

COMPANY RESULTS

DBS Group Holdings (DBS SP)

1Q25: Wealth Management Leading The Way

DBS achieved a net profit of S\$2,897m in 1Q25 (down 2% yoy), driven by a surge in wealth management fees (+35% yoy) and growth in net interest income (+5% yoy). Management sees its overlay for general provisions of S\$2.6b as adequate. DBS is committed to returning excess capital of S\$8b to shareholders, comprising capital return dividend of S\$5b (15 S cents per quarter to be paid over three years in 2025-27) and share buyback of S\$3b. Maintain HOLD. Target price: S\$40.90.

RESULTS

- DBS Group Holdings (DBS) reported a net profit of S\$2,897m for 1Q25, down 2% yoy but up 10% qoq. The results were above our net profit forecast of S\$2,746m. Pre-tax profit grew 1% yoy. Net profit slipped 2% yoy due to the implementation of global minimum tax of 15%.
- Mild erosion in NIM.** NIM eased 2bp yoy and 3bp qoq to 2.12% in 1Q25. Loans grew 2% yoy on a constant-currency basis driven by non-trade corporate loans. SGD and foreign currency CASA growth accelerated to S\$9b and S\$4b qoq respectively as DBS benefitted from flight to safety. CASA ratio has recovered to 53%. Net interest income rose 5% yoy.
- Spectacular surge in wealth management fees.** Fees & commissions grew 22% yoy in 1Q25. Wealth management fees surged 35% yoy to a whopping S\$724m. AUM jumped 13% yoy to S\$432b. Loans-related fees expanded 23% yoy to S\$227m. Other non-interest income declined 6% yoy to S\$949m in 1Q25. Treasury customer sales grew 11% yoy to S\$548m. Markets trading income rose 3% to S\$401m.
- Hit by higher effective tax rate.** Operating expenses increased 6% yoy to S\$2,214m in 1Q25. Staff expenses grew 9% yoy. Cost-to-income ratio was healthy at 37.5% in 1Q25 (1Q24: 37.4%). Effective tax rate was higher at 15.7% due to a global minimum tax of 15% (2024: 12.4%).
- Beefing up general provisions and loan loss coverage despite stable asset quality.** NPL formation eased to S\$159m in 1Q25 (1Q24: S\$317m). DBS benefitted from an upgrade of S\$236m as a distressed large corporation was acquired by a new owner. NPL ratio was stable at 1.1%. General provisions of S\$205m were prudently set aside to strengthen loan loss coverage, which improved 8ppt qoq to 137%.
- Strong capital adequacy.** Final Basel III reforms were implemented on 1 Jul 24. DBS' CET-1 CAR was 17.4% based on transitional arrangements (fully phased-in: 15.2%).
- Delivering the promised payout.** The Board has declared a quarterly dividend of 60 S cents and capital return dividend of 15 S cents for 1Q25.

STOCK IMPACT

- Largely maintain 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 three rate cuts in 2025) would be offset by positive impact from a mid-single-digit loan growth. Management has toned down guidance on non-interest income from high single digit to mid-to-high single digit. Fee income is driven by growth from wealth management at low to high teens. CIR is expected to be in low-40%. Guidance for specific provisions is unchanged at 17-20bp. Pre-tax profit should be flat at around 2024 levels. Net profit is expected to be lower than 2024 levels due to the global minimum tax rate of 15% (negative impact of S\$400m).

KEY FINANCIALS

Year to 31 Dec (S\$m)	2023	2024	2025F	2026F	2027F
Net interest income	13,642	14,424	14,529	14,612	15,144
Non-interest income	6,538	7,873	8,367	8,676	9,117
Net profit (rep./act.)	10,062	11,289	10,307	9,727	11,445
Net profit (adj.)	10,186	11,308	10,307	9,727	11,445
EPS (S\$ cent)	395	399	364	347	411
PE (x)	10.9	10.8	11.8	12.4	10.5
P/B (x)	1.9	1.8	1.9	1.9	1.8
Dividend yield (%)	4.5	5.2	7.0	7.0	7.0
Net int margin (%)	2.2	2.1	2.0	2.0	2.0
Cost/income (%)	41.1	40.5	40.8	43.0	42.1
Loan loss cover (%)	128.1	129.3	139.5	150.6	152.0
Consensus net profit	-	-	10,894	11,050	11,487
UOBKH/Consensus (x)	-	-	0.95	0.88	1.00

Source: DBS Group Holdings, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	S\$43.09
Target Price	S\$40.90
Upside	-5.1%
(Previous TP)	S\$40.00)

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.

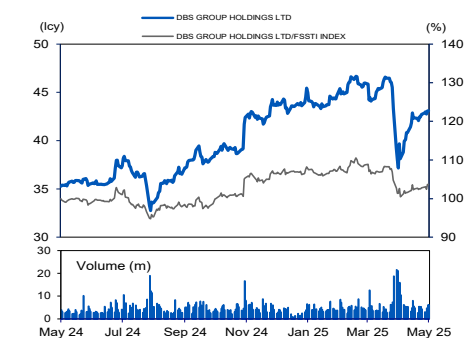
STOCK DATA

GICS sector	Financials
Bloomberg ticker:	DBS SP
Shares issued (m):	2,840.0
Market cap (S\$m):	122,374.0
Market cap (US\$m):	94,373.4
3-mth avg daily t'over (US\$m):	198.3

Price Performance (%)

52-week high/low			S\$46.97/S\$32.70	
1mth	3mth	6mth	1yr	YTD
9.7	(2.8)	10.2	19.9	(1.4)
Major Shareholders				%
Temasek Hldgs				29.1
FY25 NAV/Share (S\$)				22.97
FY25 CAR Tier 1 (%)				16.43

PRICE CHART



Source: Bloomberg

ANALYST

Jonathan Koh, CFA, MSc Econ
+65 6590 6620
jonathankoh@uobkayhian.com

• **Potential misses for loan growth.** Rules-based world order has shifted to a multipolar world. Trade and payment links are being reconfigured. Tariff uncertainties could result in a pause in client activities. While maintaining its guidance on loan growth at mid-single digit, management cautioned that new loans could be muted in 2H25 as the trade conflict rages on. DBS might not be able to achieve the target of mid-single-digit loan growth as the outlook is shrouded in great uncertainties.

• **First order impact expected to be manageable.** Large corporations in vulnerable sectors, such as automobile, metals & mining and discretionary consumer goods, accounted for 1-2% of total loans. Exposures to SMEs are S\$12b or 2.8% of total loans. Exposure to credit card overdraft and unsecured consumer lending is S\$14b or 3.2% of total loans. DBS has been reducing its exposure to mainland China. Management assessed that DBS would not be badly affected. Its overlay for general provisions of S\$2.6b is adequate, unless there are other Black Swan events.

• **Building up international network.** Management would consider ease of merger integration, attractiveness of pricing and strategic fit when assessing acquisitions. Management did not specifically comment on Bank Panin. In our opinion, the steep depreciation of the rupiah of 7% ytd against the Singapore dollar has the potential to resurrect the deal.

• **DBS is expected to maintain its capital management plan.** Capital return dividend of 15 S cents per quarter would be paid out over three years in 2025-27 (S\$5b). DBS has bought back and cancelled DBS shares representing 9% of the S\$3b allocated for the share buyback programme. In total, excess capital of S\$8b would be returned to shareholders.

EARNINGS REVISION/RISK

• We raised our earnings forecast by 1.4% for 2025 and 0.4% for 2026 due to a stronger growth in fee income.

VALUATION/RECOMMENDATION

• **Err on the side of caution.** Traditionally, DBS has the highest beta among the three local banks. Its dividend payout ratios of 82% for 2025 and 87% for 2026 are also more stretched compared with peers. At the moment, we cannot rule out DBS embarking on acquisitions in Malaysia or Indonesia, which might be untimely due to ongoing external uncertainties.

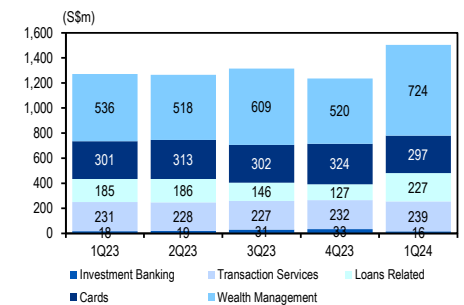
• **Maintain HOLD.** Our target price for DBS of S\$40.90 is based on 1.78x 2025F P/B, derived from the Gordon Growth Model (ROE: 15.6%, COE: 8.75%, growth: 0.0%).

KEY ASSUMPTIONS

	2024	2025	2026F	2027F	2028F
Loan Growth (%)	0.4	3.4	2.7	2.0	4.3
NIM (%)	2.15	2.14	2.02	1.96	1.96
Fees, % Chg	9.5	23.2	17.4	7.8	8.4
NPL Ratio (%)	1.11	1.09	1.16	1.26	1.29
Credit Costs (bp)	13.7	14.0	37.9	47.1	19.1
Net Profit (\$m)	10,062	11,289	10,307	9,727	11,445
% Chg	22.8	12.2	(8.7)	(5.6)	17.7

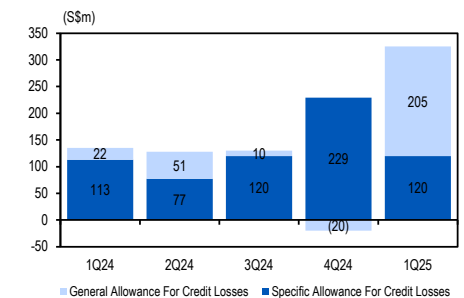
Source: UOB Kay Hian

FEE INCOME - SEGMENTAL BREAKDOWN



Source: DBS

TOTAL ALLOWANCE



Source: DBS

1Q25 RESULTS

Profit & Loss (\$m)	1Q25	1Q24	yoy % Chg	UOBKH Estimate	Deviation (%)
Net Interest Income	3,681	3,505	5.0	3,714	-0.9
Fees & Commissions	1,275	1,043	22.2	1,148	11.0
Other Non-interest Income	949	1,009	-5.9	875	8.5
Total Income	5,905	5,557	6.3	5,737	2.9
Operating Expenses	(2,220)	(2,090)	6.2	(2,369)	-6.3
PPOP	3,685	3,467	6.3	3,368	9.4
Provisions	(325)	(135)	140.7	(208)	56.4
Associates	77	51	51.0	70	10.0
PBT	3,437	3,383	1.6	3,230	6.4
Net Profit	2,897	2,951	-1.8	2,746	5.5
EPS (S cents)	102.8	104.0	-1.2	96.7	6.2
DPS (S cents)	60.0	54.0	11.1	75.0	-20.0
BVPS (\$)	23.81	21.55	10.5	24.26	-1.9
Financial Ratios (%)	1Q25	1Q24	yoy Chg (ppt)	4Q24	qoq Chg (ppt)
NIM	2.12	2.14	-0.02	2.15	-0.03
Loan Growth, yoy	2.5	1.9	0.6	3.4	-0.9
Deposit Growth, yoy	5.2	3.4	1.8	5.0	0.2
Loan/Deposit Ratio	75.6	77.6	-2.0	76.7	-1.0
Cost/Income Ratio	37.5	37.4	0.1	43.5	-6.0
ROE	17.3	19.4	-2.1	15.8	1.5
NPL Ratio	1.1	1.1	0.0	1.1	0.0
Credit Costs (bp)	29.6	12.7	16.9	19.3	10.3
Loan Loss Coverage	137.0	125.0	12.0	129.3	7.7
CET-1 CAR	15.2	14.7	0.5	15.1	0.1

Source: DBS, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (\$m)	2024	2025F	2026F	2027F
Interest income	30,927	30,025	29,859	30,897
Interest expense	(16,503)	(15,495)	(15,247)	(15,753)
Net interest income	14,424	14,529	14,612	15,144
Fees & commissions	4,168	4,893	5,276	5,717
Other income	3,705	3,474	3,400	3,400
Non-interest income	7,873	8,367	8,676	9,117
Total income	22,297	22,896	23,288	24,261
Staff costs	(5,594)	(5,840)	(5,996)	(6,247)
Other operating expense	(3,444)	(3,512)	(4,015)	(3,975)
Pre-provision profit	13,259	13,544	13,276	14,040
Loan loss provision	(602)	(1,676)	(2,134)	(890)
Other provisions	(24)	0	0	0
Associated companies	250	286	300	315
Pre-tax profit	12,883	12,154	11,443	13,465
Tax	(1,594)	(1,848)	(1,716)	(2,020)
Minorities	0	0	0	0
Net profit	11,289	10,307	9,727	11,445
Net profit (adj.)	11,308	10,307	9,727	11,445

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	84,571	86,275	89,778
Customer loans	430,594	441,124	448,724	467,545
Investment securities	105,053	110,405	116,030	121,941
Derivative receivables	27,897	29,318	30,812	32,382
Associates & JVs	3,073	3,359	3,659	3,974
Fixed assets (incl. prop.)	3,873	3,873	3,873	3,873
Other assets	36,129	44,673	40,905	39,507
Total assets	827,219	864,650	885,110	921,719
Interbank deposits	64,175	67,491	68,851	71,647
Customer deposits	561,730	590,760	602,664	627,134
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
Total liabilities	758,386	797,414	817,701	852,347
Shareholders' funds	68,786	67,188	67,362	69,325
Minority interest - accumulated	47	47	47	47
Total equity & liabilities	827,219	864,650	885,110	921,719

OPERATING RATIOS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Capital Adequacy				
Tier-1 CAR	17.7	16.4	16.0	15.8
Total CAR	18.6	17.3	16.9	16.6
Total assets/equity (x)	12.0	12.9	13.1	13.3
Tangible assets/tangible common equity (x)	13.2	14.1	14.4	14.5
Asset Quality				
NPL ratio	1.1	1.2	1.3	1.3
Loan loss coverage	129.3	139.5	150.6	152.0
Loan loss reserve/gross loans	1.4	1.6	1.9	2.0
Increase in NPLs	1.8	8.9	10.6	7.0
Credit cost (bp)	14.0	37.9	47.1	19.1
Liquidity				
Loan/deposit ratio	76.7	74.7	74.5	74.6
Liquid assets/short-term liabilities	35.2	35.2	35.9	36.1
Liquid assets/total assets	26.7	26.8	27.2	27.4

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Growth				
Net interest income, yoy chg	5.7	0.7	0.6	3.6
Fees & commissions, yoy chg	23.2	17.4	7.8	8.4
Pre-provision profit, yoy chg	11.6	2.1	(2.0)	5.7
Net profit, yoy chg	12.2	(8.7)	(5.6)	17.7
Net profit (adj.), yoy chg	11.0	(8.9)	(5.6)	17.7
Customer loans, yoy chg	3.5	2.4	1.7	4.2
Customer deposits, yoy chg	5.0	5.2	2.0	4.1
Profitability				
Net interest margin	2.1	2.0	2.0	2.0
Cost/income ratio	40.5	40.8	43.0	42.1
Adjusted ROA	1.4	1.2	1.1	1.3
Reported ROE	17.3	15.2	14.5	16.8
Adjusted ROE	17.3	15.2	14.5	16.8
Valuation				
P/BV (x)	1.8	1.9	1.9	1.8
P/NTA (x)	2.0	2.1	2.1	2.0
Adjusted P/E (x)	10.8	11.8	12.4	10.5
Dividend Yield	5.2	7.0	7.0	7.0
Payout ratio	55.8	82.4	86.5	72.9

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