

COMPANY RESULTS

DBS Group Holdings (DBS SP)

1Q24: Accelerating Pace Of Returning Surplus Capital To Shareholders

DBS' 1Q24 net profit of S\$2,951m (+15% yoy) was significantly above our expectation. NIM expanded 2bp yoy and 1bp qoq to 2.14% due to repricing of fixed-rate assets at higher interest rates. Net interest income grew 7% yoy. Wealth management fees surged 47% yoy and treasury customer sales reached a new high. Management will continue to review DBS' capital structure in view of returning more surplus capital to shareholders. Maintain BUY. Target price: S\$40.70.

RESULTS

- DBS Group Holdings (DBS) reported net profit of S\$2,951m for 1Q24, up 15% yoy and 30% qoq. The results were significantly above our net profit forecast of S\$2,486m.
- Resilient NIM despite lower HIBOR.** NIM expanded 2bp yoy and 1bp qoq to 2.14% in 1Q24. DBS benefitted from repricing of fixed-rate assets at higher interest rates. 3M HIBOR declined 43bp qoq to 4.72% and had a negative impact of 2bp on NIM. Loans grew 1% qoq or S\$6b on a constant-currency basis. Non-trade corporate loans expanded 3% qoq, driven by commodities and land sales. Deposits expanded 1% or S\$7b qoq, while CASA outflow has eased. Net interest income grew 7% yoy.
- Strong organic growth for fee income.** Fees & commissions jumped 23% yoy and 20% qoq in 1Q24. The recovery was led by wealth management (+47% yoy), cards (+33% yoy) and loans-related fees (+30% yoy). Wealth management benefitted from stronger market sentiment and high net worth clients deploying the expanded AUM in a wide range of investment products. Both wealth management and cards benefitted from the consolidation of Citi Taiwan. Excluding Citi Taiwan, growth from wealth management and cards would still be sizeable at 35% and 12% yoy respectively.
- Bonanza quarter for treasury sales.** Other non-interest income was exceptionally strong and expanded 24% yoy to S\$1,009m in 1Q24. Treasury customer sales reached a new high as companies rushed to hedge interest rate risk, triggered by the change in interest rate outlook to "higher for longer". Markets trading income doubled qoq.
- Successful cost containment.** Operating expenses increased 10% yoy in 1Q24. Citi Taiwan accounted for 5ppt of the yoy increase. Cost-to-income ratio improved 1ppt yoy to 37%. Integration cost for Citi Taiwan was small at S\$5m.
- Stable asset quality.** NPL ratio was relatively stable at 1.1% with new NPLs partially offset by repayments and write-offs. Specific provisions declined 19% qoq to S\$113m (4Q23: S\$139m) or 10bp of loans in 1Q24. Loan loss coverage was healthy at 125%.
- Resilient balance sheet.** CET-1 CAR improved 0.3ppt yoy to 14.7% in 1Q24.
- Bonus shares entitled to dividends.** The board has maintained quarterly dividend at 54 S cents for 1Q24. Newly-issued bonus shares are entitled to the quarterly dividend.

KEY FINANCIALS

Year to 31 Dec (\$m)	2022	2023	2024F	2025F	2026F
Net interest income	10,941	13,642	14,162	14,064	14,470
Non-interest income	5,561	6,538	7,158	7,168	7,491
Net profit (rep./act.)	8,196	10,062	10,641	10,199	10,558
Net profit (adj.)	8,192	10,186	10,646	10,199	10,558
EPS (S\$ cent)	318.4	395.5	376.3	360.5	373.2
PE (x)	11.0	8.8	9.3	9.7	9.4
P/B (x)	1.6	1.5	1.6	1.5	1.4
Dividend yield (%)	5.7	5.5	6.4	6.9	6.9
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	127.0	130.5	131.5
Consensus net profit	-	-	10,039	10,133	10,394
UOBKH/Consensus (x)	-	-	1.06	1.01	1.02

Source: DBS Group Holdings, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$34.90
Target Price	S\$40.70
Upside	+16.6%
(Previous TP)	S\$39.32

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

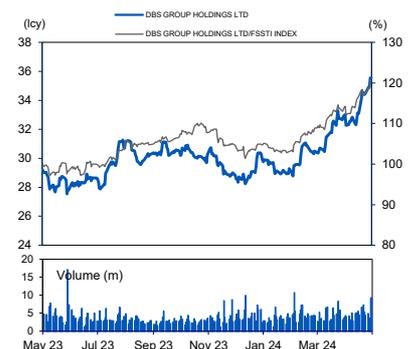
GICS sector	Financials
Bloomberg ticker:	DBS SP
Shares issued (m):	2,844.2
Market cap (S\$m):	99,263.1
Market cap (US\$m):	72,736.2
3-mth avg daily t'over (US\$m):	116.3
Price Performance (%)	
52-week high/low	S\$34.90/S\$27.55

1mth	3mth	6mth	1yr	YTD
6.9	20.6	16.2	17.0	14.9

Major Shareholders

Temasek Hldgs	29.1
-	-
FY24 NAV/Share (S\$)	22.19
FY24 CAR Tier-1 (%)	15.16

PRICE CHART



Source: Bloomberg

ANALYST(S)

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STOCK IMPACT

- Guidance for 2024.** Management guided for 2024 NIM to be slightly lower than 4Q23's 2.13%. Net interest income is expected to be modestly better than 2023 levels, supported by full-year impact of Citi Taiwan 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 should be above previous guidance of mid-single digit. Cost-to-income ratio is expected to be in low 40%. Specific provisions are estimated at 17-20bp. Net profit is expected to be above 2023 levels. ROE is forecast to be 15-17%.
- Continuing to evaluate options to return surplus capital.** DBS will increase the pace of returning capital to shareholders due to the structurally higher profitability of its franchise and strong capital buffers. Surplus capital could be returned to shareholders through special dividend, ordinary dividends and share buyback. The board will review and evaluate these options every quarter.
- Addressing digital disruptions and technology resiliency.** DBS has made good progress in executing its Tech Resiliency Roadmap. It achieved a higher level of service availability by utilising alternative channels for processing payments and account enquiries should disruptions occur. Recovery of services is accelerated. It has strengthened change management through artificial intelligence. It uses more monitoring tools to identify issues quickly. Thus, Monetary Authority of Singapore has decided not to extend the six-month pause on non-essential activities.

EARNINGS REVISION/RISK

- We raised our earnings forecast by 8% for 2024 due to the stronger wealth management fees and treasury income.

VALUATION/RECOMMENDATION

- Maintain BUY.** Our target price of S\$40.70 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	5.6	4.9	4.9
NIM (%)	1.75	2.15	2.12	2.01	1.99
Fees, % Chg	(12.3)	9.5	17.1	5.6	7.7
NPL Ratio (%)	1.13	1.11	1.17	1.20	1.21
Credit Costs (bp)	5.4	13.7	18.3	20.1	20.1
Net Profit (S\$m)	8,196	10,062	10,641	10,199	10,558
% Chg	20.5	22.8	5.8	(4.2)	3.5

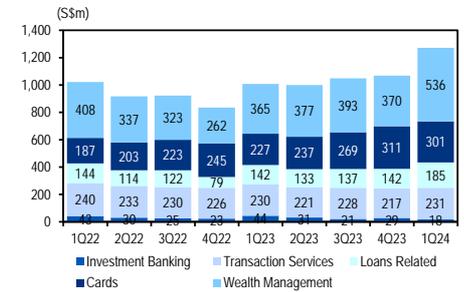
Source: UOB Kay Hian

1Q24 RESULTS

Profit & Loss (S\$m)	1Q24	1Q23	yoy % chg	UOBKH Estimate	Deviation (%)
Net Interest Income	3,505	3,271	7.2	3,402	3.0
Fees & Commissions	1,043	851	22.6	936	11.5
Other Non-interest Income	1,009	814	24.0	745	35.4
Total Income	5,557	4,936	12.6	5,082	9.3
Operating Expenses	(2,090)	(1,882)	11.1	(2,111)	-1.0
PPOP	3,467	3,054	13.5	2,972	16.7
Provisions	(135)	(161)	-16.1	(213)	-36.7
Associates	51	63	-19.0	66	n.a.
PBT	3,383	2,956	14.4	2,825	19.8
Net Profit	2,951	2,571	14.8	2,486	18.7
EPS (S cents)	104.0	91.3	14.0	87.8	18.4
DPS (S cents)	54.0	42.0	28.6	54.0	0.0
BVPS (S\$)	21.55	19.46	10.7	21.96	-1.9
Financial Ratios (%)	1Q24	1Q23	yoy chg (ppt)	4Q23	qoq chg (ppt)
NIM	2.14	2.12	0.02	2.13	0.01
Loan Growth, yoy	1.9	0.1	1.8	0.4	1.5
Deposit Growth, yoy	3.4	1.8	1.6	1.5	1.9
Loan/Deposit Ratio	77.6	78.8	-1.2	77.8	-0.1
Cost/Income Ratio	37.4	38.1	-0.7	44.0	-6.6
ROE	19.4	18.6	0.8	16.1	3.3
NPL Ratio	1.1	1.1	0.0	1.1	0.0
Credit Costs (bp)	12.7	15.3	-2.6	13.4	-0.7
Loan Loss Coverage	125.0	126.6	-1.5	128.1	-3.1
CET-1 CAR	14.7	14.4	0.3	14.6	0.1

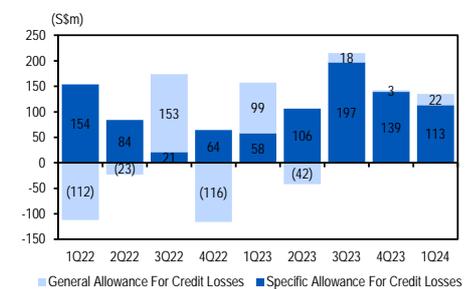
Source: DBS, UOB Kay Hian

FEE INCOME - SEGMENTAL BREAKDOWN



Source: DBS

TOTAL ALLOWANCE



Source: DB

PROFIT & LOSS

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Interest income	27,862	30,187	29,069	29,539
Interest expense	(14,220)	(16,025)	(15,005)	(15,069)
Net interest income	13,642	14,162	14,064	14,470
Fees & commissions	3,384	3,964	4,188	4,511
Other income	3,154	3,194	2,980	2,980
Non-interest income	6,538	7,158	7,168	7,491
Total income	20,180	21,321	21,231	21,961
Staff costs	(5,045)	(5,372)	(5,466)	(5,654)
Other operating expense	(3,257)	(3,242)	(3,478)	(3,576)
Pre-provision profit	11,878	12,707	12,288	12,731
Loan loss provision	(578)	(796)	(919)	(963)
Other provisions	(12)	0	0	0
Associated companies	214	210	220	231
Pre-tax profit	11,502	12,121	11,590	11,998
Tax	(1,423)	(1,481)	(1,391)	(1,440)
Minorities	(17)	0	0	0
Net profit	10,062	10,641	10,199	10,558
Net profit (adj.)	10,186	10,646	10,199	10,558

OPERATING RATIOS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Capital Adequacy				
Tier-1 CAR	15.3	15.2	15.2	15.6
Total CAR	16.1	16.0	15.9	16.3
Total assets/equity (x)	11.9	12.0	12.0	11.9
Tangible assets/tangible common equity (x)	12.6	12.6	12.6	12.5
Asset Quality				
NPL ratio	1.1	1.2	1.2	1.2
Loan loss coverage	128.1	127.0	130.5	131.5
Loan loss reserve/gross loans	1.4	1.5	1.6	1.6
Increase in NPLs	(1.3)	11.0	7.7	7.5
Credit cost (bp)	13.7	18.3	20.1	20.1
Liquidity				
Loan/deposit ratio	77.8	77.6	77.5	77.5
Liquid assets/short-term liabilities	32.4	32.2	32.3	32.3
Liquid assets/total assets	25.5	25.4	25.4	25.4

BALANCE SHEET

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Cash with central bank	50,213	52,771	55,460	58,285
Govt treasury bills & securities	70,565	74,160	77,938	81,909
Interbank loans	67,461	71,358	74,845	78,503
Customer loans	416,163	439,139	460,204	482,288
Investment securities	81,735	85,899	90,275	94,874
Derivative receivables	22,700	23,856	25,072	26,349
Associates & JVs	2,487	2,697	2,917	3,148
Fixed assets (incl. prop.)	6,313	6,313	6,313	6,313
Other assets	21,664	24,604	26,164	27,994
Total assets	739,301	780,797	819,187	859,662
Interbank deposits	46,704	49,402	51,816	54,348
Customer deposits	535,103	566,013	593,674	622,688
Derivative payables	23,457	24,652	25,908	27,228
Debt equivalents	49,398	51,847	54,422	57,127
Other liabilities	22,392	23,533	24,732	25,992
Total liabilities	677,054	715,447	750,551	787,382
Shareholders' funds	62,065	65,169	68,454	72,098
Minority interest - accumulated	182	182	182	182
Total equity & liabilities	739,301	780,797	819,187	859,662

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Growth				
Net interest income, yoy chg	24.7	3.8	(0.7)	2.9
Fees & commissions, yoy chg	9.5	17.1	5.6	7.7
Pre-provision profit, yoy chg	26.2	7.0	(3.3)	3.6
Net profit, yoy chg	22.8	5.8	(4.2)	3.5
Net profit (adj.), yoy chg	24.3	4.5	(4.2)	3.5
Customer loans, yoy chg	0.4	5.5	4.8	4.8
Customer deposits, yoy chg	1.5	5.8	4.9	4.9
Profitability				
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	1.3
Reported ROE	16.9	16.7	15.3	15.0
Adjusted ROE	17.1	16.7	15.3	15.0
Valuation				
P/BV (x)	1.5	1.6	1.5	1.4
P/NTA (x)	1.6	1.7	1.6	1.5
Adjusted P/E (x)	8.8	9.3	9.7	9.4
Dividend Yield	5.5	6.4	6.9	6.9
Payout ratio	49.1	59.0	66.6	64.3

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