To: Shareholders

The Board of Directors of DBS Group Holdings Ltd ("DBSH" or "the Company") reports the following:

Trading Update for the Third Quarter Ended 30 September 2020

Details of the financial results are enclosed.

Dividends

The Board has declared an interim one-tier tax-exempt dividend of 18 cents for each DBSH ordinary share for the third quarter of 2020 (the "3Q20 Interim Dividend"), to which the DBSH Scrip Dividend Scheme will be applied.

The estimated dividend payable is $457 million.

DBSH Scrip Dividend Scheme

The issue price for new shares to be allotted to shareholders who have elected to receive the 3Q20 Interim Dividend in scrip shall be the average of the closing prices of each DBSH ordinary share on the SGX-ST on 12 and 13 November 2020.

Ex-dividend Date

The DBSH ordinary shares will be quoted ex-dividend on 12 November 2020.

Closure of Books

The Transfer Books and Register of Members of DBSH will be closed from 5.00 p.m. on 13 November 2020 (Friday) up to (and including) 16 November 2020 (Monday) for the purpose of determining shareholders' entitlement to the 3Q20 Interim Dividend.

Payment Date

The 3Q20 Interim Dividend will be payable on or about 29 December 2020. In respect of ordinary shares in the securities accounts with The Central Depository (Pte) Limited ("CDP"), the 3Q20 Interim Dividend will be paid by DBSH to CDP, which will in turn distribute the dividend entitlements to shareholders.

A separate announcement which will outline further administrative details on the application of the DBSH Scrip Dividend Scheme to the 3Q20 Interim Dividend will be made in due course.

By order of the Board

Teoh Chia-Yin
Group Secretary

5 November 2020
Singapore

More information on the above announcement is available at www.dbs.com/investor

Third-quarter net profit up 4% on quarter to SGD 1.30 billion; fee income rises 17% to pre-Covid levels

Nine-month total allowances quadruple on year to SGD 2.49 billion, including general allowances of SGD 1.50 billion

DBS Group reported net profit of SGD 1.30 billion for third-quarter 2020, up 4% from the previous quarter. Business momentum improved as fee income rebounded 17% to pre-Covid levels, softening the impact of lower interest rates as well as a decline in trading income from a high base. Total income fell 4% to SGD 3.58 billion while profit before allowances was 9% lower at SGD 2.04 billion.

Total allowances of SGD 554 million were taken during the quarter. Together with the SGD 1.94 billion set aside during the first half, total allowances for the nine months quadrupled from a year ago to SGD 2.49 billion. Three-fifths or SGD 1.50 billion were general allowances conservatively set aside to fortify the balance sheet against macroeconomic risks. The charge increased general allowance reserves by 60% since end-2019 to SGD 4.02 billion, 32% more than the minimum requirement set by MAS and SGD 1.2 billion above the amount eligible for consideration as Tier-2 capital. Specific allowances for the nine months amounted to SGD 990 million or 30 basis points of loans, with the third-quarter amount at SGD 318 million. Total allowance reserves amounted to SGD 6.99 billion, boosting allowance coverage to 107% and to 200% when collateral was considered.

Net profit for the nine months declined 24% from a year ago to SGD 3.71 billion due to the higher allowances. Total income increased 2% to SGD 11.3 billion as loan growth, an increase in Treasury Markets income and higher investment gains offset the impact of a lower net interest margin. Expenses fell 2%, and the positive jaw of four percentage points resulted in an improvement in the cost-income ratio from 42% to 40%. Profit before allowances increased 5% to SGD 6.75 billion.

Third-quarter net interest income declined 6% from the previous quarter to SGD 2.17 billion. Net interest margin fell nine basis points to 1.53% as the impact of global interest rate cuts in March and April was more fully felt. Loans were stable in constant currency terms at SGD 371 billion. Underlying loan momentum remained healthy. Further drawdowns of non-trade corporate loans were offset by the repayment of short-term facilities made in the first half. While Singapore housing loans dipped due to the lagged impact of the circuit breaker in the second quarter, new bookings rebounded strongly in the third quarter. For the nine months, net interest income fell 3% to SGD 6.96 billion as loan growth was offset by a lower net interest margin.

Live more, Bank less

Fee income increased 17% from the previous quarter to SGD 798 million, the third-highest quarter on record, as economic activity recovered. Wealth management fees rose 25% to SGD 380 million, the second-highest quarterly amount, as sales of investment and insurance products increased with improved market sentiment in a low interest rate environment. Card fees grew 22% to SGD 160 million as consumer spending picked up with an easing of lockdowns, but remained 21% below a year ago. Investment banking fees were also higher. Transaction service and loan-related fees were in line with average pre-Covid quarterly levels. For the nine months, fee income was unchanged at SGD 2.31 billion as increases in wealth management, brokerage and loan-related fees were offset by lower card and investment banking fees.

Other non-interest income fell 18% from the previous quarter to SGD 608 million as trading income declined from a high base. For the nine months, other non-interest income was 31% higher at SGD 2.06 billion as profits were realised on investment securities, which had appreciated with lower interest rates.

Expenses rose 4% from the previous quarter to SGD 1.54 billion due to Covid-related support for staff as well as non-recurring occupancy costs. Compared to a year ago, expenses were 5% lower as general expenses, such as for travel and marketing, declined. For the nine months, expenses fell 2% to SGD 4.58 billion. A decline in general expenses and bonus accruals was offset by an increase in base salary costs from a higher headcount.

Asset quality was in line with recent quarterly trends. Non-performing assets rose 3% from the previous quarter to SGD 6.52 billion as new NPA formation was moderated by repayments and write-offs. The NPL rate was at 1.6%.

Deposits increased 1% in constant currency terms from the previous quarter to SGD 447 billion. Current and savings accounts (Casa) rose 5% or SGD 16 billion during the quarter, bringing the growth since end-2019 to 29% or SGD 70 billion and enabling higher-cost fixed deposits to be let go. Casa deposits accounted for 69% of total deposits, an increase of three percentage points from the previous quarter and ten percentage points since end-2019. The liquidity coverage ratio of 135% and net stable funding ratio of 123% were both above regulatory requirements.

The Common Equity Tier-1 ratio rose 0.2 percentage points from the previous quarter to 13.9% due to profit accretion and a stable risk-weighted asset base. The ratio was above the group’s target operating range as well as regulatory requirements. The leverage ratio of 6.9% was more than twice the regulatory minimum of 3%.

In line with MAS’ guidance for local banks to moderate their dividends for 2020, the Board declared a quarterly dividend of SGD 18 cents per share for the third quarter, for which the scrip dividend scheme will be applicable. Scrip dividends will be issued at the average of the closing share prices on 12 and 13 November 2020.

DBS CEO Piyush Gupta said, “The third quarter’s results reflect a recovery in business momentum as regional economies emerge from lockdowns. The rebound in fee income to pre-Covid levels has enabled us to cushion the full impact of lower interest rates. At the same time, the accelerated build-up of allowances has strengthened our ability to meet the challenges of an uneven economic recovery in the coming year. In the longer term, Asia’s fundamentals remain undiminished. With ample liquidity and healthy capital, we remain well positioned to support customers and the community.”

DBS

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	3rd Qtr 2020	3rd Qtr 2019	% chg	2nd Qtr 2020	% chg	9 Mths 2020	9 Mths 2019	% chg
Selected income statement items ($m)								
Net interest income	**2,171**	2,460	(12)	2,303	(6)	**6,956**	7,199	(3)
Net fee and commission income	**798**	814	(2)	681	17	**2,311**	2,311	-
Other non-interest income	**608**	549	11	742	(18)	**2,062**	1,573	31
Total income	**3,577**	3,823	(6)	3,726	(4)	**11,329**	11,083	2
Expenses	**1,539**	1,614	(5)	1,483	4	**4,578**	4,658	(2)
Profit before allowances	**2,038**	2,209	(8)	2,243	(9)	**6,751**	6,425	5
Allowances for credit and other losses	**554**	254	>100	849	(35)	**2,489**	581	>100
ECL[1] Stage 3 (SP)	**318**	193	65	289	10	**990**	562	76
ECL[1] Stage 1 and 2 (GP)	**236**	61	>100	560	(58)	**1,499**	19	>100
Profit before tax	**1,484**	1,955	(24)	1,394	6	**4,262**	5,844	(27)
Net profit	**1,297**	1,629	(20)	1,247	4	**3,709**	4,883	(24)
Selected balance sheet items ($m)								
Customer loans	**371,358**	353,436	5	374,784	(1)	**371,358**	353,436	5
Constant-currency change			*5*		-			*5*
Total assets	**638,131**	580,714	10	648,204	(2)	**638,131**	580,714	10
of which: Non-performing assets	**6,517**	5,944	10	6,354	3	**6,517**	5,944	10
Customer deposits	**446,886**	400,217	12	447,423	-	**446,886**	400,217	12
Constant-currency change			*12*		1			*12*
Total liabilities	**583,271**	529,441	10	593,945	(2)	**583,271**	529,441	10
Shareholders' funds	**54,031**	50,446	7	53,438	1	**54,031**	50,446	7
Key financial ratios (%)[2]								
Net interest margin	**1.53**	1.90		1.62		**1.67**	1.90	
Cost/ income ratio	**43.0**	42.2		39.8		**40.4**	42.0	
Return on assets	**0.81**	1.12		0.77		**0.79**	1.16	
Return on equity[3]	**10.0**	13.4		9.8		**9.7**	13.6	
NPL ratio	**1.6**	1.5		1.5		**1.6**	1.5	
(Total allowances + RLAR)/ NPA[4]	**107**	96		106		**107**	96	
(Total allowances + RLAR)/ unsecured NPA[4]	**200**	181		199		**200**	181	
SP for loans/ average loans (bp)	**31**	21		26		**30**	19	
Common Equity Tier 1 capital adequacy ratio	**13.9**	13.8		13.7		**13.9**	13.8	
Leverage ratio[5]	**6.9**	7.0		6.8		**6.9**	7.0	
Average all-currency liquidity coverage ratio[6]	**135**	131		135		**134**	135	
Net stable funding ratio[7]	**123**	110		121		**123**	110	
Per share data ($)								
Per basic and diluted share								
– earnings	**1.98**	2.50		1.93		**1.90**	2.52	
– net book value[8]	**19.94**	18.96		19.71		**19.94**	18.96	

Notes:
1 Refers to expected credit loss
2 Return on assets, return on equity, ECL Stage 3 (SP) for loans/average loans and per share data are computed on an annualised basis
3 Calculated based on net profit attributable to the shareholders net of dividends on other equity instruments. Non-controlling interests and other equity instruments are not included as equity in the computation of return on equity
4 Computation includes regulatory loss allowance reserves (RLAR) (30 Sep'20: Nil; 30 Jun'20: Nil; 30 Sep'19: $292 million)
5 Leverage Ratio is computed based on MAS Notice 637
6 Liquidity Coverage Ratio (LCR) is computed based on MAS Notice 649. For average SGD LCR and other disclosures required under MAS Notice 651, refer to https://www.dbs.com/investor/index.html
7 Net stable funding ratio (NSFR) is computed based on MAS Notice 652
8 Non-controlling interests are not included as equity in the computation of net book value per share

Pillar 3 and LCR disclosures document and the Main Features of Capital Instruments document are published in the Investor Relations section of the Group website: (https://www.dbs.com/investors/default.page) and (https://www.dbs.com/investors/fixed-income/capital-instruments) respectively