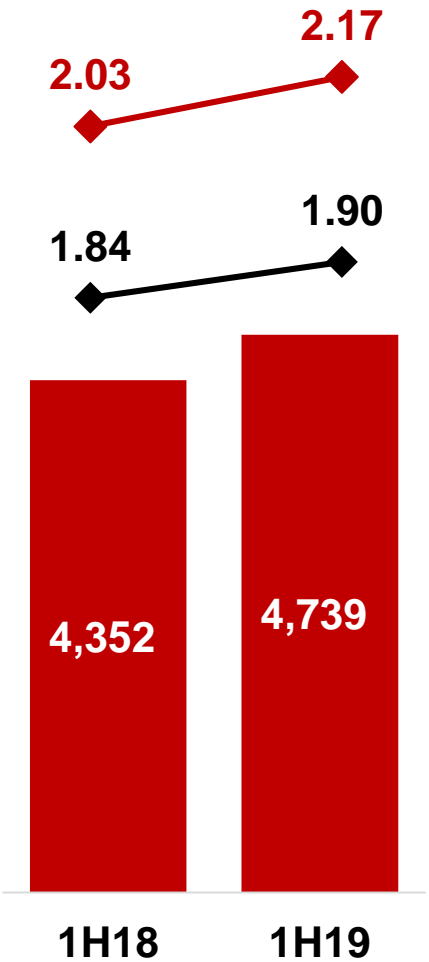
# Net interest margin rises 3bp on quarter to 1.91% from higher interest rates in Singapore and Hong Kong

Net interest margin (%)

Excluding TM

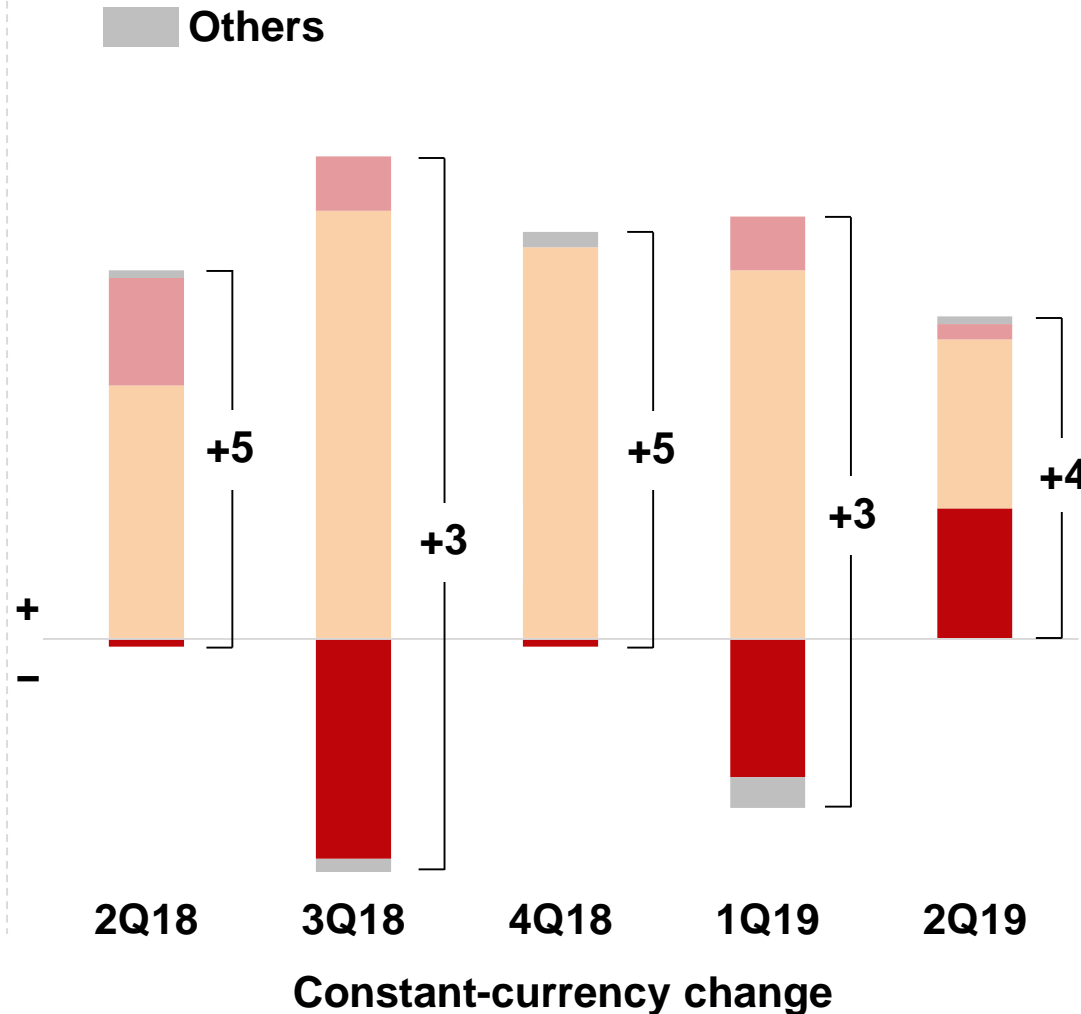
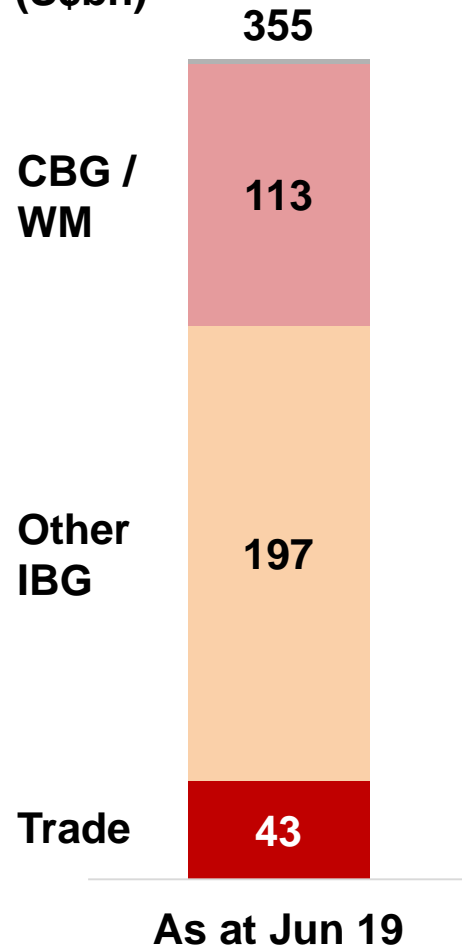
Group

Net interest income (S\$m)



# Loans grow 1% on quarter from both trade and non-trade corporate loans

(S\$bn)

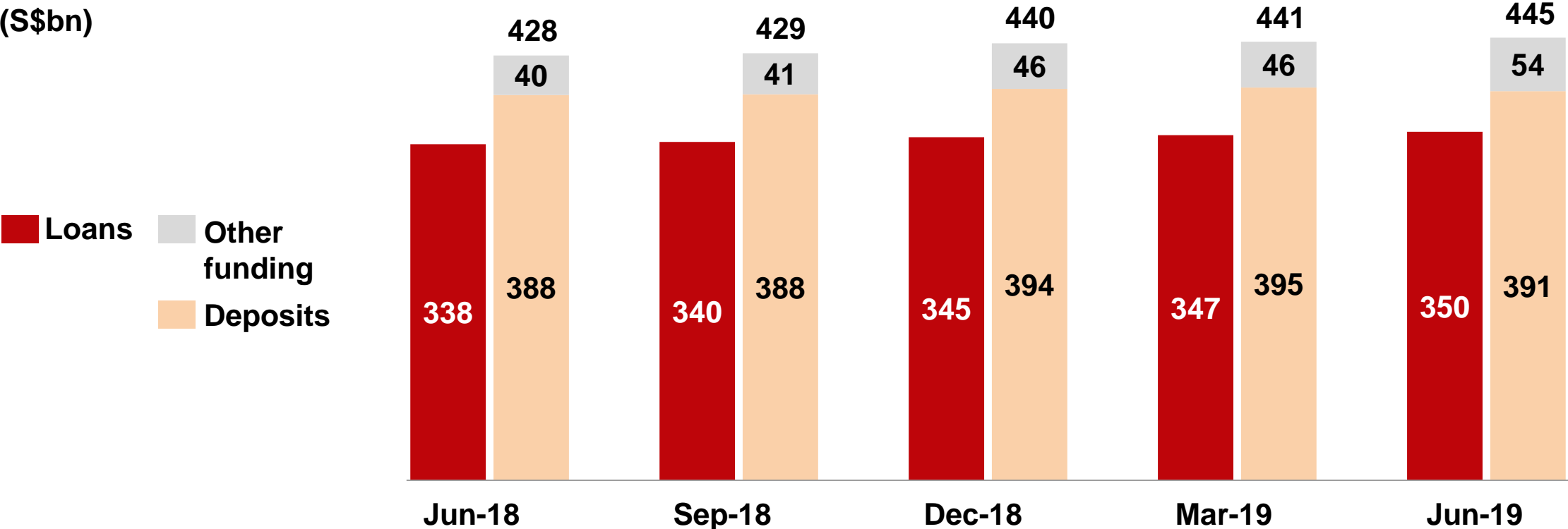


## In constant-currency terms

- Overall loans up \$4bn or 1% on quarter, mainly from trade and non-trade corporate loan growth
- Gross loans up \$15bn or 5% on year from non-trade corporate and consumer loan growth

# Ample liquidity with LCR at 137%

(S\$bn)



Ratios (%)

LDR	87	88	88	88	90
LCR	135	132	138	137	137
NSFR	110	109	109	111	109

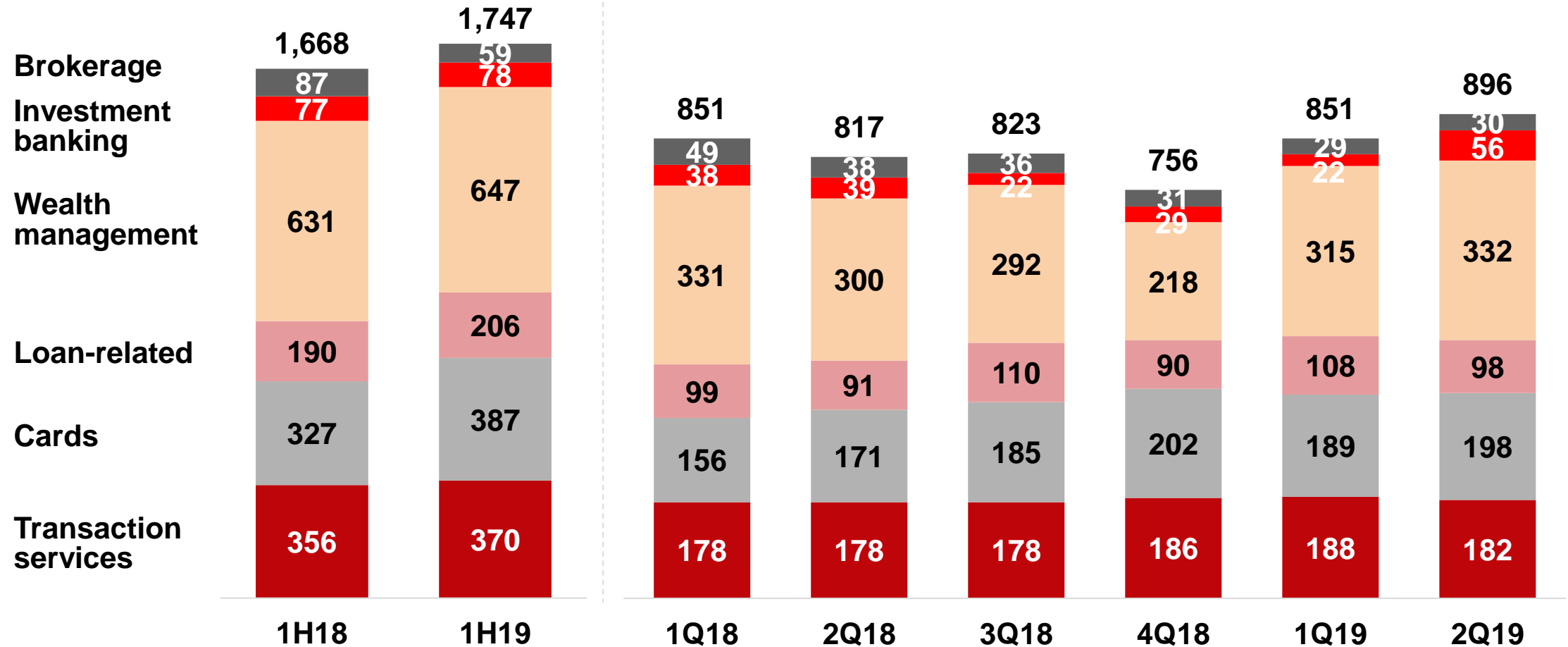


Other funding comprises senior medium term notes, commercial papers, negotiable certificates of deposit, other debt securities and covered bonds



# 2Q gross fee income up 10% on year, led by wealth management, cards and investment banking

(S\$m)



Gross fee income

# 1H CBG / WM income up 15% from broad-based growth

(S\$m)	1H19	1H18	YoY %
<b>Total income</b>	<b>3,166</b>	<b>2,758</b>	<b>15</b>
Retail	1,611	1,427	13
Wealth Management	1,555	1,331	17
Loans and deposits	1,882	1,522	24
Investment products	853	830	3
Cards	400	377	6
Others	32	29	10
<b>Expenses</b>	<b>1,607</b>	<b>1,433</b>	<b>12</b>
<b>Profit before allowances</b>	<b>1,559</b>	<b>1,325</b>	<b>18</b>
<b>AUM (S\$bn)</b>	<b>234</b>	<b>216</b>	<b>8</b>
<b>SGD savings (S\$bn)</b>	<b>115</b>	<b>117</b>	<b>(2)</b>

- First-half total income up 15% to record \$3.17 billion from broad-based growth across product lines
- Wealth Management segment income up 17% to new high of \$1.56 billion as AUM increases 8% to \$234 billion
- Market share maintained for SGD savings deposits at 52% and Singapore housing loans at 31%

# 1H IBG income growth led by cash management

(S\$m)	1H19	1H18	YoY %
<b>Total income</b>	<b>3,037</b>	<b>2,779</b>	<b>9</b>
Corporate	1,954	1,838	6
SME	1,083	941	15
Loans	1,325	1,294	2
Trade	331	360	(8)
Cash / SFS	1,008	746	35
Treasury	307	308	(0)
Investment banking	66	71	(7)
<b>Expenses</b>	<b>961</b>	<b>897</b>	<b>7</b>
<b>Profit before allowances</b>	<b>2,076</b>	<b>1,882</b>	<b>10</b>
<b>Assets (S\$bn)</b>	<b>270</b>	<b>258</b>	<b>4</b>
<b>GTS deposits (S\$bn)</b>	<b>132</b>	<b>137</b>	<b>(3)</b>

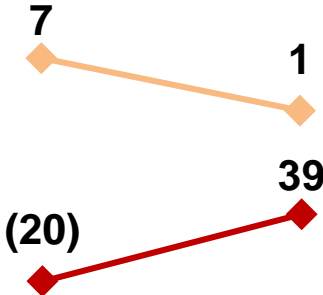
- **Total income growth of 9% led by 35% increase in cash management to record \$1 billion**
- **Assets rise 4% from loan growth, GTS deposits decline 3% from reduction in higher-cost accounts**

# 1H TM income up 39% from a weak year-ago performance

YoY (%)

Customer

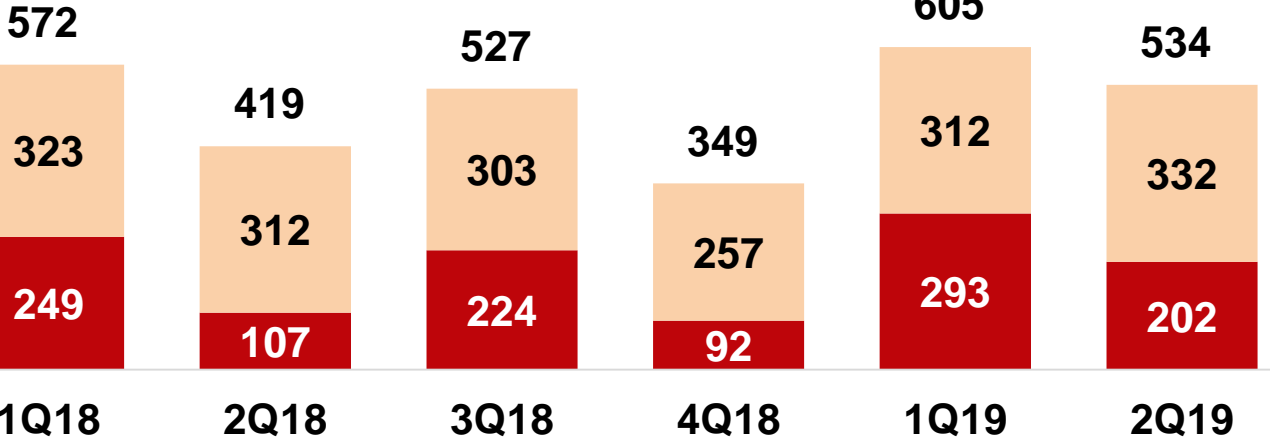
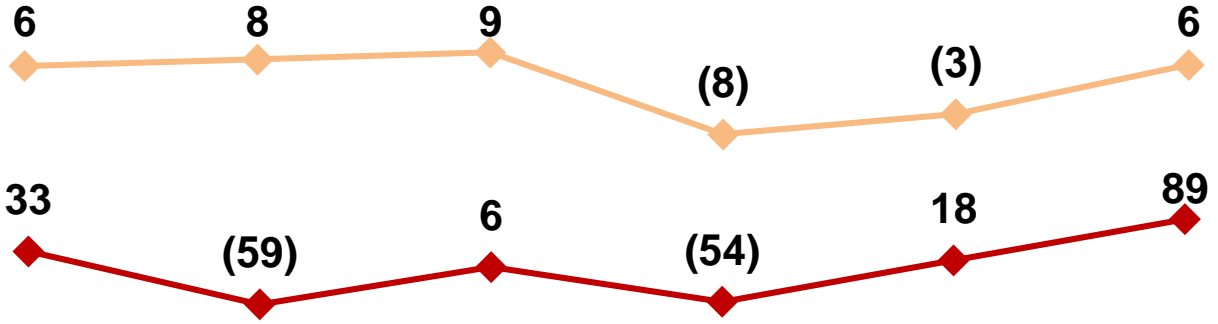
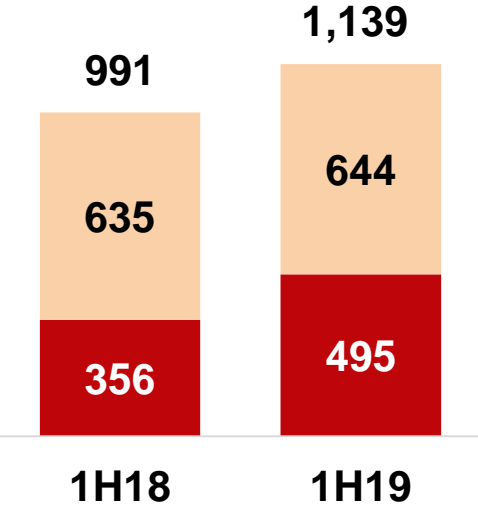
TM



(S\$m)

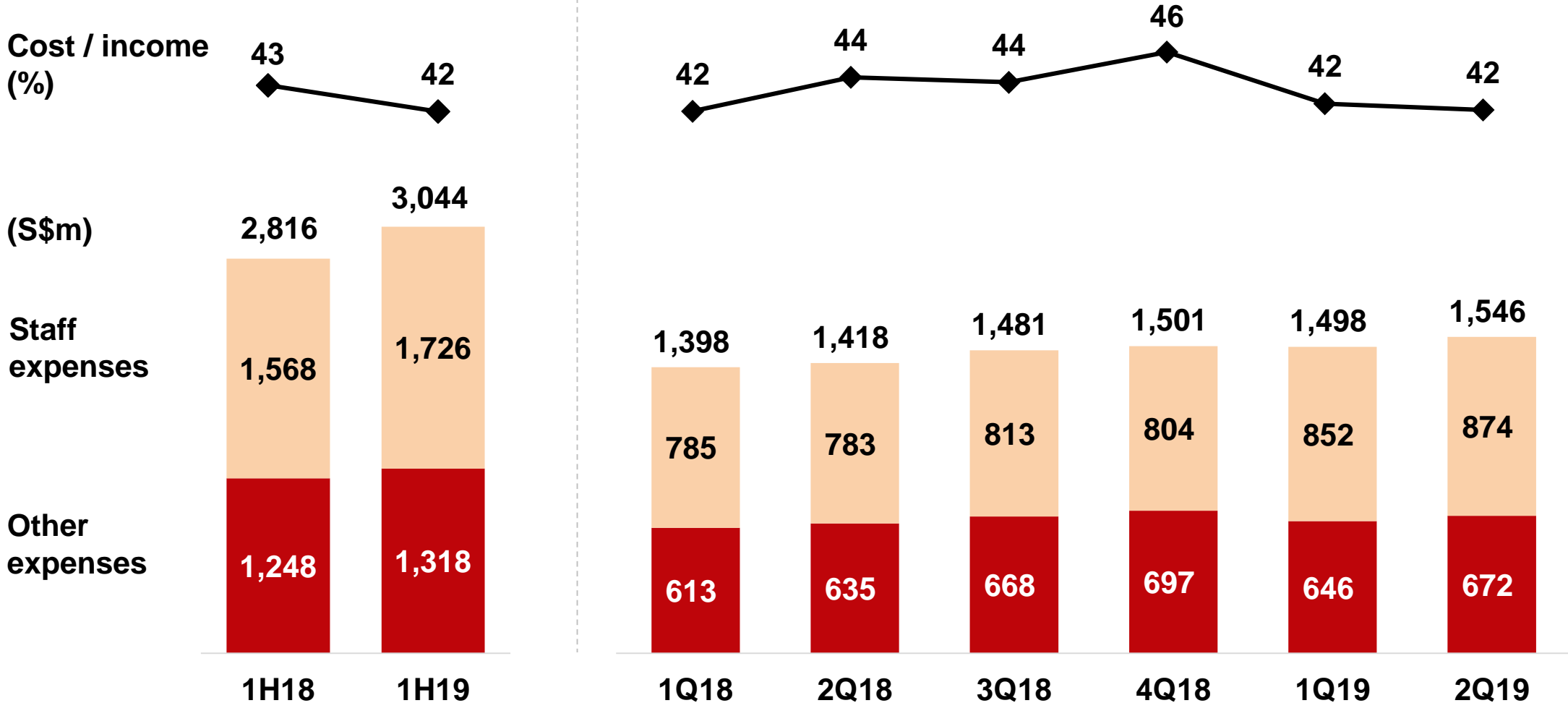
Customer

TM



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

# 1H cost-income ratio at 42%



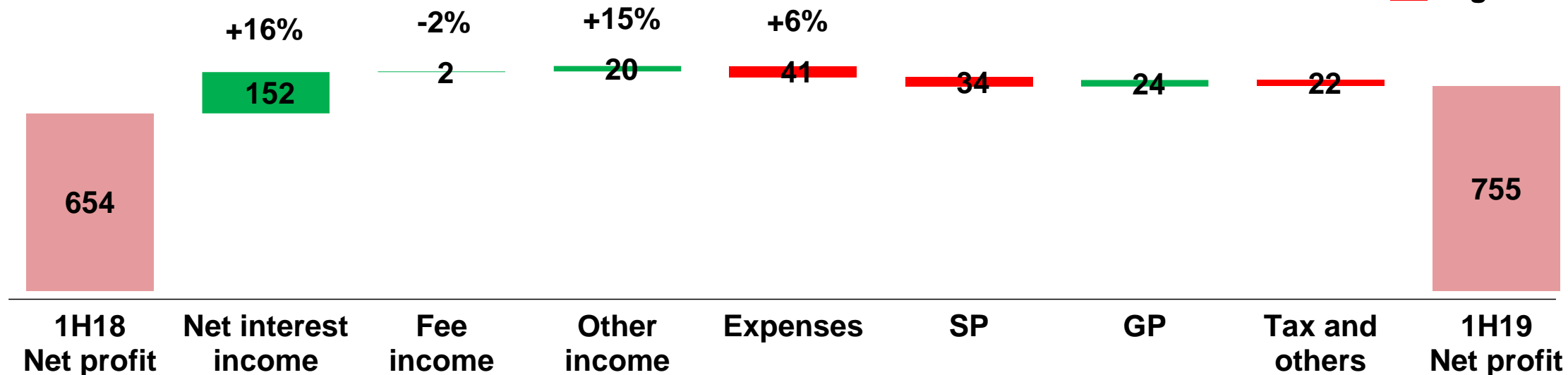
# 1H Hong Kong constant-currency earnings up 13%

<u>Excluding property gain (S\$m)</u>	<u>1H19</u>	<u>YoY%</u>	<u>Constant-currency YoY%</u>
Total income	record 1,459	14	11
Expenses	528	8	6
Profit before allowances	record 931	17	14
Allowances	23	77	68
Net profit	record 755	15	13

- Total income up 11% to new high, from loan growth, higher NIM and transaction service fee income
- Positive jaw results in 13% increase in net profit to new high of \$755m

## Constant-currency and excluding year-ago property gain YoY%

Impact on earnings: ■ positive ■ negative



## 2Q new NPAs in line with recent quarters and remain low

(S\$m)	2Q18	3Q18	4Q18	1Q19	2Q19
<b>NPAs at start of period</b>	<b>5,817</b>	<b>5,870</b>	<b>5,902</b>	<b>5,684</b>	<b>5,648</b>
<b>IBG and others</b>	(79)	69	(217)	(51)	171
New NPAs	272	233	280	109	277
Upgrades, settlements and recoveries	(207)	(104)	(318)	(139)	(82)
Write-offs	(144)	(60)	(179)	(21)	(24)
<b>CBG / WM</b>	<b>(6)</b>	<b>(17)</b>	<b>(8)</b>	<b>41</b>	<b>9</b>
<b>Translation</b>	<b>138</b>	<b>(20)</b>	<b>7</b>	<b>(26)</b>	<b>(7)</b>
<b>NPAs at end of period</b>	<b>5,870</b>	<b>5,902</b>	<b>5,684</b>	<b>5,648</b>	<b>5,821</b>
<b>NPL ratio (%)</b>	<b>1.6</b>	<b>1.6</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>

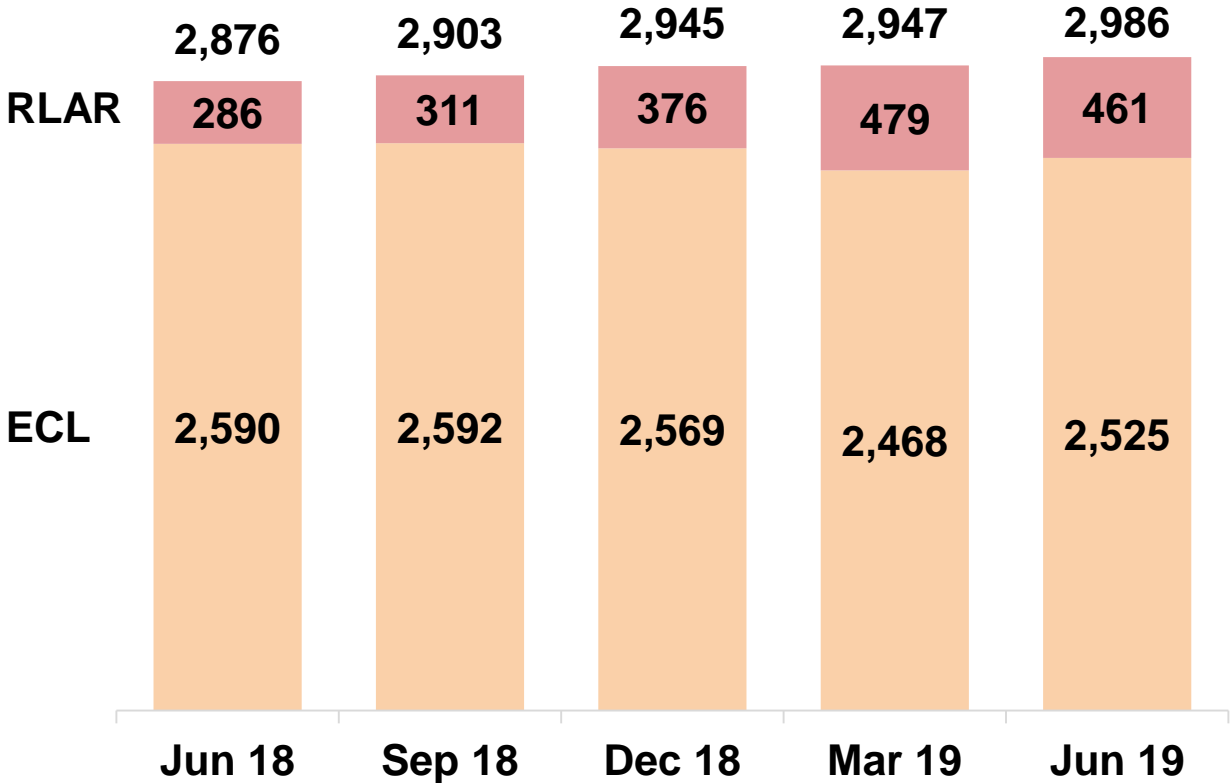
## 2Q SP for loans in line with guidance at 22 bp

(S\$m)	2Q18	3Q18	4Q18	1Q19	2Q19
<b>IBG and others</b>	<b>33</b>	<b>124</b>	<b>158</b>	<b>87</b>	<b>142</b>
<b>Add charges for</b>	<b>141</b>	<b>136</b>	<b>187</b>	<b>102</b>	<b>154</b>
New NPLs	68	82	102	22	49
Existing NPLs	73	54	85	80	105
<b>Subtract charges for</b>	<b>108</b>	<b>12</b>	<b>29</b>	<b>15</b>	<b>12</b>
Upgrades	0	0	0	0	0
Settlements	89	8	9	9	9
Recoveries	19	4	20	6	3
<b>CBG / WM</b>	<b>65</b>	<b>55</b>	<b>60</b>	<b>43</b>	<b>48</b>
<b>SP charges for loans</b>	<b>98</b>	<b>179</b>	<b>218</b>	<b>130</b>	<b>190</b>
<b>Other credit exposures</b>	<b>0</b>	<b>46</b>	<b>11</b>	<b>43</b>	<b>3</b>
<b>Total SP charges</b>	<b>98</b>	<b>225</b>	<b>229</b>	<b>173</b>	<b>193</b>
<b>SP / loans (bp)</b>	<b>12</b>	<b>21</b>	<b>25</b>	<b>15</b>	<b>22</b>



# Moderate rise in GP (ECL Stage 1 and 2)

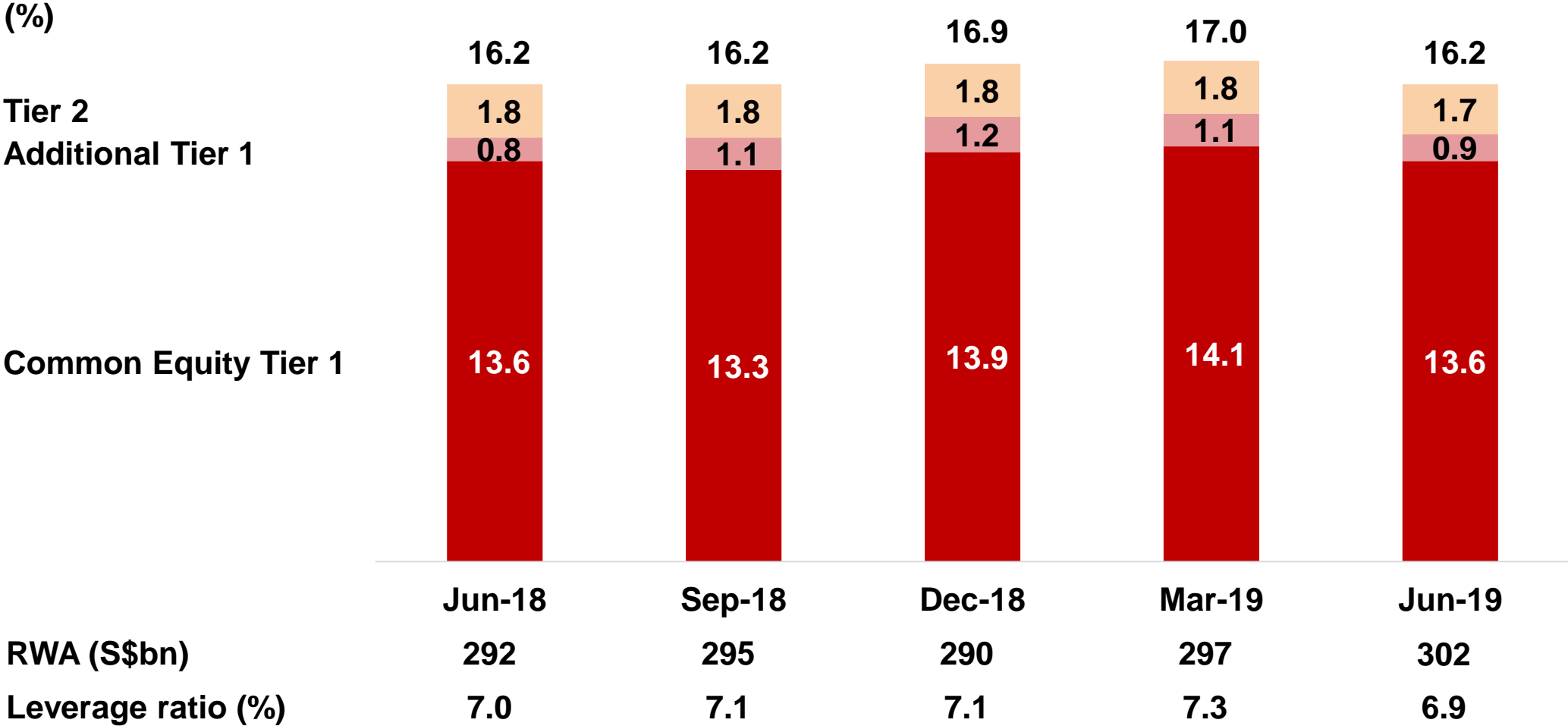
(S\$m)



ECL movement during 2Q

Net increase of \$57m reflects heightened economic uncertainty and geopolitical tensions

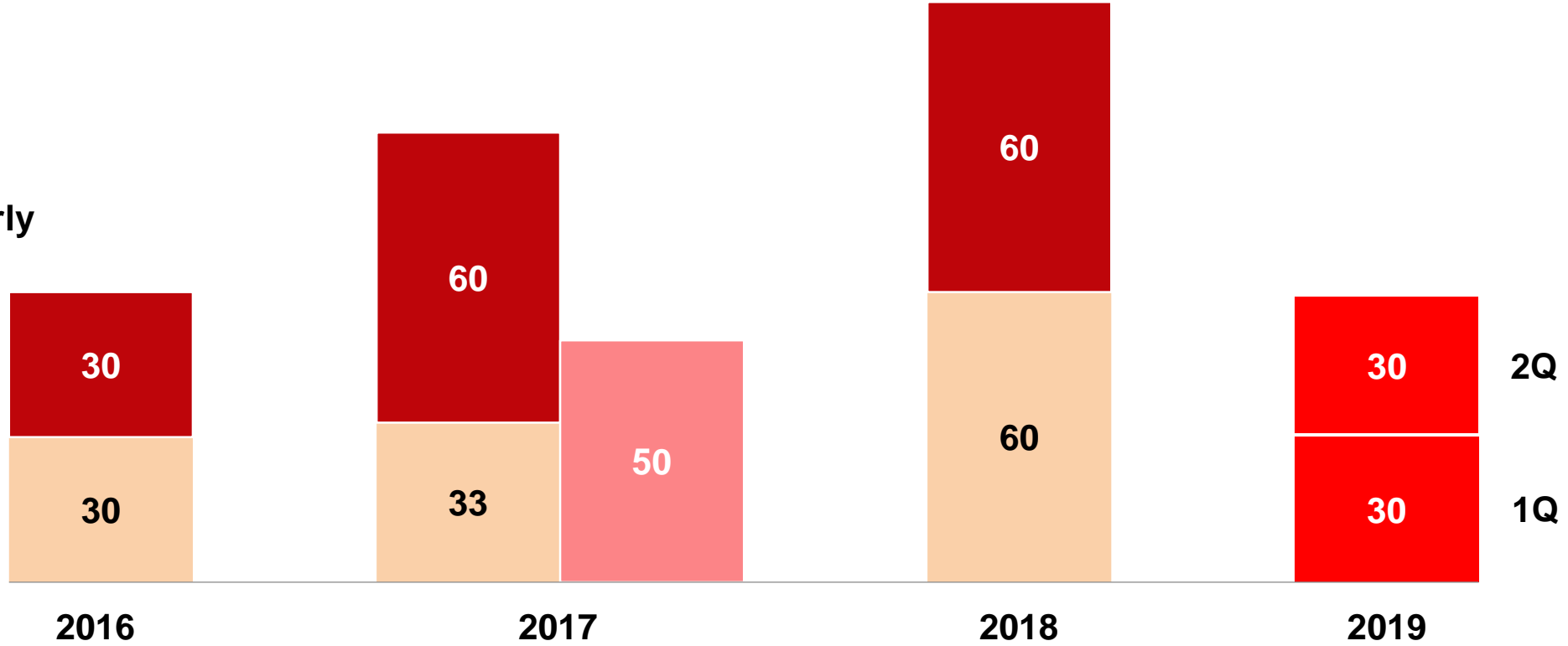
# Strong CET-1 and leverage ratios



# 2Q dividend at 30 cents per share

(S¢ per share)

- Final
- Interim
- Special
- Quarterly



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

**Record first-half performance despite macroeconomic uncertainty and geopolitical tensions**

**First-half ROE at 13.7%, demonstrating improved structural profitability of franchise**

**Results reflects broad-based franchise well placed to navigate market volatility and capture market opportunities**



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# Supplementary slides

**DBS Group Holdings  
2Q 2019 financial results  
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# 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 (ECL Stage 1 and 2)

SP (ECL Stage 3)

## Allowances

## Net profit

One-time items

## Net profit incl. one-time items

	1H19	1H18	YoY %	2H18	HoH %
<b>Net interest income</b>	<b>4,739</b>	<b>4,352</b>	<b>9</b>	<b>4,603</b>	<b>3</b>
Fee income	1,497	1,450	3	1,330	13
Trading income	800	595	34	583	37
Other income	224	166	35	104	>100
<b>Non-interest income</b>	<b>2,521</b>	<b>2,211</b>	<b>14</b>	<b>2,017</b>	<b>25</b>
<b>Total income</b>	<b>7,260</b>	<b>6,563</b>	<b>11</b>	<b>6,620</b>	<b>10</b>
Staff expenses	1,726	1,568	10	1,617	7
Other expenses	1,318	1,248	6	1,365	(3)
<b>Expenses</b>	<b>3,044</b>	<b>2,816</b>	<b>8</b>	<b>2,982</b>	<b>2</b>
<b>Profit before allowances</b>	<b>4,216</b>	<b>3,747</b>	<b>13</b>	<b>3,638</b>	<b>16</b>
GP (ECL Stage 1 and 2)	(42)	14	NM	(15)	<100
SP (ECL Stage 3)	369	255	45	456	(19)
<b>Allowances</b>	<b>327</b>	<b>269</b>	<b>22</b>	<b>441</b>	<b>(26)</b>
<b>Net profit</b>	<b>3,254</b>	<b>2,893</b>	<b>12</b>	<b>2,732</b>	<b>19</b>
One-time items	0	(48)	NM	0	NM
<b>Net profit incl. one-time items</b>	<b>3,254</b>	<b>2,845</b>	<b>14</b>	<b>2,732</b>	<b>19</b>

# 2Q earnings up 17% 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 (ECL Stage 1 and 2)

SP (ECL Stage 3)

## Allowances

## Net profit

One-time items

## Net profit incl. one-time items

	2Q19	2Q18	YoY %	1Q19	QoQ %
<b>Net interest income</b>	<b>2,429</b>	<b>2,224</b>	<b>9</b>	<b>2,310</b>	<b>5</b>
Fee income	767	706	9	730	5
Trading income	357	227	57	443	(19)
Other income	156	46	>100	68	>100
<b>Non-interest income</b>	<b>1,280</b>	<b>979</b>	<b>31</b>	<b>1,241</b>	<b>3</b>
<b>Total income</b>	<b>3,709</b>	<b>3,203</b>	<b>16</b>	<b>3,551</b>	<b>4</b>
Staff expenses	874	783	12	852	3
Other expenses	672	635	6	646	4
<b>Expenses</b>	<b>1,546</b>	<b>1,418</b>	<b>9</b>	<b>1,498</b>	<b>3</b>
<b>Profit before allowances</b>	<b>2,163</b>	<b>1,785</b>	<b>21</b>	<b>2,053</b>	<b>5</b>
GP (ECL Stage 1 and 2)	58	7	>100	(100)	NM
SP (ECL Stage 3)	193	98	97	176	10
<b>Allowances</b>	<b>251</b>	<b>105</b>	<b>&gt;100</b>	<b>76</b>	<b>&gt;100</b>
<b>Net profit</b>	<b>1,603</b>	<b>1,372</b>	<b>17</b>	<b>1,651</b>	<b>(3)</b>
One-time items	0	(38)	NM	0	0
<b>Net profit incl. one-time items</b>	<b>1,603</b>	<b>1,334</b>	<b>20</b>	<b>1,651</b>	<b>(3)</b>

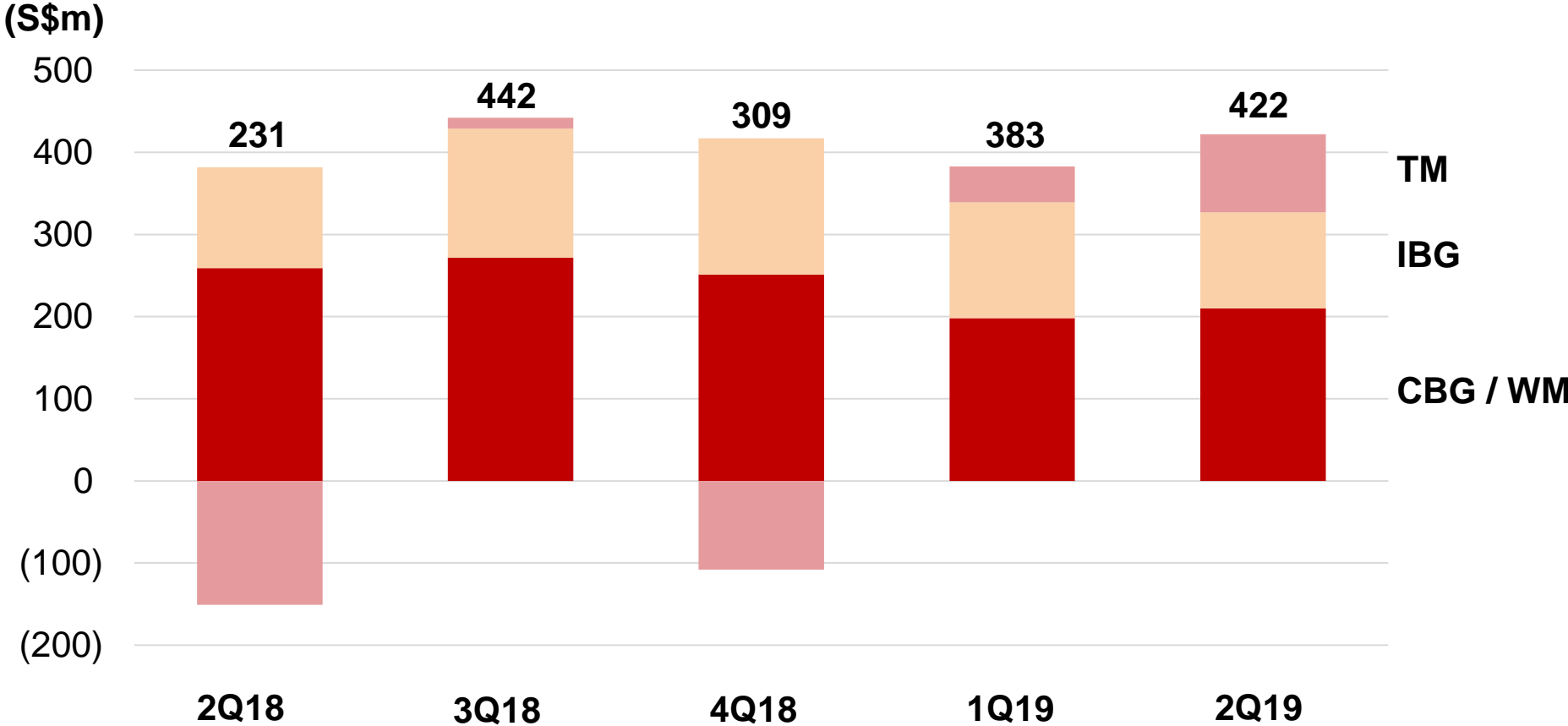
# 1H ROE higher at 13.7%

(%)	2Q19	2Q18	1Q19	1H19	1H18
Net interest margin	1.91	1.85	1.88	1.90	1.84
Fee income / total income	21	22	21	21	22
Non-interest income / total income	35	31	35	35	34
Cost / income	42	44	42	42	43
ROE	13.4	11.8	14.0	13.7	12.5
Loan / deposit	90	87	88	90	87
SP / loans (bp)	22	12	15	18	16
NPL ratio	1.5	1.6	1.5	1.5	1.6



# Income momentum of the three business units sustained

Change over year-ago period



# 2Q Hong Kong constant-currency earnings up 25% on year

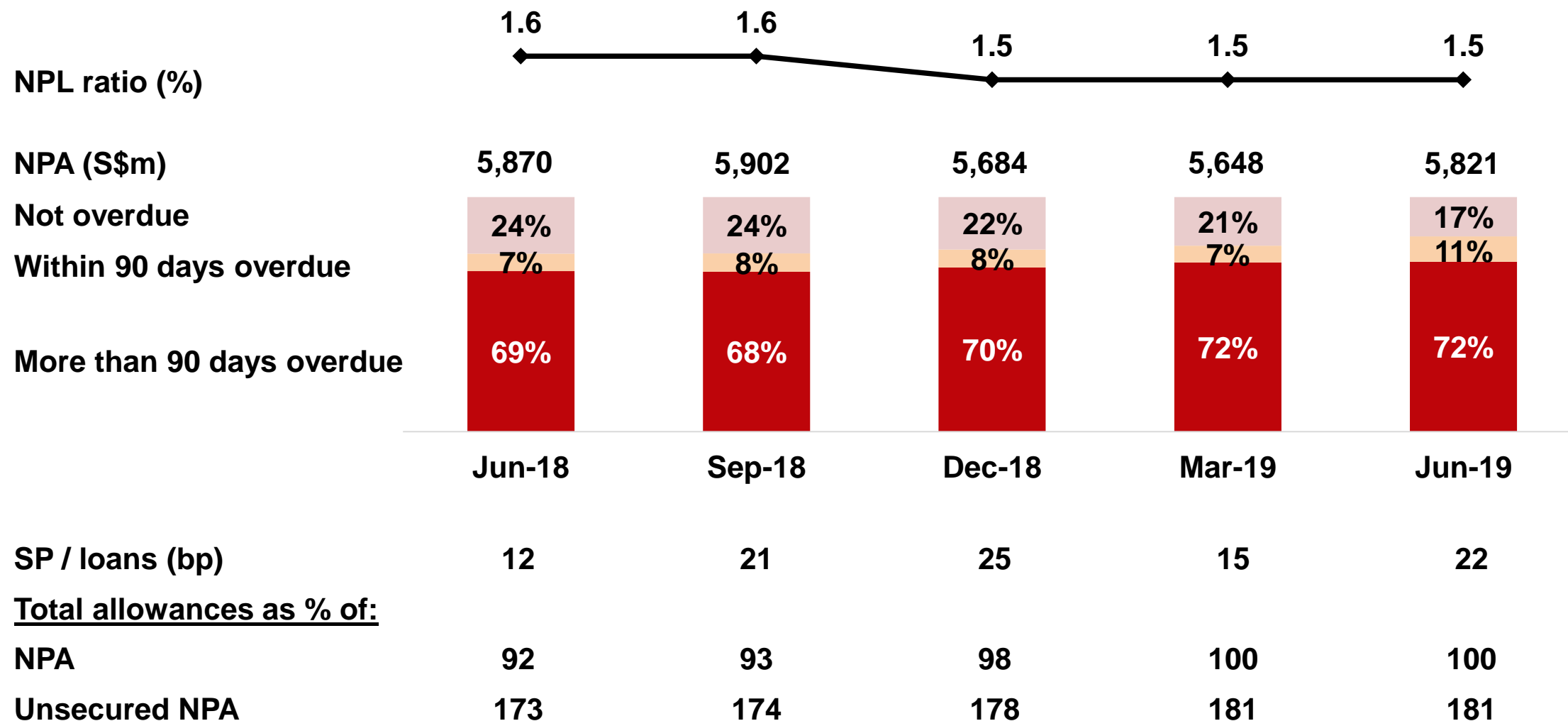
Constant-currency terms

(S\$m)	2Q19	2Q18	YoY %	YoY %	1Q19	QoQ %	QoQ %
<b>Net interest income</b>	<b>518</b>	<b>440</b>	<b>18</b>	<b>16</b>	<b>476</b>	<b>9</b>	<b>8</b>
Net fee and commission income	166	155	7	5	157	6	4
Other non-interest income	68	55	24	25	74	(8)	(9)
<b>Non-interest income</b>	<b>234</b>	<b>210</b>	<b>11</b>	<b>10</b>	<b>231</b>	<b>1</b>	<b>0</b>
<b>Total income</b>	<b>752</b>	<b>650</b>	<b>16</b>	<b>14</b>	<b>707</b>	<b>6</b>	<b>5</b>
<b>Expenses</b>	<b>276</b>	<b>255</b>	<b>8</b>	<b>7</b>	<b>252</b>	<b>10</b>	<b>8</b>
<b>Profit before allowances</b>	<b>476</b>	<b>395</b>	<b>21</b>	<b>19</b>	<b>455</b>	<b>5</b>	<b>3</b>
GP	3	18	(83)	(81)	(24)	NM	NM
SP	14	13	8	(1)	30	(53)	(54)
<b>Allowances</b>	<b>17</b>	<b>31</b>	<b>(45)</b>	<b>(47)</b>	<b>6</b>	<b>&gt;100</b>	<b>&gt;100</b>
<b>Net profit</b>	<b>385</b>	<b>304</b>	<b>27</b>	<b>25</b>	<b>370</b>	<b>4</b>	<b>3</b>
<b>Net interest margin (%)</b>	<b>2.14</b>	<b>1.98</b>			<b>2.05</b>		
<b>Loan growth (%)</b>				<b>6</b>			<b>2</b>
Non-trade growth (%)				8			2
Trade growth (%)				(3)			3
<b>Deposit growth (%)</b>				<b>5</b>			<b>2</b>

# Regional operating performance stable on year

(S\$m)	1H19	1H18	YoY %	2H18	HoH %
Net interest income	706	732	(4)	729	(3)
Non-interest income	495	399	24	408	21
Total income	1,201	1,131	6	1,137	6
Expenses	732	664	10	723	1
Profit before allowances	469	467	0	414	13
Allowances	115	94	22	136	(15)
Net profit	263	291	(10)	209	26

# NPL ratio stable, allowance coverage at 100%



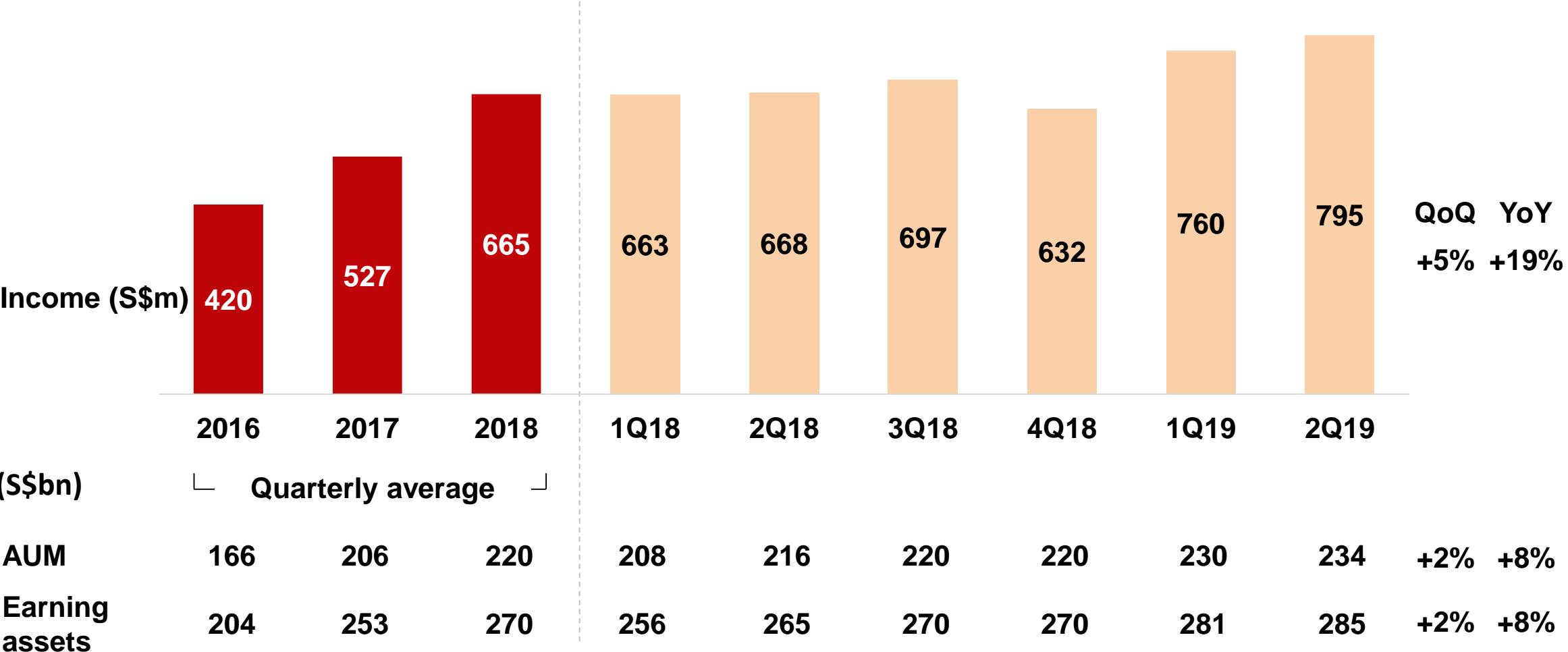
# FVOCI duration remains short

(\$m)	Jun 19	Mar 19
<b>Government securities</b>	<b>19,355</b>	<b>21,901</b>
Less than 3 years	16,001	18,291
3 to 5 years	1,459	1,816
5 to 10 years	1,825	1,724
More than 10 years	70	70
<b>Supranational, bank and corporate bonds</b>	<b>9,926</b>	<b>9,308</b>
<b>Equities</b>	<b>2,282</b>	<b>1,755</b>
<b>Total</b>	<b>31,563</b>	<b>32,964</b>
<b>FVOCI reserves</b>	<b>(13)</b>	<b>(92)</b>

# Deposits down 1% on quarter and up 2% on year in constant-currency terms

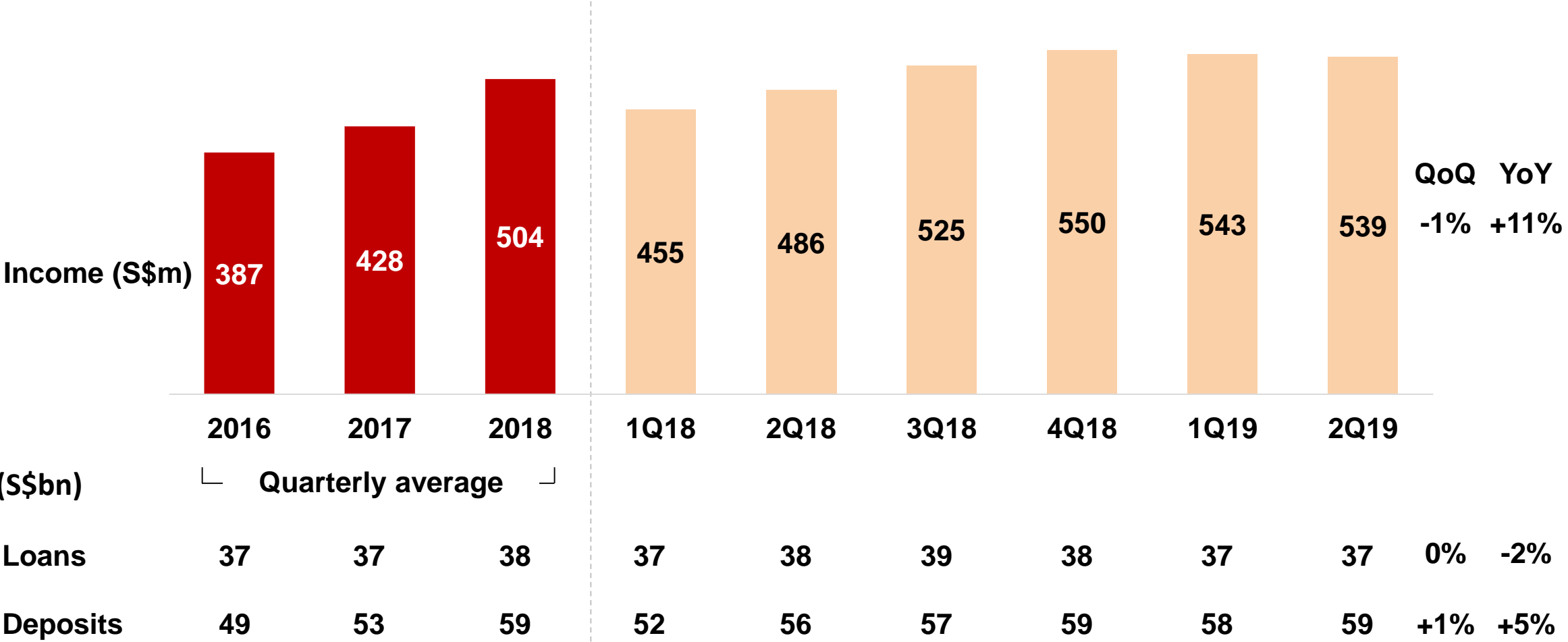
	(S\$bn)	QoQ (%)		YoY (%)	
	Jun 19	Reported	Underlying	Reported	Underlying
<b>Deposits</b>	<b>391</b>	<b>(1)</b>	<b>(1)</b>	<b>1</b>	<b>2</b>
<b>By product</b>					
Casa	230	(0)	(0)	(1)	(1)
Fixed deposits	158	(2)	(1)	4	5
Other	4	(17)	(17)	10	12
<b>By currency</b>					
Singapore dollar	160	0	0	3	3
US dollar	136	(3)	(2)	1	1
HK dollar	35	(5)	(6)	(9)	(9)
Chinese yuan	12	2	4	(3)	2
Others	49	2	3	5	8
<b>LDR (%)</b>	<b>Jun 19</b>	<b>Mar 19</b>		<b>Jun 18</b>	
<b>Overall</b>	<b>90</b>	<b>88</b>		<b>87</b>	
Singapore dollar	90	90		89	
US dollar	79	79		80	

# Wealth Management segment



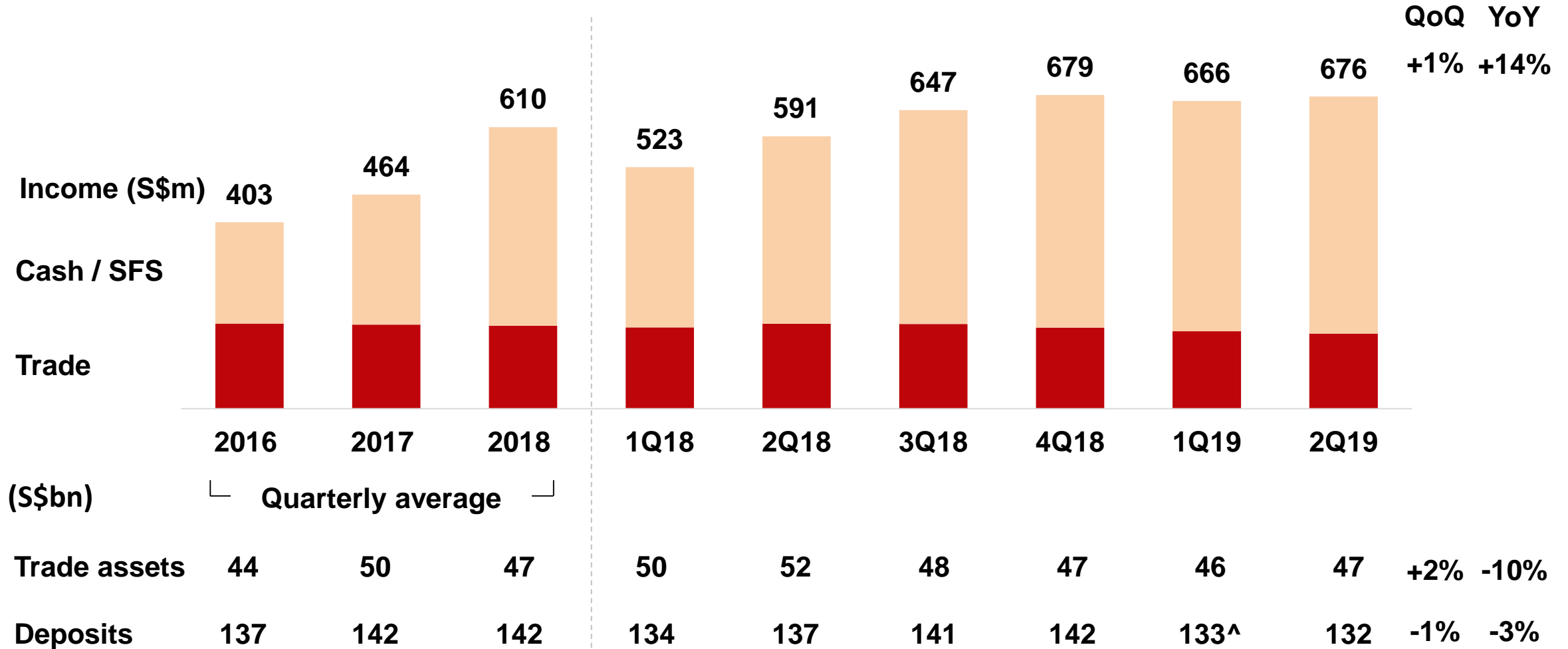
Comprising Treasures, Treasures Private Client and Private Bank

# SME segment





# Global transaction services



<sup>^</sup> Decline on quarter due to seasonal factors as well reduction in higher-cost deposits



Live more,  
Bank less

# **Record first-half earnings**

**DBS Group Holdings  
2Q 2019 financial results  
July 29, 2019**