

### COMPANY RESULTS

## DBS Group Holdings (DBS SP)

2Q24: A New Beginning

**DBS achieved 2Q24 net profit of S\$2,789m (+6% yoy) with broad-based growth across net interest income (+5% yoy), fees & commissions (+27% yoy) and other non-interest income (+6% yoy). Management estimates that every 1bp cut in the US Fed Funds Rate will reduce net interest income by S\$4m. The lower sensitivity is due to its lower CASA ratio of 50.5% and large portfolio of fixed-rate assets. Tan Su Shan takes over the helm as new CEO in Mar 25. Maintain BUY. Target price: S\$41.50.**

### RESULTS

- DBS Group Holdings (DBS) reported net profit of S\$2,789m for 2Q24, up 6.1% yoy but down 5.5% qoq. The results were above our net profit forecast of S\$2,688m. It included integration costs of S\$19m for Citi Taiwan.
- Continued growth in net interest income.** NIM was stable at 2.14% in 2Q24 as 3M compounded SORA was relatively unchanged at 3.6%. Loans grew 3% yoy on a constant-currency basis with consolidation of Citi Taiwan. On a sequential basis, loans were flat with growth in trade loans and wealth management loans offset by a decline in non-trade corporate loans. Net interest income grew 4.7% yoy.
- Strong growth from wealth management and cards.** Fees & commissions grew 27% yoy in 2Q24. Wealth management fees grew 37% to S\$518m, driven by a shift from deposits into investments and bancassurance. Card fees increased 32% to S\$313m from higher spending. The consolidation of Citi Taiwan benefited both wealth management and card fees. AUM increased 24% yoy to S\$396b.
- Continued growth of treasury customer sales.** Other non-interest income expanded 6% yoy to S\$840m in 2Q24. Treasury customer income from consumer and institutional banking grew 23% yoy to S\$564m.
- Disciplined cost containment and cost efficiency.** Operating expenses increased 12% yoy to S\$2,172m in 2Q24, with Citi Taiwan accounting for 5ppt of the increase. Cost-to-income ratio remains healthy at 39.6%.
- Asset quality remained stable.** NPLs decreased 2.8% qoq due to higher upgrades, settlements and recoveries. NPL ratio was unchanged at 1.1%. DBS made total provisions of S\$148m in 2Q24 (1Q24: S\$135m).
- Maintained the same quantum of quarterly dividend.** CET-1 CAR improved 0.1ppt qoq to 14.8% in 2Q24. The board maintained quarterly dividend at 54 S cents.

### KEY FINANCIALS

Year to 31 Dec (\$m)	2022	2023	2024F	2025F	2026F
Net interest income	10,941	13,642	14,339	14,494	14,933
Non-interest income	5,561	6,538	7,160	7,035	7,390
Net profit (rep./act.)	8,196	10,062	10,791	10,385	10,781
Net profit (adj.)	8,192	10,186	10,810	10,385	10,781
EPS (S\$ cent)	318.4	395.5	382.1	367.0	381.0
PE (x)	10.6	8.5	8.8	9.2	8.8
P/B (x)	1.6	1.5	1.5	1.4	1.3
Dividend yield (%)	5.9	5.7	6.6	7.1	7.1
Net int margin (%)	1.7	2.2	2.1	2.0	2.0
Cost/income (%)	43.0	41.1	40.4	42.1	42.0
Loan loss cover (%)	121.8	128.1	130.5	133.8	134.7
Consensus net profit	-	-	10,514	10,391	10,565
UOBKH/Consensus (x)	-	-	1.03	1.00	1.02

Source: DBS Group Holdings, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

Share Price	S\$33.65
Target Price	S\$41.50
Upside	+23.3%
(Previous TP)	S\$41.40

### COMPANY DESCRIPTION

DBS is a pan-Asian banking group with a significant presence in Singapore and Hong Kong. It also has operations in India, Indonesia, Taiwan and China.

### STOCK DATA

GICS sector	Financials
Bloomberg ticker:	DBS SP
Shares issued (m):	2,844.1
Market cap (S\$m):	95,704.8
Market cap (US\$m):	72,094.0
3-mth avg daily t'over (US\$m):	123.0

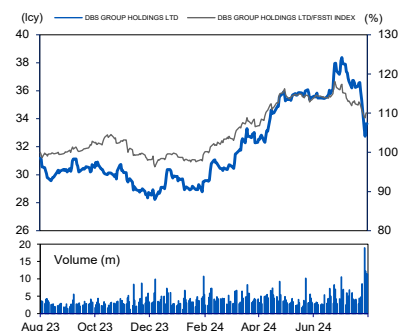
### Price Performance (%)

52-week high/low	S\$38.38/S\$28.24			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
(10.1)	(6.3)	14.1	7.8	10.8

### Major Shareholders

Temasek Hldgs	29.1
FY24 NAV/Share (S\$)	22.63
FY24 CAR Tier-1 (%)	15.48

### PRICE CHART



Source: Bloomberg

### ANALYST(S)

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### STOCK IMPACT

- Leadership transition.** The board has appointed Tan Su Shan, current Group Head of Institutional Banking, as Deputy CEO. She will succeed Piyush Gupta as CEO when he retires at the next AGM on 28 Mar 25. She has more than 35 years of experience in consumer banking, wealth management and institutional banking and has joined DBS since 2010. She has managed both the Consumer Banking/Wealth Management and Institutional Banking businesses, which account for 90% of DBS' income. She operationalises DBS' digitalisation strategy across both businesses. She will become the first homegrown CEO groomed internally for succession.
- Guidance for 2024.** Management guided mid-single-digit growth for net interest income in 2024, supported by the full-year impact of Citi Taiwan's consolidation (completion: Aug 23). Management expects double-digit growth for fee income, driven by wealth management (boost from Citi Taiwan and net new money inflows) and cards (boost from Citi Taiwan and organic growth in spending). Growth in total income was revised upward to high single-digit (previous: mid-single-digit). Cost-to-income ratio is expected at around 40% (previous: low 40%). Specific provisions are estimated at 10-15bp (previous: 17-20bp). Net profit is expected to increase by mid to high single digits (previous: above 2023 level).
- Reduced sensitivity to interest rate fluctuations.** Management estimated that every 1bp cut in the US Fed Funds Rate will reduce net interest income by S\$4m. The lower sensitivity is due to: a) lower CASA ratio of 50.5% as of Jun 24, compared to 75.9% three year ago, and b) DBS' portfolio of fixed-rate assets worth S\$190b, such as residential mortgages, fixed income securities and interest rate swaps, which accounted for 35% of its commercial book.

### EARNINGS REVISION/RISK

- We keep our earnings forecast for 2025 relatively unchanged.

### VALUATION/RECOMMENDATION

- Maintain BUY.** Our target price of S\$41.50 is based on 1.74x 2025F P/B, derived from the Gordon Growth Model (ROE: 15.7%, COE: 9.0%, Growth: 0.0%).

### KEY ASSUMPTIONS

	2022	2023	2024F	2025F	2026F
Loan Growth (%)	1.3	0.4	4.5	4.9	4.9
NIM (%)	1.75	2.15	2.11	2.01	1.99
Fees, % Chg	(12.3)	9.5	17.4	4.6	8.5
NPL Ratio (%)	1.13	1.11	1.12	1.16	1.16
Credit Costs (bp)	5.4	13.7	16.3	20.1	20.1
Net Profit (S\$m)	8,196	10,062	10,791	10,385	10,781
% Chg	20.5	22.8	7.2	(3.8)	3.8

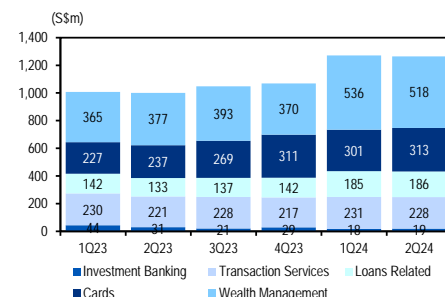
Source: UOB Kay Hian

### 2024 RESULTS

Profit & Loss (S\$m)	2024	2023	yoy % chg	UOBKH Estimate	Deviation (%)
Net Interest Income	3,594	3,433	4.7	3,548	1.3
Fees & Commissions	1,048	823	27.3	981	6.8
Other Non-interest Income	840	789	6.5	795	5.7
Total Income	5,482	5,045	8.7	5,324	3.0
Operating Expenses	(2,192)	(2,004)	9.4	(2,151)	1.9
PPOP	3,290	3,041	8.2	3,173	3.7
Provisions	(152)	(72)	111.1	(163)	-6.7
Associates	63	42	50.0	44	n.a.
PBT	3,201	3,011	6.3	3,054	4.8
Net Profit	2,789	2,629	6.1	2,688	3.8
EPS (S cents)	98.3	94.3	4.2	95.0	3.4
DPS (S cents)	54.0	44.0*	22.7	54.0	0.0
BVPS (S\$)	22.12	19.87	11.3	21.52	2.8
Financial Ratios (%)	2024	2023	yoy ppt chg	1Q24	qoq ppt chg
NIM	2.14	2.16	-0.02	2.14	0.00
Loan Growth, yoy	2.2	-2.1	4.3	1.9	0.3
Deposit Growth, yoy	6.0	-1.5	7.4	3.4	2.6
Loan/Deposit Ratio	77.1	79.9	-2.8	77.6	-0.5
Cost/Income Ratio	39.6	38.3	1.3	37.4	2.2
ROE	18.2	19.2	-1.0	19.4	-1.2
NPL Ratio	1.1	1.1	0.0	1.1	0.0
Credit Costs (bp)	14.1	6.8	7.3	12.7	1.4
Loan Loss Coverage	129.0	126.8	2.2	125.0	4.0
CET-1 CAR	14.8	14.1	0.7	14.7	0.1

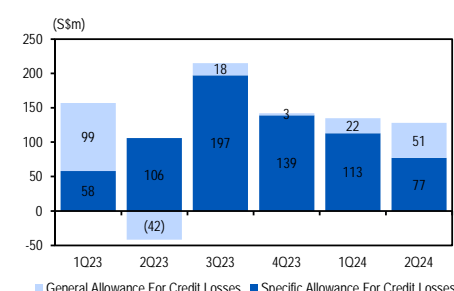
Source: DBS, UOB Kay Hian \*Adjusted for 1-for-10 bonus issue.

### FEE INCOME - SEGMENTAL BREAKDOWN



Source: DBS

### TOTAL ALLOWANCE



Source: DBS

### PROFIT & LOSS

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Interest income	27,862	31,588	31,551	32,125
Interest expense	(14,220)	(17,249)	(17,057)	(17,191)
Net interest income	13,642	14,339	14,494	14,933
Fees & commissions	3,384	3,971	4,155	4,510
Other income	3,154	3,189	2,880	2,880
Non-interest income	6,538	7,160	7,035	7,390
<b>Total income</b>	<b>20,180</b>	<b>21,500</b>	<b>21,529</b>	<b>22,323</b>
Staff costs	(5,045)	(5,447)	(5,542)	(5,747)
Other operating expense	(3,257)	(3,232)	(3,517)	(3,624)
Pre-provision profit	11,878	12,821	12,471	12,953
Loan loss provision	(578)	(702)	(909)	(954)
Other provisions	(12)	(24)	0	0
Associated companies	214	228	240	252
Pre-tax profit	11,502	12,324	11,801	12,251
Tax	(1,423)	(1,533)	(1,416)	(1,470)
Minorities	(17)	0	0	0
<b>Net profit</b>	<b>10,062</b>	<b>10,791</b>	<b>10,385</b>	<b>10,781</b>
Net profit (adj.)	10,186	10,810	10,385	10,781

### OPERATING RATIOS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
<b>Capital Adequacy</b>				
Tier-1 CAR	15.3	15.5	15.5	15.9
Total CAR	16.1	16.3	16.3	16.7
Total assets/equity (x)	11.9	12.2	12.1	12.1
Tangible assets/tangible common	12.6	13.4	13.3	13.1
<b>Asset Quality</b>				
NPL ratio	1.1	1.1	1.2	1.2
Loan loss coverage	128.1	130.5	133.8	134.7
Loan loss reserve/gross loans	1.4	1.5	1.5	1.6
Increase in NPLs	(1.3)	5.5	8.1	7.9
Credit cost (bp)	13.7	16.3	20.1	20.1
<b>Liquidity</b>				
Loan/deposit ratio	77.8	77.1	77.0	77.0
Liquid assets/short-term liabilities	32.4	34.9	34.9	35.0
Liquid assets/total assets	25.5	27.1	27.1	27.2

### BALANCE SHEET

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Cash with central bank	50,213	62,344	65,520	68,858
Govt treasury bills & securities	70,565	76,116	79,994	84,069
Interbank loans	67,461	80,861	84,813	88,958
Customer loans	416,163	434,902	455,760	477,628
Investment securities	81,735	95,956	100,844	105,982
Derivative receivables	22,700	24,590	25,843	27,160
Associates & JVs	2,487	3,152	3,392	3,644
Fixed assets (incl. prop.)	6,313	3,595	3,595	3,595
Other assets	21,664	27,278	28,944	30,911
<b>Total assets</b>	<b>739,301</b>	<b>808,795</b>	<b>848,706</b>	<b>890,805</b>
Interbank deposits	46,704	64,065	67,196	70,480
Customer deposits	535,103	564,393	591,976	620,906
Derivative payables	23,457	23,678	24,884	26,152
Debt equivalents	49,398	61,787	64,867	68,103
Other liabilities	22,392	28,268	29,708	31,221
<b>Total liabilities</b>	<b>677,054</b>	<b>742,191</b>	<b>778,631</b>	<b>816,863</b>
Shareholders' funds	62,065	66,411	69,882	73,749
Minority interest - accumulated	182	193	193	193
<b>Total equity &amp; liabilities</b>	<b>739,301</b>	<b>808,795</b>	<b>848,706</b>	<b>890,805</b>

### KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
<b>Growth</b>				
Net interest income, yoy chg	24.7	5.1	1.1	3.0
Fees & commissions, yoy chg	9.5	17.4	4.6	8.5
Pre-provision profit, yoy chg	26.2	7.9	(2.7)	3.9
Net profit, yoy chg	22.8	7.2	(3.8)	3.8
Net profit (adj.), yoy chg	24.3	6.1	(3.9)	3.8
Customer loans, yoy chg	0.4	4.5	4.8	4.8
Customer deposits, yoy chg	1.5	5.5	4.9	4.9
<b>Profitability</b>				
Net interest margin	2.2	2.1	2.0	2.0
Cost/income ratio	41.1	40.4	42.1	42.0
Adjusted ROA	1.4	1.4	1.3	1.2
Reported ROE	16.9	16.8	15.2	15.0
Adjusted ROE	17.1	16.8	15.2	15.0
<b>Valuation</b>				
P/BV (x)	1.5	1.5	1.4	1.3
P/NTA (x)	1.5	1.7	1.6	1.5
Adjusted P/E (x)	8.5	8.8	9.2	8.8
Dividend Yield	5.7	6.6	7.1	7.1
Payout ratio	49.1	58.2	65.4	63.0

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