

### COMPANY RESULTS

#### DBS Group Holdings (DBS SP)

4Q24: Returning Excess Capital Over Three Years During 2025-27

**DBS achieved a net profit of S\$3,522m in 4Q24 (+11% yoy), driven by an uptick in NIM, surge in wealth management fees (+41% yoy) and markets trading income (+40% yoy). In addition to the share buyback programme of S\$3b, the Board had established a capital return dividend of 15 S cents per quarter to be paid out over 2025. Management expects to pay out similar amounts of capital in the subsequent two years in 2026 and 2027. Downgrade to HOLD. Target price: S\$49.80.**

#### RESULTS

- DBS Group Holdings (DBS) reported a net profit of S\$2,522m for 4Q24, up 11% yoy but down 17% qoq. The results were in line with our net profit forecast of S\$2,535m.
- NIM expanded 2bp yoy and 4bp qoq to 2.15% in 4Q24** due to repricing of fixed rate assets. DBS also benefitted from CASA inflow of S\$13b in 2H24. Loans grew 3% yoy on a constant-currency basis driven by trade loans and non-trade corporate loans. Net interest income rose 8.6% yoy. NIM retraced to 2.12% in Jan 25 due to recent three rate cuts totalling 100bp to bring the Fed Funds Rate to 4.25%.
- Fees & commissions grew 12% yoy in 4Q24.** Wealth management fees surged 41% due to brisk sales of investment and bancassurance products. DBS attracted net new money of S\$6b for 4Q24 and S\$21b for 2024. AUM expanded 17% yoy to S\$426b. Cards and transaction service fees also jumped 4% and 7% yoy respectively.
- Non-interest income boosted by property disposal gain.** Other non-interest income grew 15% yoy to S\$809m in 4Q24. Treasury customer sales rose as foreign exchange, interest rate and equity derivative activities benefitted from market volatility. Markets trading income expanded 40% to S\$158m from the low base last year. DBS also recognised a property disposal gain.
- CIR within guidance on full-year basis.** Operating expenses increased 9% yoy to S\$2,395m with Citi Taiwan accounting for 3ppt of the increase. Staff cost grew 8% yoy. DBS set aside S\$100m for Corporate Social Responsibility (CSR) commitment. Cost-to-income ratio (CIR) was seasonally higher at 43.5% in 4Q24 (2024: 39.9%).
- Asset quality remains stable.** NPLs increased 4% qoq as upgrades & recoveries were lower at S\$208m in 4Q24 (3Q24: S\$491m). NPL ratio inched marginally higher by 0.1ppt qoq to 1.1%. Specific provisions were 20bp (3Q24: 14bp). It wrote back S\$20m of general allowance. Management overlay for general provision was S\$2.4b.
- High ROE despite strong capital adequacy.** DBS' CET-1 CAR was 17.0% as of Dec 24 based on transitional arrangements (fully phased-in: 15.1%). ROE was an impressive 18.0% for 2024. Final Basel III reforms were implemented on 1 Jul 24.
- Returning excess capital to their rightful owners.** The Board increased quarterly dividend by 6 S cents to 60 S cents for 4Q24 and introduced a Capital Return Dividend of 15 S cents per quarter to be paid out over 2025. Management expects to pay out similar amounts of capital in the subsequent two years in 2026 and 2027.

#### KEY FINANCIALS

Year to 31 Dec (S\$m)	2023	2024	2025F	2026F	2027F
Net interest income	13,642	14,424	14,813	15,244	15,989
Non-interest income	6,538	7,873	7,653	8,006	8,390
Net profit (rep./act.)	10,062	11,289	10,616	10,759	11,468
Net profit (adj.)	10,186	11,308	10,616	10,759	11,468
EPS (S\$ cent)	395	399	375	383	412
PE (x)	11.5	11.4	12.1	11.8	11.0
P/B (x)	2.0	1.9	1.9	1.9	1.8
Dividend yield (%)	4.2	4.9	6.6	7.1	7.1
Net int margin (%)	2.2	2.1	2.0	2.0	2.0
Cost/income (%)	41.1	40.5	41.8	43.0	42.1
Loan loss cover (%)	128.1	129.3	131.9	134.8	138.0
Consensus net profit	-	-	11,062	11,294	11,768
UOBKH/Consensus (x)	-	-	0.96	0.95	0.97

Source: DBS Group Holdings, Bloomberg, UOB Kay Hian

### HOLD

(Downgraded)

Share Price	S\$45.38
Target Price	S\$49.80
Upside	9.7%
(Previous TP)	S\$46.50

#### 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):	2,839.6
Market cap (S\$m):	128,862.2
Market cap (US\$m):	95,171.5
3-mth avg daily t'over (US\$m):	133.5

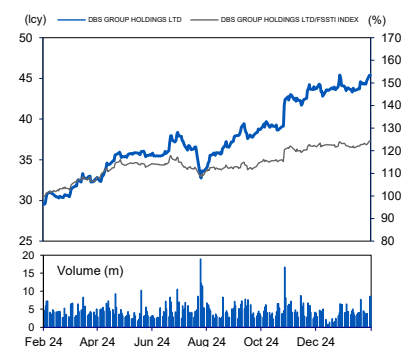
#### Price Performance (%)

52-week high/low	S\$46.50/S\$29.10			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
2.8	7.0	35.2	53.4	3.8

#### Major Shareholders

Temasek Hldgs	29.1
FY25 NAV/Share (S\$)	24.03
FY25 CAR Tier 1 (%)	17.23

#### PRICE CHART



Source: Bloomberg

#### ANALYST(S)

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### STOCK IMPACT

- Guidance for 2025.** Management guided net interest income to be slightly above 2024 levels in 2025. The negative impact from slight NIM compression (management expects two rate cuts in 2025 instead of four) would be offset by positive impact from mid-single-digit loan growth. Management expects NIM to be around 2.10% (2024: 2.13%). Non-interest income is expected to grow at high single-digit, driven by wealth management and treasury customer sales. CIR is likely to be in low-40%. Specific provisions are expected to be 17-20bp. Pre-tax profit should be flat at around 2024 levels. Net profit could be lower than 2024 levels due to the global minimum tax rate of 15% (negative impact of S\$400m).
- Leadership renewal.** New CEO Tan Su Shan wants DBS to be humble (not complacent and continuing to strive for excellence), hungry (expanding high-ROE businesses, including wealth management) and agile (leveraging on generative AI to reduce operating expenses).
- Higher for longer leads to higher ROE.** Management's previous expectation that ROE should range at 15-17% assumes that the Fed Funds Rate normalises to 3%. If the Fed Funds Rate remains persistently higher at 4% and above, then ROE has upside to be at the higher end or even exceed 15-17%.
- Potential expansion into Malaysia?** Various options are being explored and evaluated. It is difficult to start a new bank with a new licence given that there are more than 10 existing incumbent banks. Given the improved bilateral relationship, one alternative involves establishing a new bank to focus on supporting growth in Johor and the Johor-Singapore Special Economic Zone.

### EARNINGS REVISION/RISK

- We raised our earnings forecast for 2025 by 4% due to steadier NIM of 2.05% (previous: 1.97%) and higher other non-interest income.

### VALUATION/RECOMMENDATION

- Downgrade to HOLD.** Our target price of S\$49.80 for DBS is based on 2.07x 2025F P/B, derived from the Gordon Growth Model (ROE: 15.7% (previous: 15.2%), COE: 8.5%, growth: 1.8%). HOLD for attractive 2025 dividend yield of 6.6%.

### 4Q24 RESULTS

Profit & Loss (S\$m)	4Q24	4Q23*	yoy % Chg	UOBKH Estimate	Deviation (%)
Net Interest Income	3,728	3,434	8.6	3,582	4.1
Fees & Commissions	968	867	11.6	1,002	-3.4
Other Non-interest Income	809	706	14.6	760	6.4
Total Income	5,505	5,007	9.9	5,344	3.0
Operating Expenses	(2,501)	(2,338)	7.0	(2,324)	7.6
PPOP	3,004	2,669	12.6	3,020	-0.5
Provisions	(209)	(142)	47.2	(172)	21.4
Associates	70	47	48.9	49	n.a.
PBT	2,865	2,574	11.3	2,897	-1.1
Net Profit	2,522	2,269	11.2	2,535	-0.5
EPS (S cents)	91.0	83.0	9.6	89.1	2.1
DPS (S cents)	60.0	54.0	11.1	110.0	-45.5
BVPS (S\$)	23.38	21.03	11.2	23.15	1.0
Financial Ratios (%)	4Q24	4Q23*	yoy Chg (ppt)	3Q24	qoq Chg (ppt)
NIM	2.15	2.13	0.02	2.11	0.04
Loan Growth, yoy	3.4	0.4	3.0	1.2	2.3
Deposit Growth, yoy	5.0	1.5	3.4	2.6	2.4
Loan/Deposit Ratio	76.7	77.8	-1.1	78.0	-1.3
Cost/Income Ratio	43.5	44.0	-0.5	39.1	4.4
ROE	15.8	16.1	-0.3	18.7	-2.9
NPL Ratio	1.1	1.1	0.0	1.0	0.1
Credit Costs (bp)	19.3	13.4	5.9	12.1	7.2
Loan Loss Coverage	129.3	128.1	1.3	135.1	-5.8
CET-1 CAR	15.1	14.6	0.5	15.2	-0.1

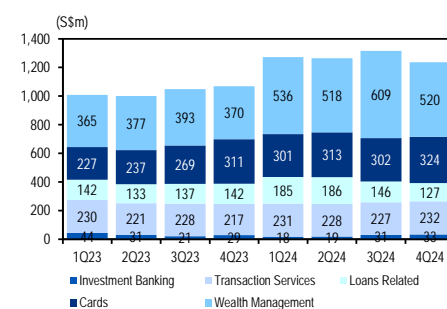
\*Adjusted for 1-for-10 bonus issue Source: DBS, UOB Kay Hian

### KEY ASSUMPTIONS

	2023	2024	2025F	2026F	2027F
Loan Growth (%)	0.4	3.4	4.9	4.9	1.2
NIM (%)	2.15	2.14	2.05	2.01	2.01
Fees, % Chg	9.5	23.2	2.0	8.3	8.3
NPL Ratio (%)	1.11	1.09	1.13	1.16	1.19
Credit Costs (bp)	13.7	14.0	19.1	19.1	19.5
Net Profit (S\$m)	10,062	11,289	10,616	10,759	11,468
% Chg	22.8	12.2	(6.0)	1.3	6.6

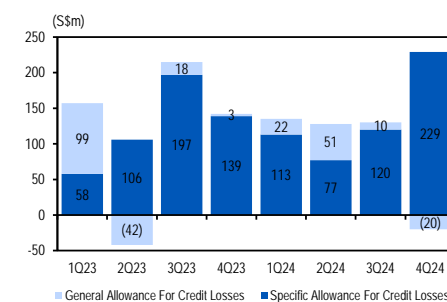
Source: UOB Kay Hian

### FEE INCOME - SEGMENTAL BREAKDOWN



Source: DBS

### TOTAL ALLOWANCE



Source: DBS

### PROFIT & LOSS

Year to 31 Dec (\$m)	2024	2025F	2026F	2027F
Interest income	30,927	29,608	30,014	31,483
Interest expense	(16,503)	(14,795)	(14,769)	(15,494)
Net interest income	14,424	14,813	15,244	15,989
Fees & commissions	4,168	4,253	4,606	4,990
Other income	3,705	3,400	3,400	3,400
Non-interest income	7,873	7,653	8,006	8,390
<b>Total income</b>	<b>22,297</b>	<b>22,466</b>	<b>23,250</b>	<b>24,379</b>
Staff costs	(5,594)	(5,784)	(5,987)	(6,278)
Other operating expense	(3,444)	(3,616)	(4,009)	(3,992)
Pre-provision profit	13,259	13,066	13,254	14,110
Loan loss provision	(602)	(855)	(897)	(940)
Other provisions	(24)	0	0	0
Associated companies	250	279	300	322
Pre-tax profit	12,883	12,490	12,657	13,492
Tax	(1,594)	(1,873)	(1,899)	(2,024)
Minorities	0	0	0	0
<b>Net profit</b>	<b>11,289</b>	<b>10,616</b>	<b>10,759</b>	<b>11,468</b>
Net profit (adj.)	<b>11,308</b>	<b>10,616</b>	<b>10,759</b>	<b>11,468</b>

### BALANCE SHEET

Year to 31 Dec (\$m)	2024	2025F	2026F	2027F
Cash with central bank	58,646	61,634	64,774	68,074
Govt treasury bills & securities	81,539	85,693	90,059	94,647
Interbank loans	80,415	84,345	88,467	92,790
Customer loans	430,594	451,280	472,968	495,705
Investment securities	105,053	110,405	116,030	121,941
Derivative receivables	27,897	29,318	30,812	32,382
Associates & JVs	3,073	3,352	3,652	3,974
Fixed assets (incl. prop.)	3,873	3,873	3,873	3,873
Other assets	36,129	36,005	35,071	34,655
<b>Total assets</b>	<b>827,219</b>	<b>865,905</b>	<b>905,704</b>	<b>948,040</b>
Interbank deposits	64,175	67,311	70,601	74,051
Customer deposits	561,730	589,182	617,976	648,177
Derivative payables	26,670	28,029	29,457	30,957
Debt equivalents	69,168	72,625	76,257	80,075
Other liabilities	36,643	38,510	40,472	42,534
<b>Total liabilities</b>	<b>758,386</b>	<b>795,657</b>	<b>834,763</b>	<b>875,794</b>
Shareholders' funds	68,786	70,201	70,894	72,199
Minority interest - accumulated	47	47	47	47
<b>Total equity &amp; liabilities</b>	<b>827,219</b>	<b>865,905</b>	<b>905,704</b>	<b>948,040</b>

### OPERATING RATIOS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
<b>Capital Adequacy</b>				
Tier-1 CAR	17.7	17.2	16.6	16.1
Total CAR	18.6	18.1	17.4	16.9
Total assets/equity (x)	12.0	12.3	12.8	13.1
Tangible assets/tangible common equity (x)	13.2	13.5	13.9	14.3
<b>Asset Quality</b>				
NPL ratio	1.1	1.1	1.2	1.2
Loan loss coverage	129.3	131.9	134.8	138.0
Loan loss reserve/gross loans	1.4	1.5	1.5	1.6
Increase in NPLs	1.8	8.4	7.7	7.2
Credit cost (bp)	14.0	19.1	19.1	19.5
<b>Liquidity</b>				
Loan/deposit ratio	76.7	76.6	76.5	76.5
Liquid assets/short-term liabilities	35.2	35.3	35.3	35.4
Liquid assets/total assets	26.7	26.8	26.9	27.0

### KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
<b>Growth</b>				
Net interest income, yoy chg	5.7	2.7	2.9	4.9
Fees & commissions, yoy chg	23.2	2.0	8.3	8.3
Pre-provision profit, yoy chg	11.6	(1.5)	1.4	6.5
Net profit, yoy chg	12.2	(6.0)	1.3	6.6
Net profit (adj.), yoy chg	11.0	(6.1)	1.3	6.6
Customer loans, yoy chg	3.5	4.8	4.8	4.8
Customer deposits, yoy chg	5.0	4.9	4.9	4.9
<b>Profitability</b>				
Net interest margin	2.1	2.0	2.0	2.0
Cost/income ratio	40.5	41.8	43.0	42.1
Adjusted ROA	1.4	1.3	1.2	1.3
Reported ROE	17.3	15.3	15.3	16.1
Adjusted ROE	17.3	15.3	15.3	16.1
<b>Valuation</b>				
P/BV (x)	1.9	1.9	1.9	1.8
P/NTA (x)	2.2	2.1	2.0	2.0
Adjusted P/E (x)	11.4	12.1	11.8	11.0
Dividend Yield	4.9	6.6	7.1	7.1
Payout ratio	55.8	80.0	84.6	78.7

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