DBS third-quarter earnings rise 6% to SGD 1.07 Billion

Nine-month earnings at SGD 3.45 billion, underpinned by 12% rise in total income

SINGAPORE,02 November 2015 -DBS Group reported third-quarter earnings of SGD 1.07 billion, up 6% from a year ago. Total income rose 8% to SGD 2.71 billion as net interest income reached a record with net interest margin at a four-year high. Asset quality remained healthy with the non-performing loan rate unchanged at 0.9%. Specific allowances were similar to recent quarters while allowance coverage of 161% was around historical highs.

Compared to the previous quarter, total income and profit before allowances were both little changed. An increase in net interest income was offset by a decline in non-interest income. Financial market volatility during the quarter reduced fee income from wealth management and investment banking. Net profit declined 5% due to an increase in general allowances.

The results included a charge of SGD 50 million taken to trading income as DBS incorporated funding valuation adjustments to the fair value of over-the-counter derivatives. In doing so, DBS becomes an early adopter in Asia of a newly-instituted industry best practice. Adjusting for the charge, net profit would have been 10% higher than a year ago and stable from the previous quarter.

For the nine months, net profit grew 8% to a record SGD 3.45 billion. Improved net interest margin and broad-based non-interest income growth resulted in a 12% increase in total income to SGD 8.14 billion. Excluding one-time items, net profit rose 10% to SGD 3.32 billion.

Third-quarter earnings rise 6% from year ago

Net interest income increased 13% from a year ago to SGD 1.81 billion. Loans grew by a reported 9% to SGD 285 billion. In constant-currency terms, loans rose 3% as an 8% increase in consumer and non-trade corporate loans was partially offset by a decline in trade loans. Net interest margin increased ten basis points to 1.78%, the highest since second quarter 2011.

Net fee income fell 7% to SGD 517 million due to a high base for investment banking fees a year ago. Fees for loan-related activities, cards and stockbroking were higher.

Other non-interest income rose 7% to SGD 382 million. Trading income was 6% higher at SGD 286 million as higher corporate customer activities were partially offset by the funding valuation adjustment charge of SGD 50 million. There was also a gain of SGD 43 million from the sale of properties in Hong Kong.

Expenses increased 14% to SGD 1.26 billion from headcount growth and investments. Excluding currency translation effects and the one-time impact of acquisitions, underlying expenses were 9% higher. The underlying cost-income ratio was 45%.

Total allowances were stable at SGD 178 million. An increase in general allowances from SGD 22 million to SGD 35 million was offset by a moderate decline in specific allowances from 22 basis points of loans to 20 basis points.

Third-quarter earnings 5% lower than previous quarter

Net interest income rose 4% from the previous quarter. Net interest margin increased three basis points to 1.78% as Singapore-dollar loans were re-priced in line with higher interbank and swap offer rates. In addition, deposit costs in Singapore and Hong Kong were lower as steps were taken to further reduce higher-cost deposits. While loans grew 2% on a reported basis, they fell 1% in constant-currency terms as a 1% increase in non-trade loans was more than offset by a 10% decline in trade loans.

Net fee income fell 11%. Volatility in financial markets resulted in lower fee income from wealth management, investment banking and stockbroking activities. Other income increased 5% from higher trading income. Stronger trading gains and corporate customer activities more than offset the charge for funding valuation adjustment.

Total income rose slightly while expenses were 3% higher. Profit before allowances was little changed.

Total allowances were 30% higher. The increase was due to general allowances, which amounted to SGD 35 million in line with reported loan growth. Specific allowances were stable.

Excluding one-time item, nine-month earnings up 10%

For the nine months, net interest income rose 13% to SGD 5.25 billion. The increase was due to higher loan volumes as well as a seven basis point improvement in net interest margin to 1.74%.

Non-interest income increased 10% to SGD 2.89 billion. Fee income rose 6% to SGD 1.66 billion. The increase was broad-based and led by double-digit percentage growth in wealth management, cards and loan-related activities. Other non-interest income increased 16% to SGD 1.23 billion as trading income performed strongly from favourable positions in foreign exchange as well as from higher customer activities.

Total income increased 12% to SGD 8.14 billion. By business segment, Consumer Banking / Wealth Management income rose 24% to SGD 2.64 billion, led by improved returns on deposits and higher wealth management sales. Institutional Banking income grew 7% to SGD 4.02 billion. Higher income from lending activities and cash management was partially offset by lower trade finance income. Treasury income from trading rose 4% to SGD 889 million as a strong performance in the first half was moderated in the third quarter.

Expenses increased 14% to SGD 3.66 billion. Underlying expenses rose 10% and the underlying cost-income ratio was unchanged at 44%. Profit before allowances increased 10% to SGD 4.48 billion.

Total allowances rose 9% to SGD 496 million. An increase in specific allowances was partially offset by lower general allowances in line with the slower loan growth during the nine months.

A one-time gain of SGD 136 million was recorded for the nine months from the disposal of a property investment.

Balance sheet strength maintained

Asset quality remained healthy. The non-performing loan rate was unchanged from recent quarters at 0.9% while allowance coverage was maintained around historical highs at 161%. If collateral was considered, allowance coverage was 324%.

Liquidity continued to be strong. Deposits rose by a reported 4% during the quarter to SGD 318 billion, and the loan-deposit ratio of 90% was little changed from the previous quarter. The liquidity coverage ratio during the third quarter was 121%, above the final regulatory minimum of 100% effective 2019. The net stable funding ratio was also above the requirement due in 2018.

Capital remained healthy. While the Common Equity Tier-1 ratio fell 50 basis points to 12.9% due to the payment of interim dividends and to currency translation effects, it remained comfortably above regulatory requirements. The leverage ratio of 7.1% exceeded the minimum of 3% currently envisaged by the Basel Committee.

DBS CEO Piyush Gupta said, “In a quarter marked by slower regional growth and intense market volatility, the bank’s earnings continued to hold strong. Significantly, net interest margin is at a four-year high. The ability to deliver a solid set of numbers in the face of headwinds testifies to the resilience of the DBS franchise and the soundness of our risk management practices.”

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About DBS

DBS - Living, Breathing Asia

DBS is a leading financial services group in Asia, with over 280 branches across 18 markets. Headquartered and listed in Singapore, DBS has a growing presence in the three key Asian axes of growth: Greater China, Southeast Asia and South Asia. The bank's capital position, as well as "AA-" and "Aa1" credit ratings, is among the highest in Asia-Pacific. DBS has been recognised for its leadership in the region, having been named “Asia’s Best Bank” by The Banker, a member of the Financial Times group, and “Best Bank in Asia-Pacific” by Global Finance. The bank has also been named “Safest Bank in Asia” by Global Finance for seven consecutive years from 2009 to 2015.

DBS provides a full range of services in consumer, SME and corporate banking activities across Asia. As a bank born and bred in Asia, DBS understands the intricacies of doing business in the region’s most dynamic markets. These market insights and regional connectivity have helped to drive the bank’s growth as it sets out to be the Asian bank of choice. DBS is committed to building lasting relationships with customers, and positively impacting communities through supporting social enterprises, as it banks the Asian way. It has also established a SGD 50 million foundation to strengthen its corporate social responsibility efforts in Singapore and across Asia.

With its extensive network of operations in Asia and emphasis on engaging and empowering its staff, DBS presents exciting career opportunities. The bank acknowledges the passion, commitment and can-do spirit in all of our 22,000 staff, representing over 40 nationalities. For more information, please visitwww.dbs.com.