

COMPANY RESULTS

DBS Group Holdings (DBS SP)

3Q24: Double Down On Capital Management

DBS achieved a record net profit of S\$3,027m in 3Q24 (+15% yoy), driven by a surge in wealth management fees (+55% yoy) and markets trading income (doubled yoy). NPLs declined 8% qoq due to sizeable repayment and recoveries. The Board established a new share buyback programme of S\$3b. DBS will continue to return surplus capital to shareholders through step-ups in regular quarterly dividends, special dividends and share buybacks. **Maintain BUY. Target price: S\$46.95.**

RESULTS

- DBS Group Holdings (DBS) reported a net profit of S\$3,027m for 3Q24, up 15% yoy and 8% qoq. The results were above our net profit forecast of S\$2,713m.
- Weathered mild NIM compression.** NIM eased 3bp qoq to 2.11% in 3Q24. Loans grew 2% yoy on a constant-currency basis driven by trade loans and non-trade corporate loans. Net interest income rose 2.6% yoy.
- Bumper quarter for wealth management.** Wealth management fees grew 55% to S\$609m due to broad-based growth from buoyant sentiment and brisk sales of investment and bancassurance products. AUM expanded 13.6% yoy to S\$401b. Card fees increased 12% yoy. Transaction service fees were stable at S\$227m. Overall, fees & commissions expanded 32% yoy.
- Volatilities beget surge in treasury activities.** Markets trading income doubled yoy to S\$331m in 3Q24, the highest in 10 quarters, as foreign exchange, interest rate and equity derivative activities benefitted from market volatility.
- Disciplined cost containment and cost efficiency.** Operating expenses increased 10% yoy to S\$2,249m in 3Q24 with Citi Taiwan accounting for 3ppt of the increase. Cost-to-income ratio remains healthy at 39.1%.
- Asset quality remained stable.** NPLs declined 8% qoq in 3Q24 due to sizeable repayment and recoveries of S\$491m from legacy oil & gas exposures, the recent money laundering case and monetising properties held as collaterals for exposures in Hong Kong and China. NPL ratio fell from 1.1% to 1.0%. Specific provisions were 14bp, which was within management's full-year guidance of guidance of 10-15bp.
- Robust capital adequacy.** Final Basel III reforms were implemented on 1 Jul 24. DBS' CET-1 CAR was 17.2% based on transitional arrangements (fully phased-in: 15.2%). The Board maintained quarterly dividend at 54 S cents for 3Q24.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2022	2023	2024F	2025F	2026F
Net interest income	10,941	13,642	14,164	13,787	14,147
Non-interest income	5,561	6,538	7,859	7,570	7,934
Net profit (rep./act.)	8,196	10,062	11,234	10,021	10,370
Net profit (adj.)	8,192	10,186	11,253	10,021	10,370
EPS (S\$ cent)	318	395	397	354	370
PE (x)	13.1	10.5	10.5	11.8	11.3
P/B (x)	2.0	1.8	1.8	1.7	1.7
Dividend yield (%)	4.8	4.6	5.3	5.8	5.8
Net int margin (%)	1.7	2.2	2.1	2.0	1.9
Cost/income (%)	43.0	41.1	40.0	42.0	41.9
Loan loss cover (%)	121.8	128.1	135.0	137.0	137.5
Consensus net profit	-	-	10,878	10,754	11,012
UOBKH/Consensus (x)	-	-	1.03	0.93	0.94

Source: DBS Group Holdings, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$41.70
Target Price	S\$46.95
Upside	+12.6%
(Previous TP)	S\$42.70

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):	2,844.2
Market cap (S\$m):	118,602.1
Market cap (US\$m):	89,457.0
3-mth avg daily t'over (US\$m):	132.2

Price Performance (%)

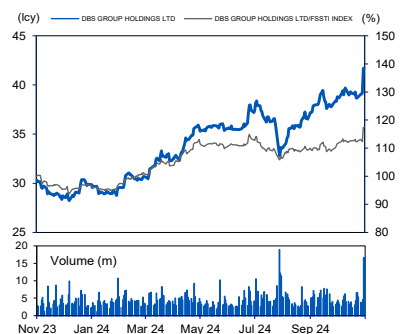
52-week high/low S\$41.90/S\$28.19

1mth	3mth	6mth	1yr	YTD
8.7	23.9	16.1	35.7	37.3

Major Shareholders

	%
Temasek Hldgs	29.1
FY24 NAV/Share (S\$)	23.13
FY24 CAR Tier-1 (%)	16.17

PRICE CHART



Source: Bloomberg

ANALYST

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STOCK IMPACT

- Guidance for 2025.** Management guided for net interest income to be around 2024's levels in 2025 as NIM compression would be offset by loan growth of 4%. Non-interest income is expected to grow at high single digit, driven by wealth management and treasury customer sales. Trading income would benefit from lower funding cost. Management expects total income to increase by low single digit. Cost-to-income is expected to be in low-40%. Specific provisions are expected to be 17-20bp, although there is no sign of stress for asset quality. Pre-tax profit should be around 2024's levels. Net profit is expected to be lower than 2024's levels due to the global minimum tax rate of 15%.
- Capital management through share buyback.** The Board established a new share buyback programme of S\$3b. Under the programme, shares will be purchased in the open market and cancelled. The programme will reduce the fully phased-in CET-1 CAR by around 0.8ppt when completed. It also affirmed the policy of paying ordinary dividends that are sustainable and progressively rise with earnings.
- Committed to paying more.** Fully phased-in CET-1 CAR would remain high at 14.4% after the completion of the share buyback programme, which is still above DBS' preferred operating range of 12.5-13.5%. Management opined that DBS still has surplus capital of S\$3b-5b based on fully phased-in CET-1 CAR even after the share buyback programme is completed. Thus, capital management to return surplus capital to shareholders would be an ongoing effort. Management will deploy all three engines, comprising step-up in regular quarterly dividends, special dividends and share buyback.
- Disciplined approach to acquisitions.** M&As in Malaysia, Indonesia and India would be considered if three conditions are met: a) the price is attractive and provides accretion to earnings, b) management understands and could integrate and operate the business, and c) revenue and cost synergies.

EARNINGS REVISION/RISK

- We raised our earnings forecast by 1% for 2025 due to higher fee income, higher trading income and lower credit costs, which would be partially offset by higher taxes.

VALUATION/RECOMMENDATION

- Maintain BUY.** Our target price of S\$46.95 is based on 1.95x 2025F P/B, derived from the Gordon Growth Model (ROE: 14.9%, COE: 8.5% (previous: 9.0%), growth: 1.8% (previous: 1.5%).

3Q24 RESULTS

Profit & Loss (\$m)	3Q24	3Q23	yoy % Chg	UOBKH Estimate	Deviation (%)
Net Interest Income	3,597	3,504	2.7	3,558	1.1
Fees & Commissions	1,109	843	31.6	991	11.9
Other Non-interest Income	1,047	845	23.9	820	27.7
Total Income	5,753	5,192	10.8	5,369	7.2
Operating Expenses	(2,255)	(2,078)	8.5	(2,184)	3.3
PPOP	3,498	3,114	12.3	3,185	9.8
Provisions	(130)	(215)	-39.5	(149)	-12.8
Associates	66	62	6.5	65	n.a.
PBT	3,434	2,961	16.0	3,101	10.7
Net Profit	3,027	2,593	16.7	2,713	11.6
EPS (S cents)	105.3	91.3	15.3	95.9	9.7
DPS (S cents)	54.0	48.0	12.5	54.0	0.0
BVPS (S\$)	22.81	20.28	12.5	22.35	2.1
Financial Ratios (%)	3Q24	3Q23	yoy Chg (ppt)	2Q24	qoq Chg (ppt)
NIM	2.11	2.19	-0.08	2.14	-0.03
Loan Growth, yoy	-0.4	-2.1	1.7	2.2	-2.6
Deposit Growth, yoy	2.6	-0.3	2.9	6.0	-3.4
Loan/Deposit Ratio	76.7	79.0	-2.3	77.1	-0.4
Cost/Income Ratio	39.1	39.3	-0.2	39.6	-0.5
ROE	18.7	18.2	0.5	18.2	0.5
NPL Ratio	1.0	1.2	-0.2	1.1	-0.1
Credit Costs (bp)	12.2	20.3	-8.1	14.1	-1.9
Loan Loss Coverage	135.1	125.0	10.1	129.0	6.1
CET-1 CAR	15.2	14.1	1.1	14.8	0.4

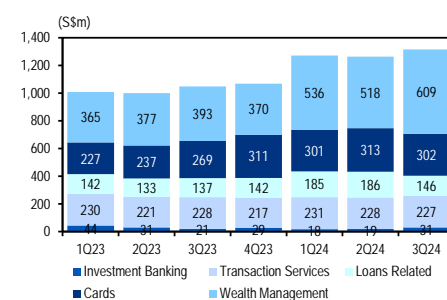
*Adjusted for 1-for-10 bonus issue
Source: DBS, UOB Kay Hian

KEY ASSUMPTIONS

	2022	2023	2024F	2025F	2026F
Loan Growth (%)	1.3	0.4	1.7	4.9	4.9
NIM (%)	1.75	2.15	2.11	1.97	1.95
Fees, % Chg	(12.3)	9.5	25.4	3.5	8.3
NPL Ratio (%)	1.13	1.11	1.04	1.08	1.09
Credit Costs (bp)	5.4	13.7	13.5	19.1	19.1
Net Profit (\$m)	8,196	10,062	11,234	10,021	10,370
% Chg	20.5	22.8	11.6	(10.8)	3.5

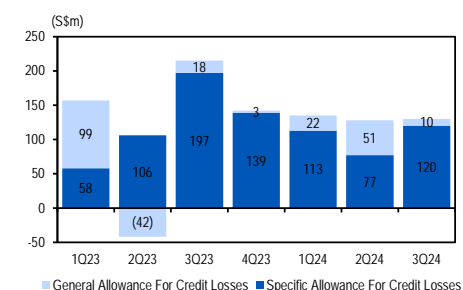
Source: UOB Kay Hian

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	31,074	29,338	29,518
Interest expense	(14,220)	(16,910)	(15,551)	(15,371)
Net interest income	13,642	14,164	13,787	14,147
Fees & commissions	3,384	4,243	4,390	4,754
Other income	3,154	3,616	3,180	3,180
Non-interest income	6,538	7,859	7,570	7,934
Total income	20,180	22,023	21,357	22,081
Staff costs	(5,045)	(5,536)	(5,499)	(5,686)
Other operating expense	(3,257)	(3,279)	(3,470)	(3,566)
Pre-provision profit	11,878	13,208	12,389	12,828
Loan loss provision	(578)	(575)	(840)	(881)
Other provisions	(12)	(24)	0	0
Associated companies	214	229	241	253
Pre-tax profit	11,502	12,837	11,789	12,200
Tax	(1,423)	(1,603)	(1,768)	(1,830)
Minorities	(17)	0	0	0
Net profit	10,062	11,234	10,021	10,370
Net profit (adj.)	10,186	11,253	10,021	10,370

OPERATING RATIOS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Capital Adequacy				
Tier-1 CAR	15.3	16.2	15.9	16.2
Total CAR	16.1	17.0	16.7	17.0
Total assets/equity (x)	11.9	11.7	11.9	12.0
Tangible assets/tangible common equity (x)	12.6	12.8	13.0	13.1
Asset Quality				
NPL ratio	1.1	1.0	1.1	1.1
Loan loss coverage	128.1	135.0	137.0	137.5
Loan loss reserve/gross loans	1.4	1.4	1.5	1.5
Increase in NPLs	(1.3)	(5.1)	9.0	8.8
Credit cost (bp)	13.7	13.5	19.1	19.1
Liquidity				
Loan/deposit ratio	77.8	76.7	76.6	76.6
Liquid assets/short-term liabilities	32.4	35.4	35.5	35.5
Liquid assets/total assets	25.5	27.3	27.4	27.4

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	79,014	82,876	86,926
Customer loans	416,163	422,987	443,320	464,636
Investment securities	81,735	95,956	100,844	105,982
Derivative receivables	22,700	24,590	25,843	27,160
Associates & JVs	2,487	3,153	3,394	3,647
Fixed assets (incl. prop.)	6,313	3,595	3,595	3,595
Other assets	21,664	28,439	28,644	29,157
Total assets	739,301	796,194	834,029	874,029
Interbank deposits	46,704	62,602	65,661	68,870
Customer deposits	535,103	551,501	578,453	606,722
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
Total liabilities	677,054	727,835	763,573	801,069
Shareholders' funds	62,065	68,166	70,264	72,767
Minority interest - accumulated	182	193	193	193
Total equity & liabilities	739,301	796,194	834,029	874,029

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Growth				
Net interest income, yoy chg	24.7	3.8	(2.7)	2.6
Fees & commissions, yoy chg	9.5	25.4	3.5	8.3
Pre-provision profit, yoy chg	26.2	11.2	(6.2)	3.5
Net profit, yoy chg	22.8	11.6	(10.8)	3.5
Net profit (adj.), yoy chg	24.3	10.5	(10.9)	3.5
Customer loans, yoy chg	0.4	1.6	4.8	4.8
Customer deposits, yoy chg	1.5	3.1	4.9	4.9
Profitability				
Net interest margin	2.2	2.1	2.0	1.9
Cost/income ratio	41.1	40.0	42.0	41.9
Adjusted ROA	1.4	1.5	1.2	1.2
Reported ROE	16.9	17.3	14.5	14.5
Adjusted ROE	17.1	17.3	14.5	14.5
Valuation				
P/BV (x)	1.8	1.8	1.7	1.7
P/NTA (x)	1.9	2.0	1.9	1.8
Adjusted P/E (x)	10.5	10.5	11.8	11.3
Dividend Yield	4.6	5.3	5.8	5.8
Payout ratio	49.1	56.1	67.8	64.9

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