

DBS Group (DBS SP)

FUNDAMENTAL VIEW ¹

As of 22 Aug 2024

- DBS Group's Aa2/NR/AA- ratings reflect the group's sound standalone fundamentals, as well as the strengths that come from its AAA-rated home country. Support may be stronger than peers thanks to its longstanding relationship with the government and Temasek's ~29% stake.
- DBS is a major player in Asian corporate banking, and also has strengths in mass market and private banking. It is also one of Asia's leading digital banks. Acquisitions have been skillfully handled in the past decade or so.
- DBS has performed well in recent years, with a high RoE, and its asset quality has been more resilient than that at UOB and OCBC.

RISKS & CATALYSTS

As of 22 Aug 2024

- Loan growth has been a recent challenge, partly due to Greater China corporate clients refinancing in the much cheaper CNY market, and PB clients lowering their leverage in a high-interest rate environment.
- Asset quality has outperformed the other two Singapore majors. Management does not see asset quality risk across any particular segment and lowered its specific provisions guidance by 5-7 bp.
- The MAS on 30 April 2024 removed its restriction on non-essential activities by DBS, which had been put in place in Nov-23 following IT failures, as it judged that the group made substantive progress in addressing its IT shortcomings. Its 0.8x operational risk overlay remains though till further notice, and its retail payments system had another outage on 2 May 2024.
- FY24 total income guidance has been lifted marginally since 1Q24, with fee income growth now expected in the mid-high teens.

CREDIT QUALITY SCORE (CQS)²

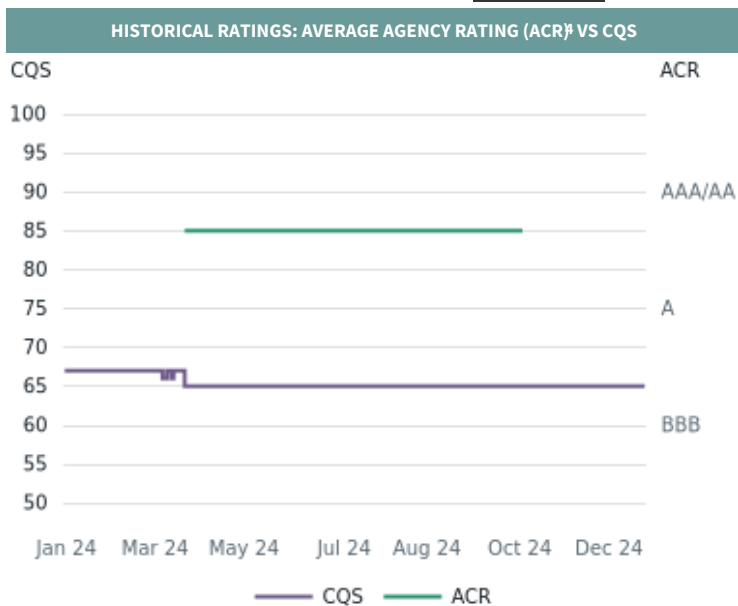
As of 19 Dec 2024

CURRENT CQS

65

CQS OUTLOOK ³

NEGATIVE STABLE POSITIVE



KEY METRICS

As of 22 Aug 2024

SGD MN	FY20	FY21	FY22	FY23	1H24
PPP ROA	1.37%	1.14%	1.32%	1.60%	1.76%
ROA	0.8%	1.0%	1.1%	1.4%	1.5%
ROE	9.1%	12.5%	15.0%	18.0%	18.8%
Equity/Assets	8.40%	8.38%	7.65%	8.40%	8.26%
CET1 Ratio	13.9%	14.4%	14.6%	14.6%	14.8%
NPL Ratio	1.60%	1.27%	1.13%	1.11%	1.10%
Provisions / Loans	0.83%	0.01%	0.06%	0.14%	0.13%
Liquidity Coverage Ratio	139%	135%	146%	144%	148%
Net Stable Funding Ratio	125%	123%	117%	118%	116%

BUSINESS DESCRIPTION

As of 22 Aug 2024

- DBS was established in 1968 as a development bank but was subsequently privatised and is now commercially run. The Singapore government retains an indirect stake through its investment vehicle, Temasek (~29%).
- In 1998, DBS moved beyond its wholesale bank origins with the acquisition of POSB that brought along a large mass market customer and deposit base. In 2001, it acquired the former Dao Heng Bank in Hong Kong and in 2008, it acquired a part of the failed Bowa Bank in Taiwan, to supplement its Greater China operations. It also regularly acquired wealth management businesses, such as SocGen's Asian private banking business in 2014 and ANZ's Asian retail and wealth management businesses in Singapore, Hong Kong, China, Taiwan and Indonesia in 2018. Recent acquisitions include Lakshmi Vilas Bank in India, a 16.69% stake in China's Shenzhen Rural Commercial Bank, and Citi's consumer business in Taiwan.
- As of 1H24, Singapore accounted for 44% of its loan book, with HK (15%), Rest of Greater China (14%), South & Southeast Asia (8%) and Rest of the World (18%) accounting for the rest.
- The bank is well regarded as a digital leader in the banking space, and has steadily built capabilities in private banking and markets businesses.

GLOSSARY

¹ The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.

² The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.

³ The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.

⁴ The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.

Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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