

Record first-half earnings on sustained franchise strength

DBS Group Holdings
2Q 2015 financial results
July 27, 2015

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Highlights

Record 1H earnings of \$2.39 billion; 2Q earnings on par with record 1Q

- 1H total income rises 14% to cross \$5 billion for first time, propelled by 16% rise in 2Q
- Net interest income and fee income at half-year and quarterly highs
- 2Q NIM up 6bp on quarter to 1.75%, highest in 13 quarters
- 1H ROE of 11.9%

Strong liquidity and asset quality maintained

- LCR of 131%, NSFR above 100%
- NPL of 0.9%, allowance coverage at 160%

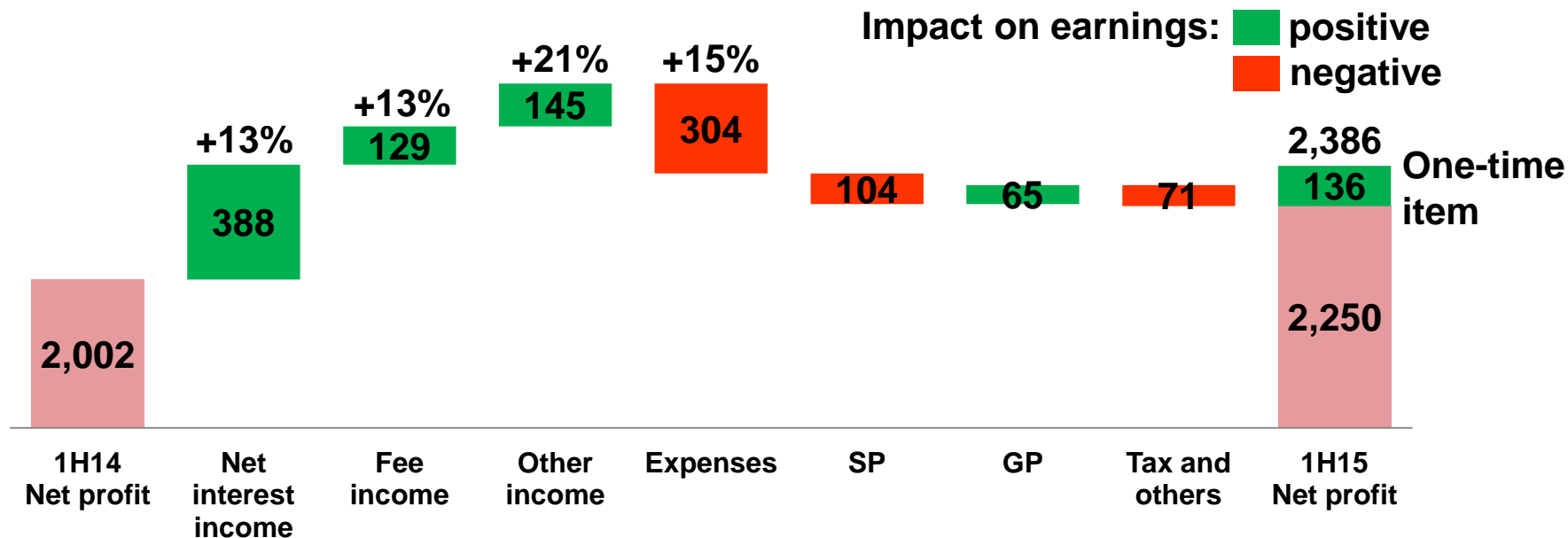
1H dividend increased to 30 cents per share

- Higher payout commensurate with strengthened earnings
- In line with policy of progressive and sustainable dividends

1H earnings rise to record \$2.39bn

(S\$m)		1H15	YoY %
Total income	record	5,426	14
Expenses		2,399	15
Profit before allowances	record	3,027	13
Allowances		318	14
Net profit	record	2,250	12
Net profit incl. one-time item		2,386	8

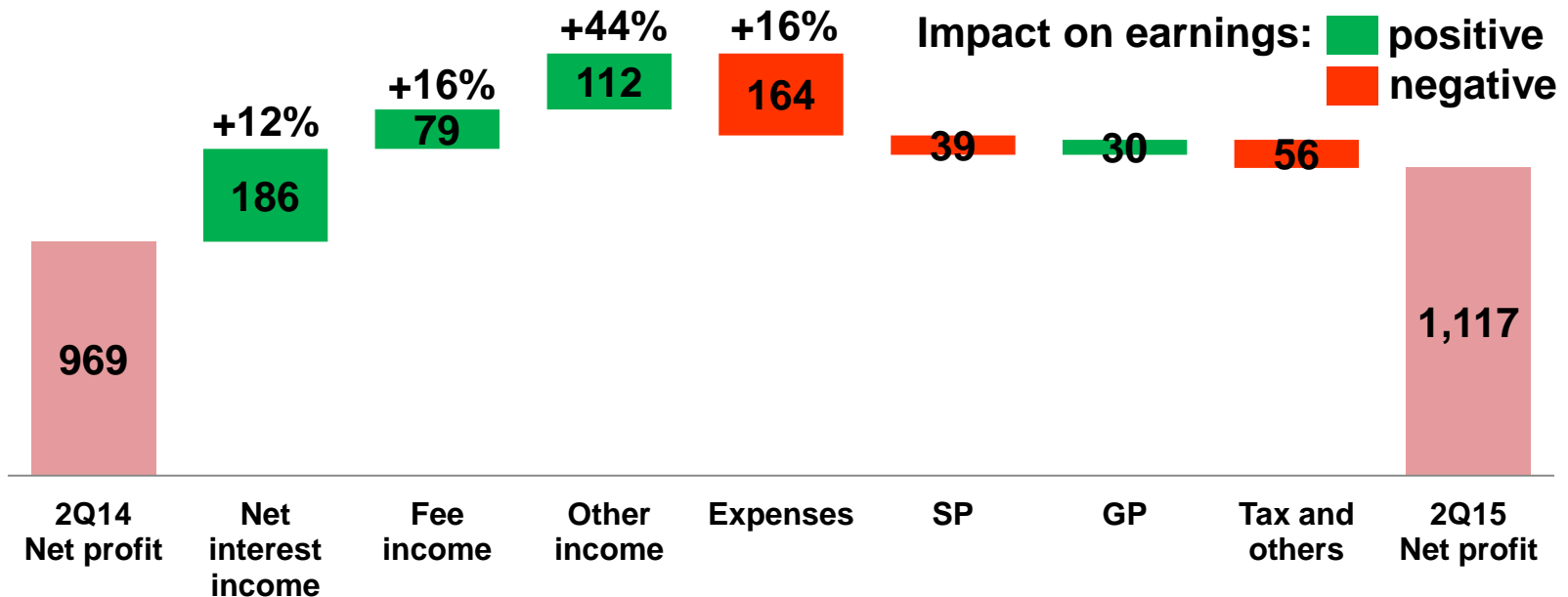
- Total income up 14% from improved net interest margin, broad-based fee income growth and stronger treasury contributions



2Q earnings up 15% from a year ago

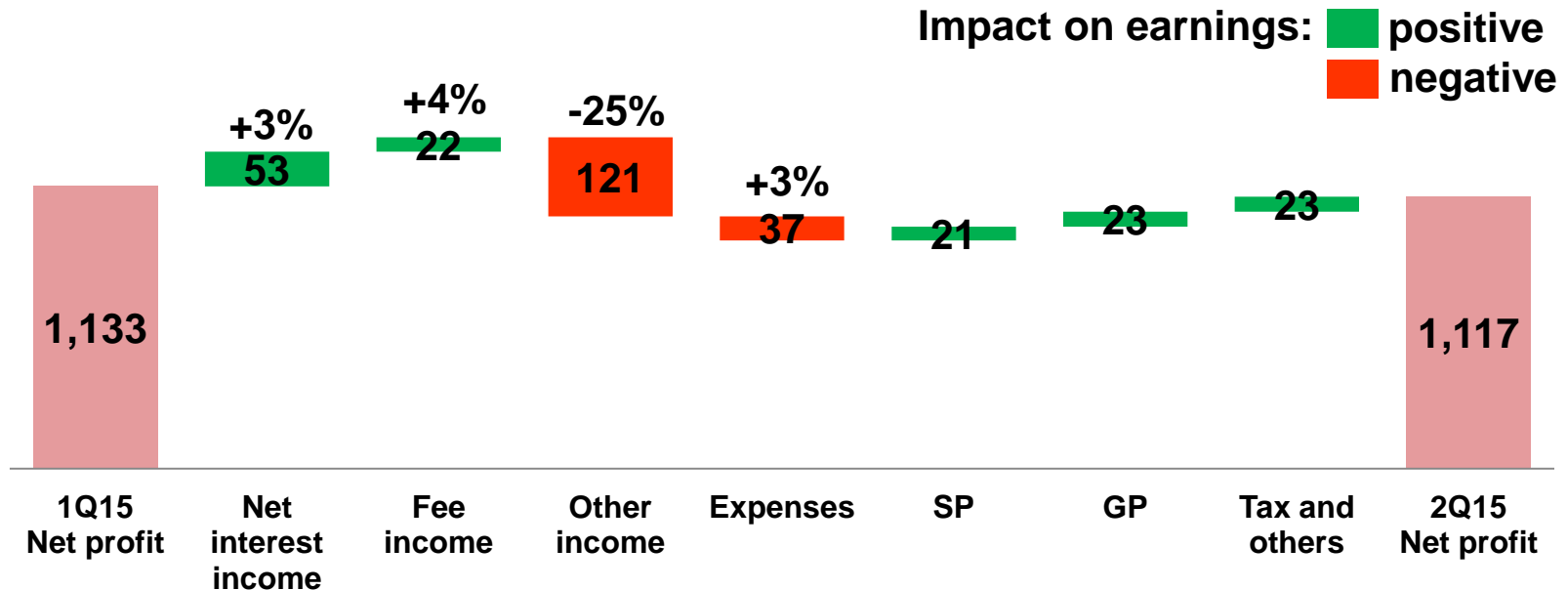
(S\$m)	<u>2Q15</u>	<u>YoY %</u>
Total income	2,690	16
Expenses	1,218	16
Profit before allowances	1,472	17
Allowances	137	7
Net profit	1,117	15

■ Strong broad-based income growth of 16%



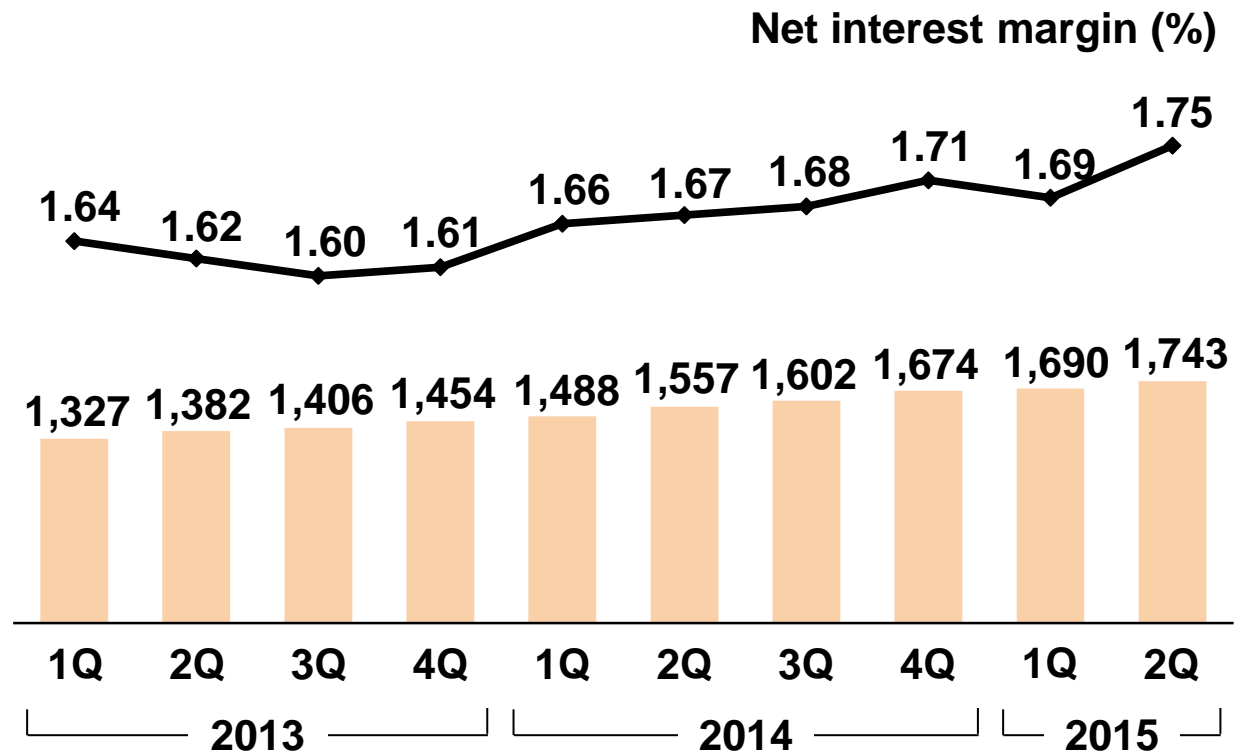
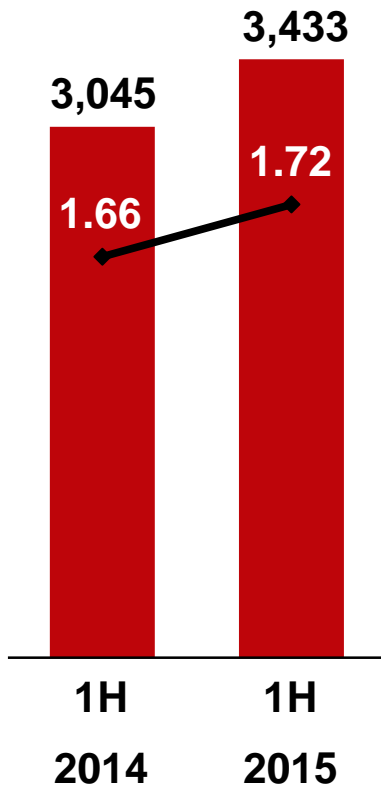
2Q earnings stable from previous quarter's record

(S\$m)	<u>2Q15</u>	<u>QoQ %</u>	
Total income	2,690	(2)	<ul style="list-style-type: none"> Record net interest income and fee income offset by lower trading income from 1Q's high base
Expenses	1,218	3	
Profit before allowances	1,472	(5)	<ul style="list-style-type: none"> Lower specific and general allowances
Allowances	137	(24)	
Net profit	1,117	(1)	

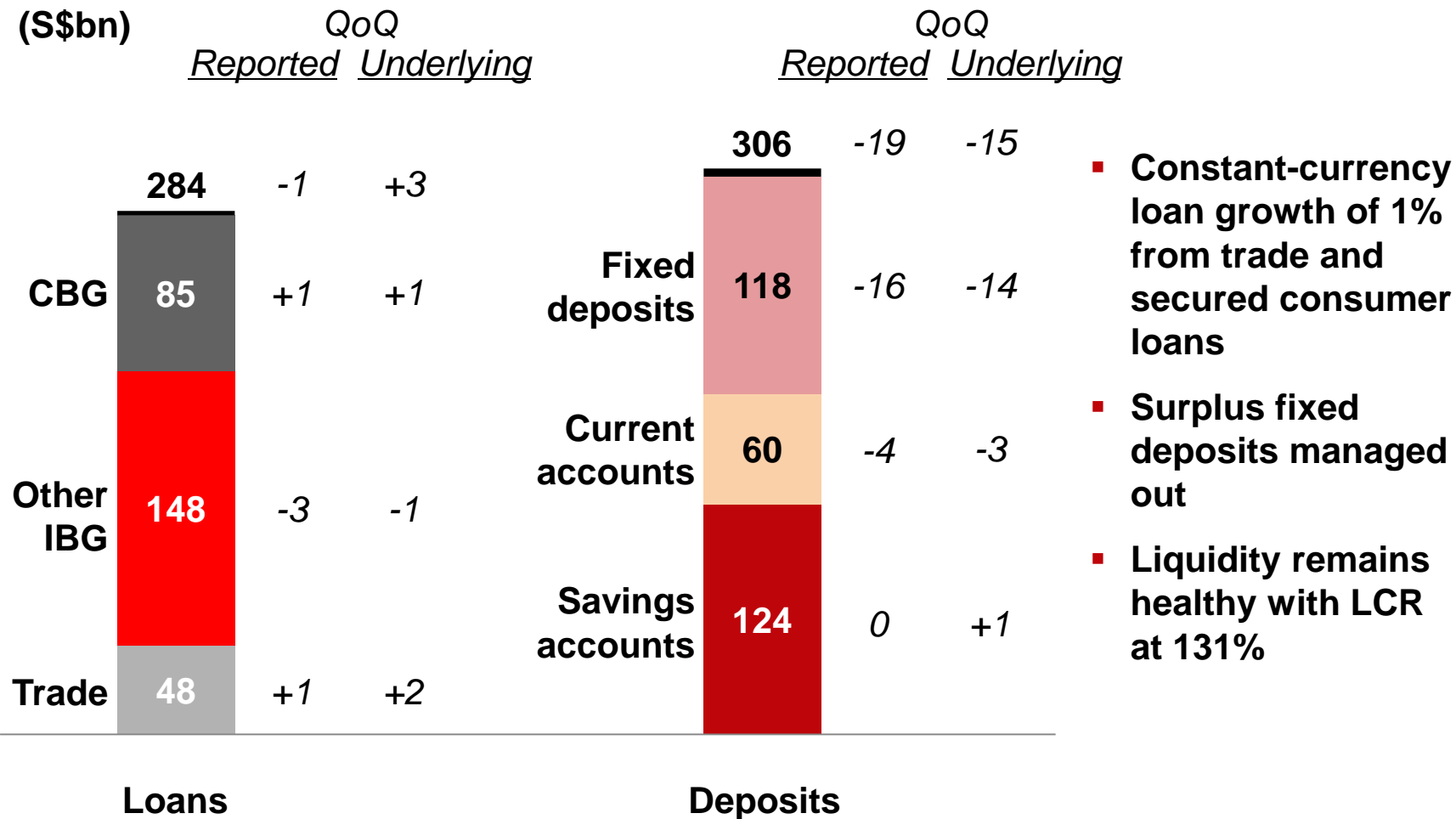


NIM rises 6bp on quarter to 1.75%, highest in 13 quarters, boosting net interest income to record

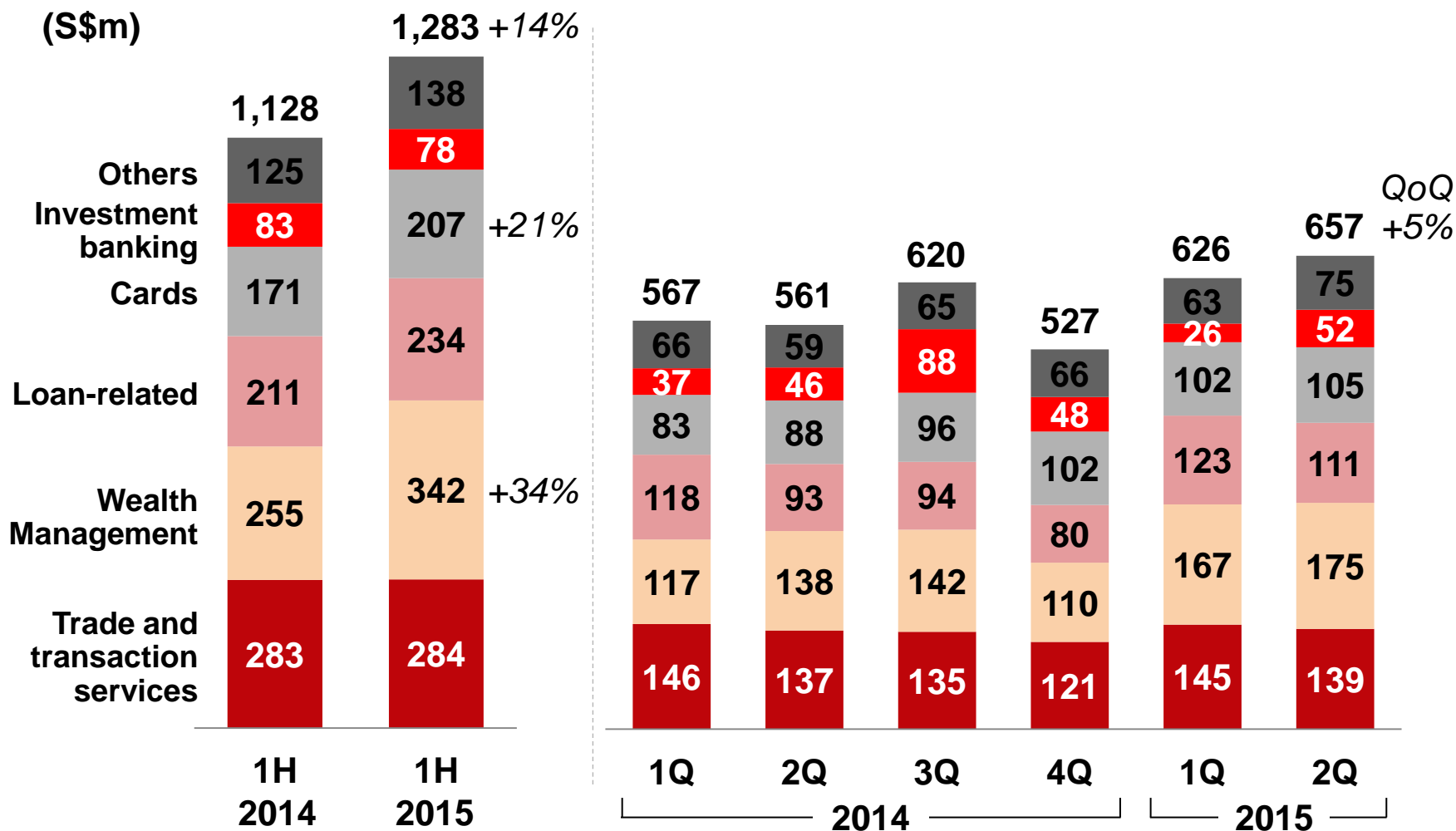
(S\$m)



Underlying loans up 1% or \$3bn on quarter; ample liquidity with LCR at 131%



Fee income at new highs as most activities achieve double-digit percentage growth on year

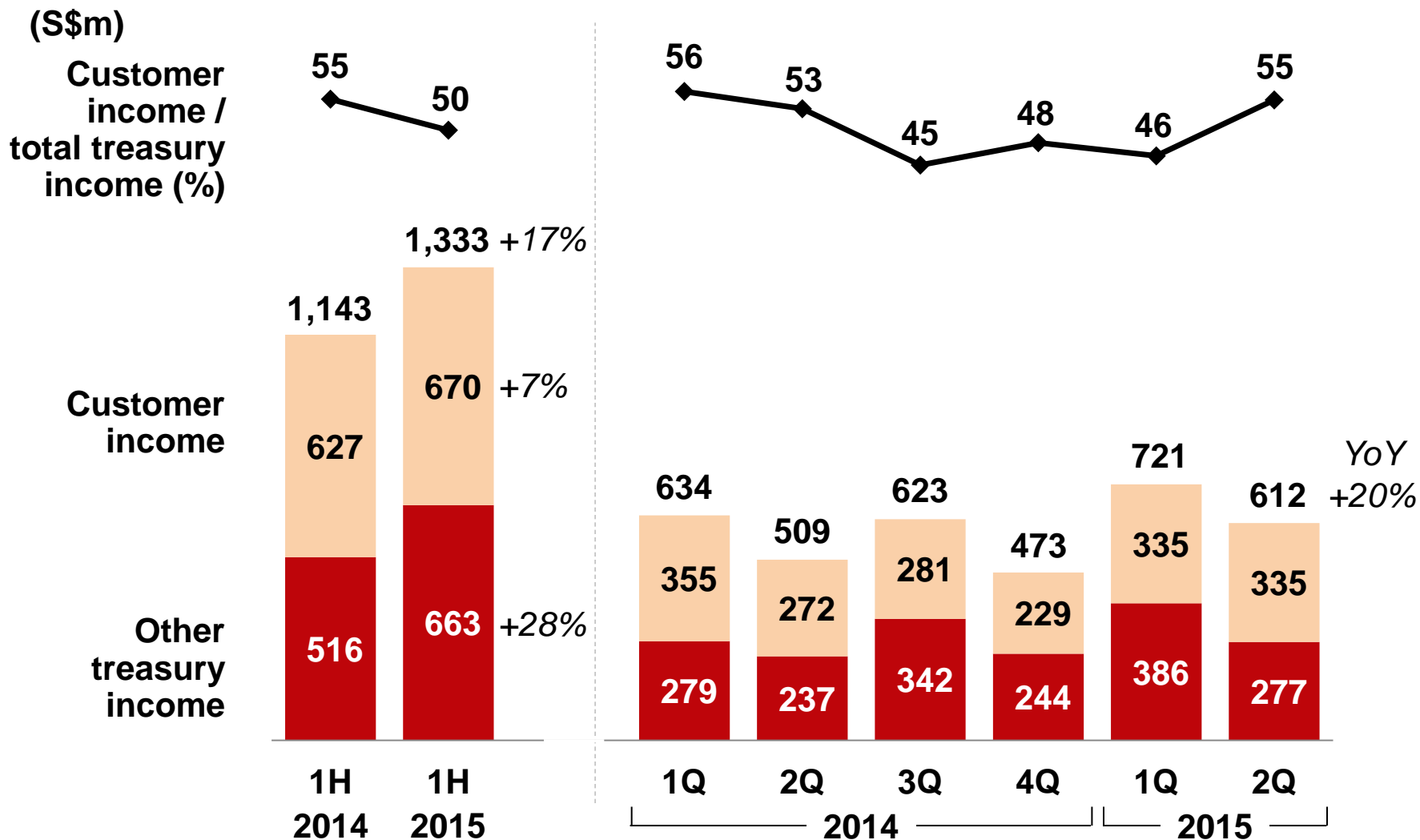


Gross fee income

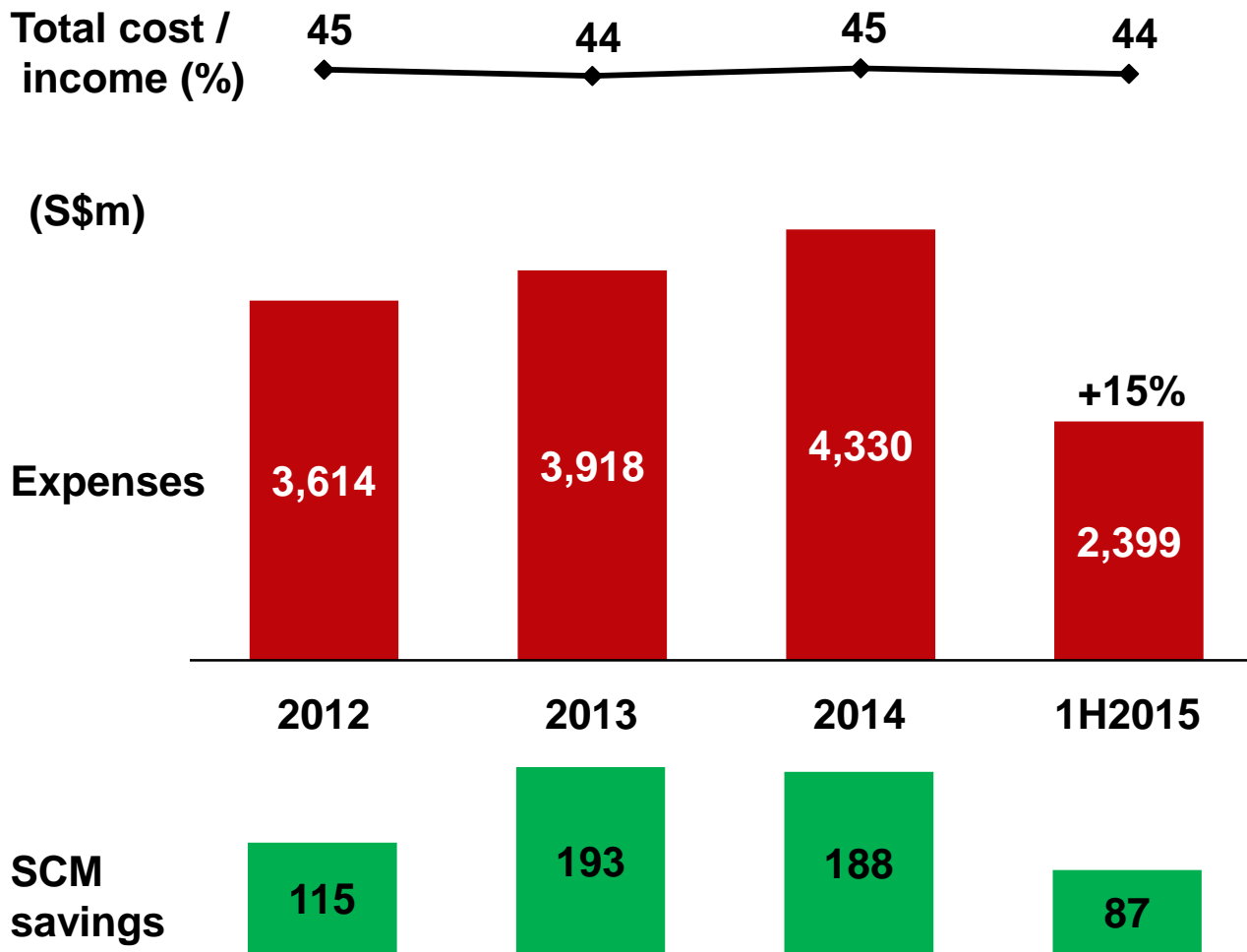
All business units' income at new highs

(S\$m)	1H 2015	1H 2014	YoY %	2H 2014	HoH %
Institutional Banking	2,672	2,492	7	2,475	8
Consumer Banking / Wealth Management	1,764	1,375	28	1,507	17
Treasury	663	516	28	586	13
Others	327	381	(14)	286	14
Total	5,426	4,764	14	4,854	12

1H treasury customer income up 7%



Cost-income ratio stable as strategic cost savings reinvested in headcount and new capabilities



- First-half strategic cost savings at similar annualised rate as 2013-14
- Initiatives include process simplification and supply chain efficiencies
- Savings channelled to new hires and investments in new capabilities while keeping cost-income ratio stable

SCM refers to strategic cost management. Amounts comprise cost reductions and cost avoidance

Hong Kong's record 1H earnings up 19% on year

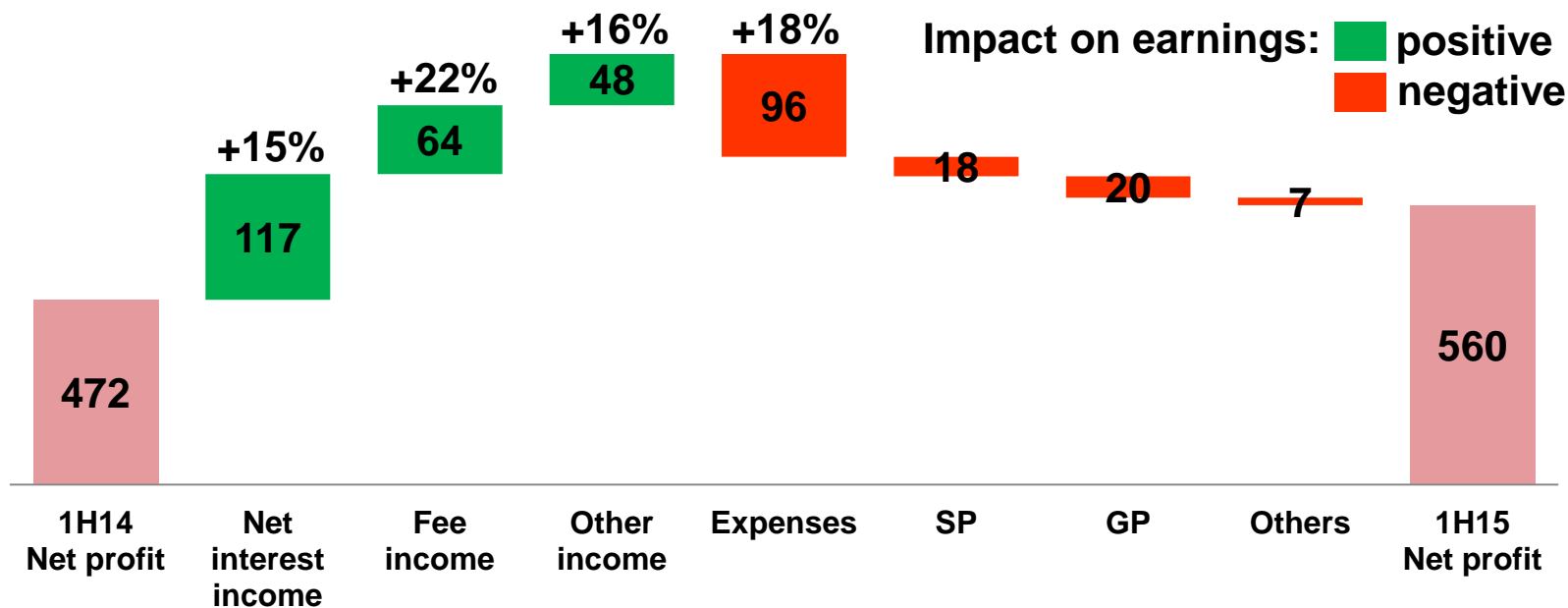
(S\$m)	1H15	YoY %	Underlying YoY %
Total income	1,161	25	16
Expenses	460	26	18
Profit before allowances	701	23	16
Allowances	43	>100	>100
Net profit	560	19	11

record

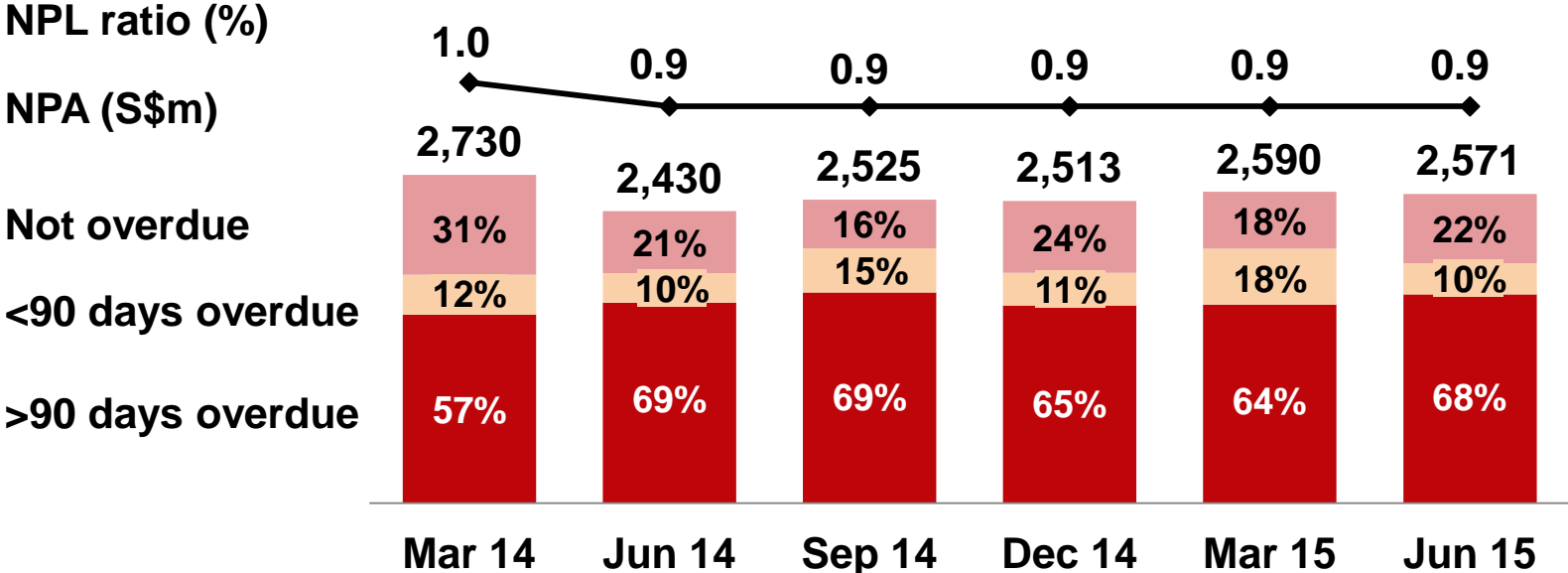
record

record

- Net interest income and fee income at half-year and quarterly highs



NPL ratio unchanged at 0.9%, allowance coverage of 160% around historical high



SP / loans (bp)	15	14	22	22	22	19
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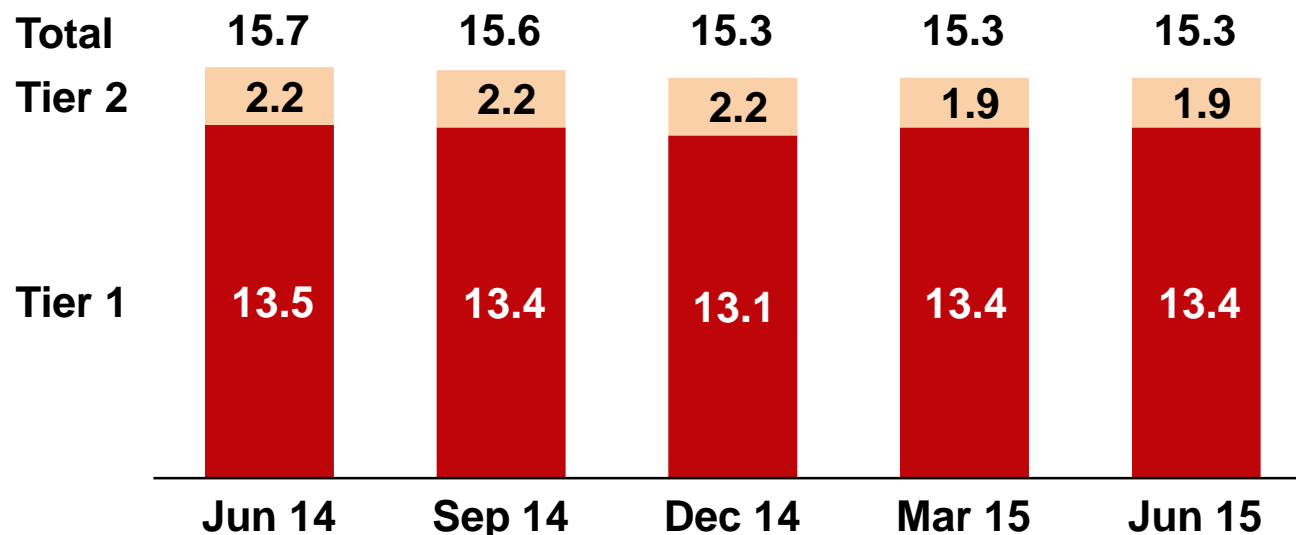
Cumulative general and specific allowances as % of:

NPA	148	162	160	163	161	160
Unsecured NPA	271	321	324	296	294	304



Capital ratios remain strong

(%)



Common Equity Tier 1 (%)

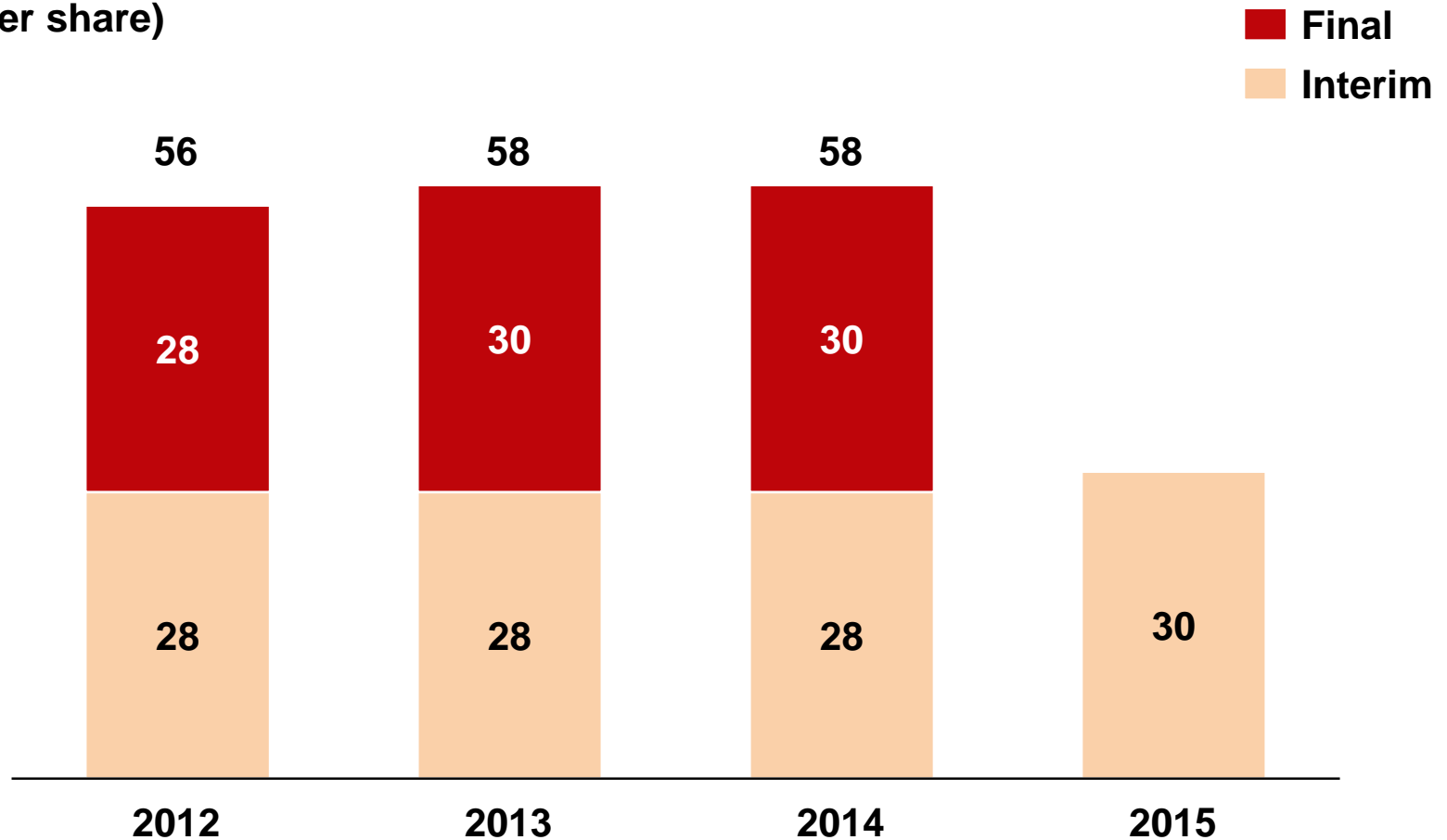
Transitional	13.5	13.4	13.1	13.4	13.4
Pro-forma final	12.2	12.1	11.9	12.2	12.3
RWA (\$bn)	250	254	264	269	268

Leverage ratio (%)

7.1 7.3

Interim dividend up 2 cents to 30 cents per share

(S¢ per share)



In summary – record first-half earnings on sustained franchise strength

Record performance from broad-based growth despite regional economic slowdown

Franchise resilience due to multiple business engines and strong risk management

Second-half outlook has some uncertainty but loan and business pipelines remain healthy

Increased dividends reflects our confidence in the sustainability of our earnings

Supplementary slides

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1H earnings up 12% on year

(S\$m)	1H 2015	1H 2014	YoY %	2H 2014	HoH %
Net interest income	3,433	3,045	13	3,276	5
Fee income	1,142	1,013	13	1,014	13
Trading income	629	538	17	363	73
Other income	222	168	32	201	10
Non-interest income	1,993	1,719	16	1,578	26
Total income	5,426	4,764	14	4,854	12
Staff expenses	1,341	1,111	21	1,183	13
Other expenses	1,058	984	8	1,052	1
Expenses	2,399	2,095	15	2,235	7
Profit before allowances	3,027	2,669	13	2,619	16
General allowances	19	84	(77)	76	(75)
Specific allowances	299	195	53	312	(4)
Allowances	318	279	14	388	(18)
Net profit	2,250	2,002	12	1,846	22
One-time items	136	198	(31)	-	NM
Net profit incl. one-time items	2,386	2,200	8	1,846	29

2Q earnings up 15% on year

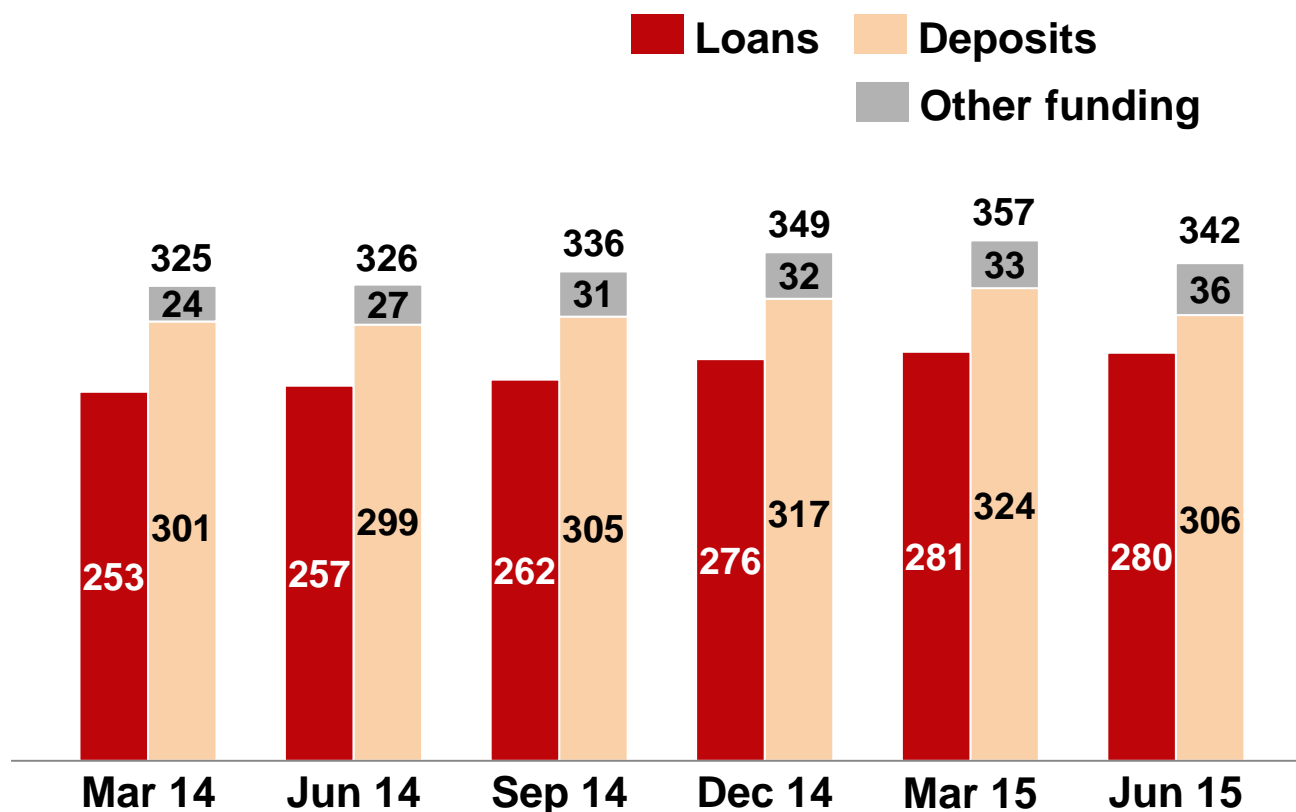
(S\$m)	2Q 2015	2Q 2014	YoY %	1Q 2015	QoQ %
Net interest income	1,743	1,557	12	1,690	3
Fee income	582	503	16	560	4
Trading income	273	176	55	356	(23)
Other income	92	77	19	130	(29)
Non-interest income	947	756	25	1,046	(9)
Total income	2,690	2,313	16	2,736	(2)
Staff expenses	669	554	21	672	-
Other expenses	549	500	10	509	8
Expenses	1,218	1,054	16	1,181	3
Profit before allowances	1,472	1,259	17	1,555	(5)
General allowances	(2)	28	NM	21	NM
Specific allowances	139	100	39	160	(13)
Allowances	137	128	7	181	(24)
Net profit	1,117	969	15	1,133	(1)
One-time items	-	-	-	136	(100)
Net profit incl. one-time items	1,117	969	15	1,269	(12)

1H15 ROE at 11.9%

(%)	2Q 2015	2Q 2014	1Q 2015	1H 2015	1H 2014	2H 2014
Net interest margin	1.75	1.67	1.69	1.72	1.66	1.70
Fee income/total income	22	22	20	21	21	21
Non-interest income/total income	35	33	38	37	36	33
Cost/income	45	46	43	44	44	46
ROE	11.6	11.0	12.2	11.9	11.7	10.1
Loan/deposit	92	86	87	92	86	87
SP/loans (bp)	19	14	22	20	14	22
NPL ratio	0.9	0.9	0.9	0.9	0.9	0.9

Ample liquidity with LCR at 131%

(S\$bn)



Ratios (%)

LDR	84	86	86	87	87	92
LCR *					135	131

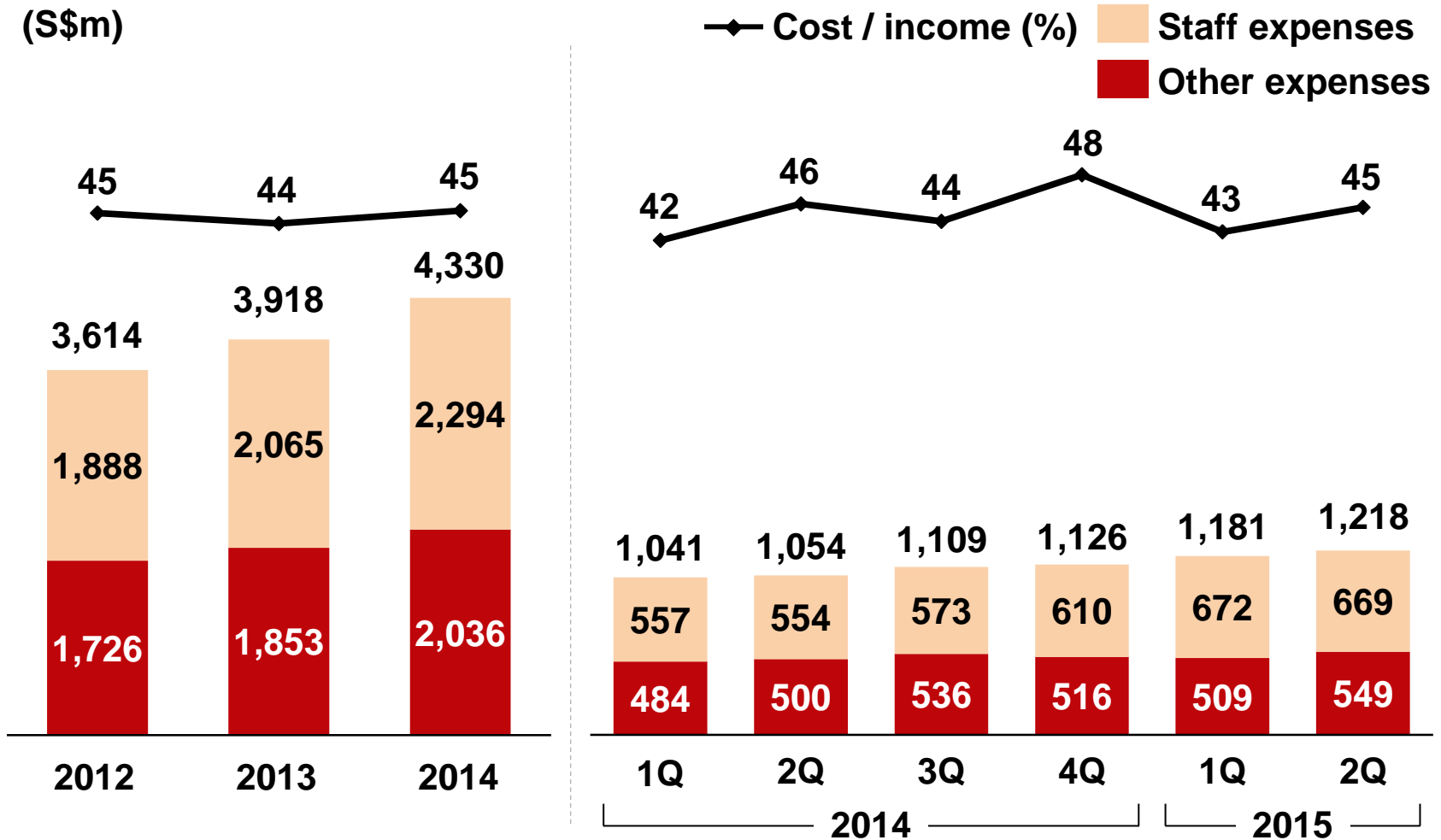
Other funding comprises senior medium term notes, commercial papers, negotiable certificates of deposit and other debt securities

* Average for quarter



Cost-income ratio stable on year

(S\$m)



Hong Kong's 1H earnings rise 19% on year

Constant-currency terms

(S\$m)	1H 2015	1H 2014	YoY %	YoY %	2H 2014	HoH %	HoH %
Net interest income	630	513	23	15	585	8	2
Non-interest income	531	419	27	19	383	39	31
Total income	1,161	932	25	16	968	20	14
Expenses	460	364	26	18	425	8	3
Profit before allowances	701	568	23	16	543	29	22
General allowances	3	(17)	NM	NM	14	(79)	(77)
Specific allowances	40	22	82	63	33	21	13
Allowances	43	5	>100	>100	47	(9)	(13)
Net profit	560	472	19	11	410	37	29
Net interest margin (%)	1.61	1.53			1.63		
Loan growth (%)				5			1
Deposit growth (%)				5			(5)

Hong Kong's 2Q earnings rise 60% on year

(S\$m)	Constant-currency terms						
	2Q 2015	2Q 2014	YoY %	YoY %	1Q 2015	QoQ %	QoQ %
Net interest income	321	253	27	19	309	4	6
Non-interest income	301	173	74	63	230	31	33
Total income	622	426	46	37	539	15	17
Expenses	231	186	24	16	229	1	2
Profit before allowances	391	240	63	53	310	26	28
General allowances	7	(11)	NM	NM	(4)	NM	NM
Specific allowances	8	12	(33)	(43)	32	(75)	(77)
Allowances	15	1	>100	>100	28	(46)	(45)
Net profit	320	200	60	49	240	33	35
Net interest margin (%)	1.67	1.48			1.56		
Loan growth (%)				5			1
Deposit growth (%)				5			(5)

Regional income up 4% on year

(S\$m)	1H 2015	1H 2014	YoY %	2H 2014	QoQ %
Net interest income	558	598	(7)	607	(8)
Non-interest income	380	302	26	261	46
Total income	938	900	4	868	8
Expenses	554	478	16	542	2
Profit before allowances	384	422	(9)	326	18
Allowances	179	143	25	218	(18)
Net profit	184	278	(34)	120	53

Figures for operations outside of Singapore and Hong Kong

NPAs remain low

(S\$m)	2Q 2015	1Q 2015	2Q 2014
NPAs at start of period	2,590	2,513	2,730
New NPAs	281	231	158
Upgrades, recoveries and translation	(142)	19	(198)
Write-offs	(158)	(173)	(260)
NPAs at end of period	2,571	2,590	2,430

Specific allowances stable on quarter

(S\$m)	2Q 2015	1Q 2015	2Q 2014
<u>Add charges for</u>			
New NPLs	59	77	38
Existing NPLs	116	114	113
	175	191	151
<u>Subtract charges for</u>			
Upgrading	-	-	1
Settlements	32	29	40
Recoveries	11	11	22
	43	40	63
Total SP charges for loans	132	151	88
SP/loans (bp)	19	22	14

AFS duration remains short

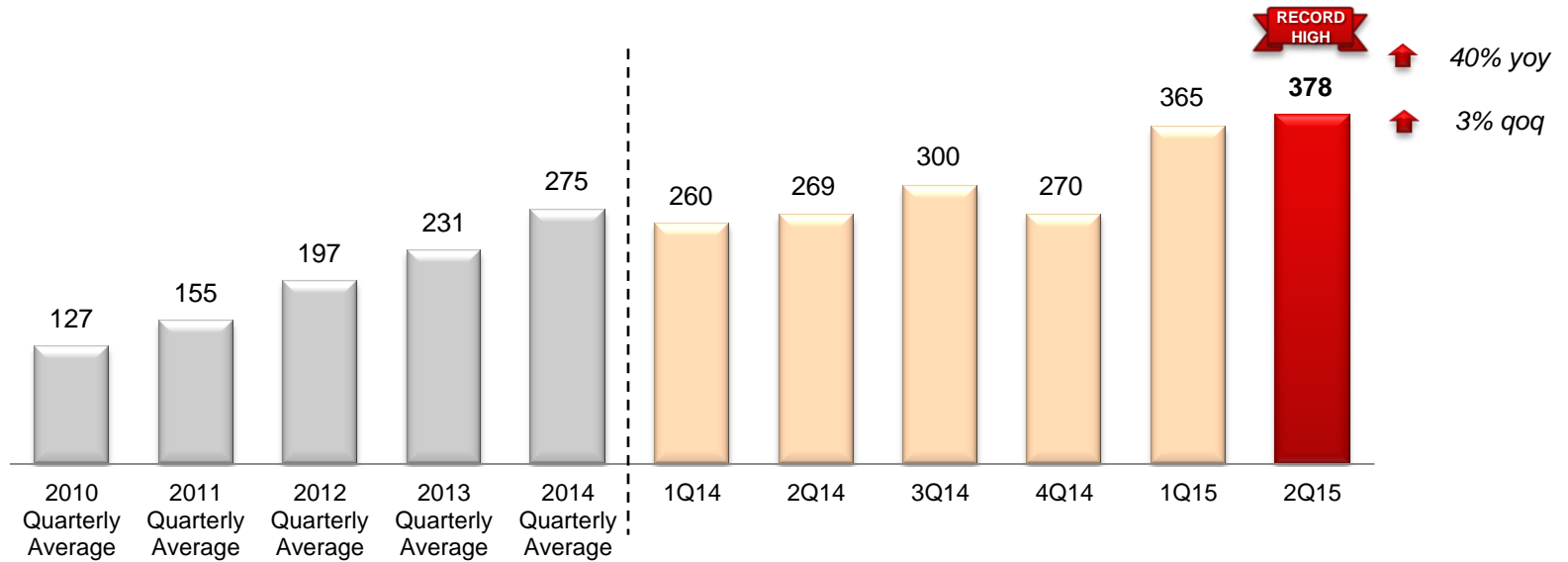
(S\$m)	Jun 15	Mar 15
Government securities	26,754	26,174
Less than 3 years	17,995	17,737
3 to 5 years	1,648	3,214
5 to 10 years	6,026	4,167
More than 10 years	1,085	1,056
Supranational, bank and corporate bonds	11,668	11,577
Equities	1,392	1,489
Total	39,814	39,240
AFS reserves	143	356

Time-banding is based on maturity date from reporting date

Wealth Management segment

Income (S\$m)

2014 1H **529** $\xrightarrow{+41\% \text{ yoy}}$ 2015 1H **743**



AUM (S\$b)

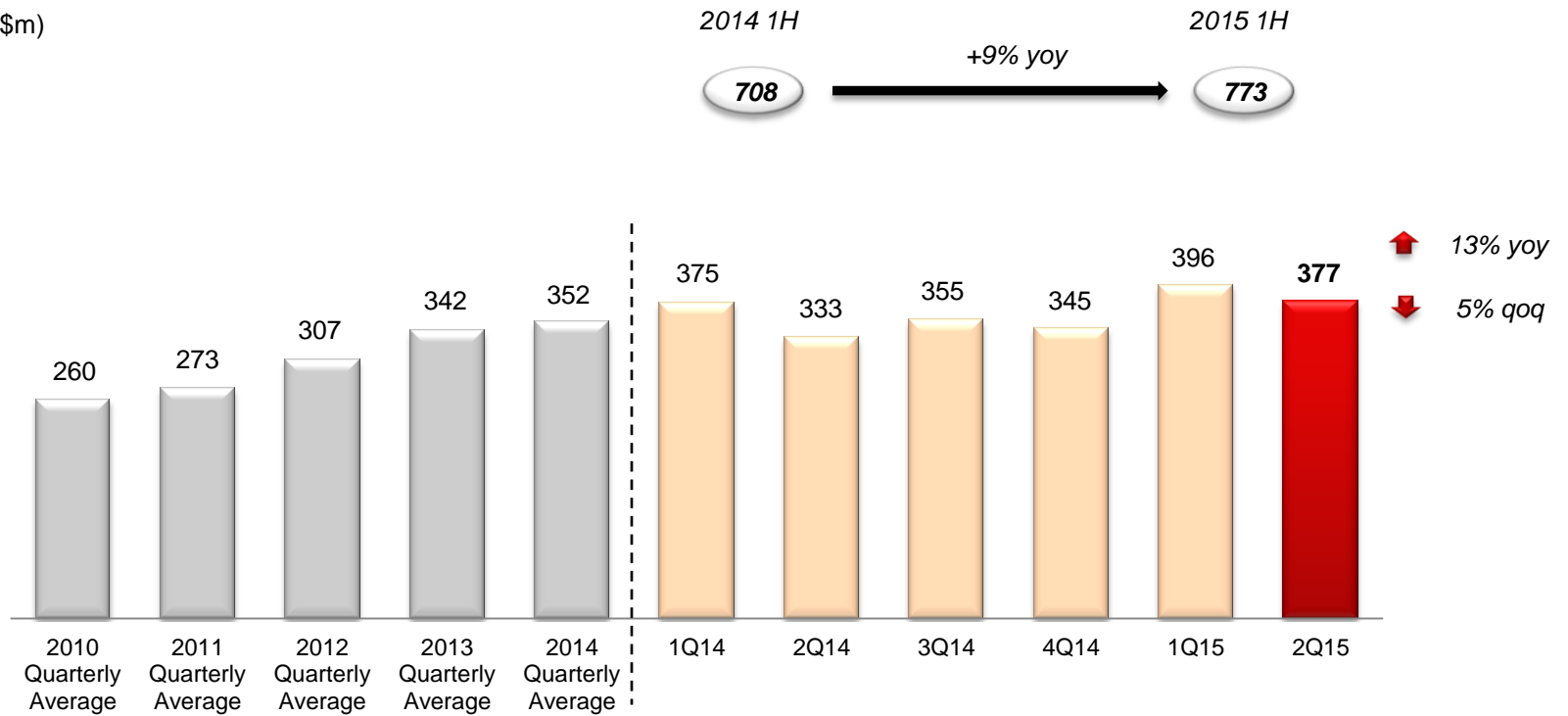


Comprising Treasures, Treasures Private Client and Private Bank Assets under management at end of period



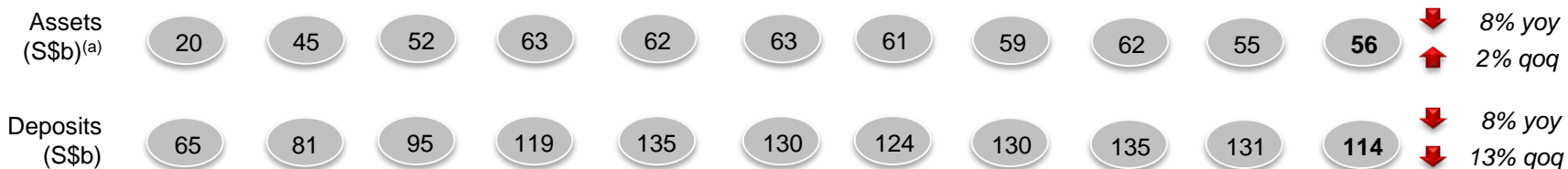
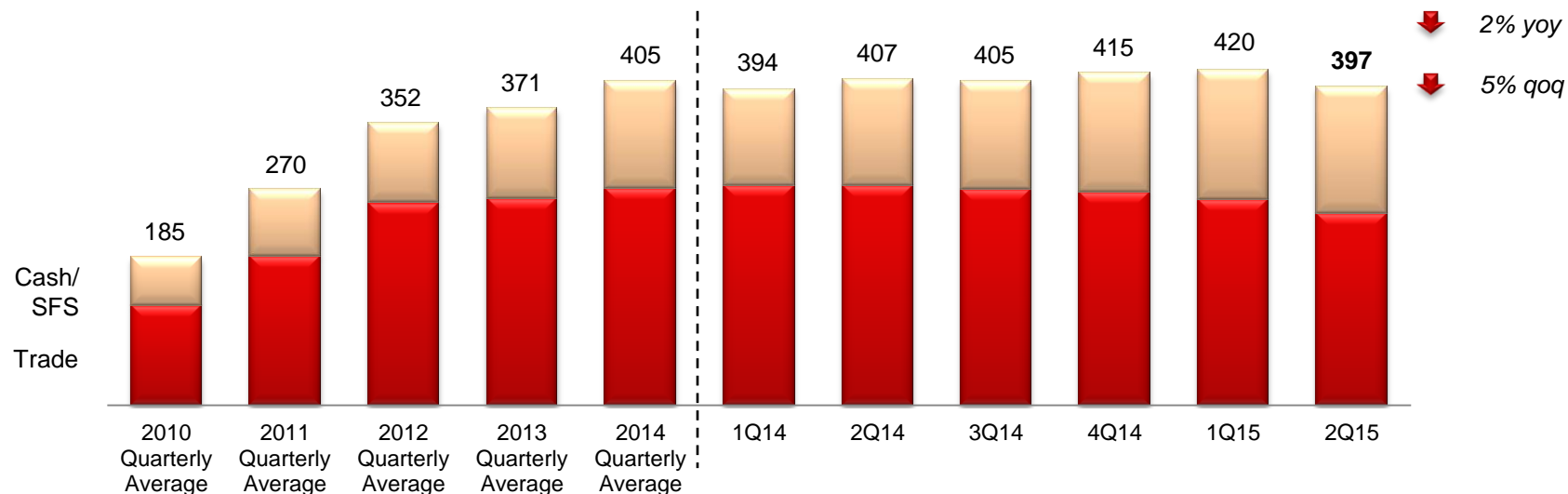
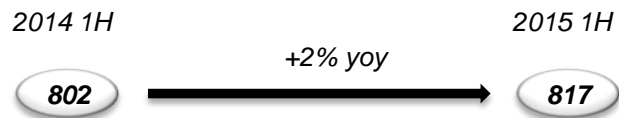
SME segment

Income (S\$m)



Global transaction services

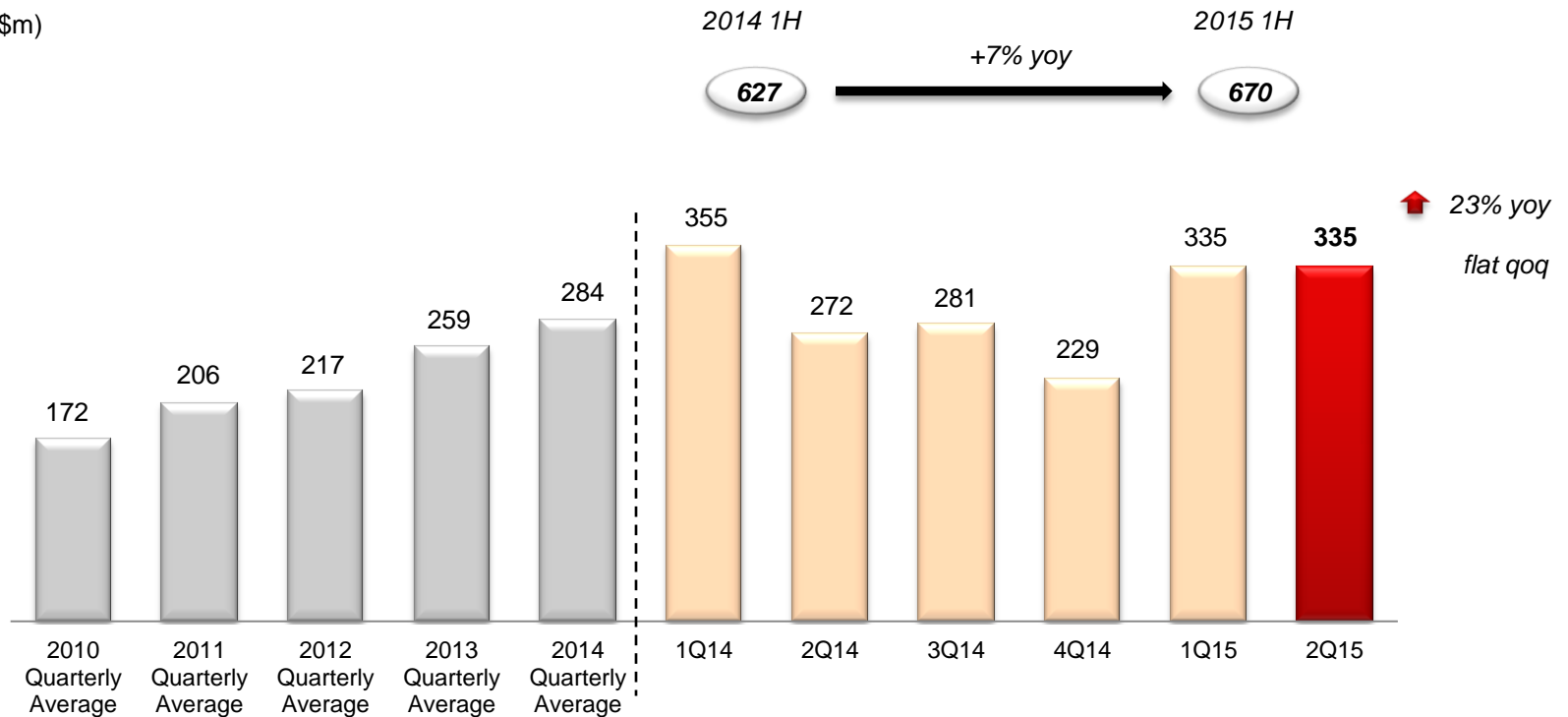
Income (S\$m)



Assets and deposits at end of period
(a) Trade assets; includes bank exposures and loans of financial institutions

Treasury customer flows

Income (S\$m)



2Q15 customer income: 55% of total Treasury income

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