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Edited transcript of DBS first-quarter 2025 media briefing, 8 May 2025

Edna Koh Welcome to DBS's first-quarter financial results briefing.

Chng Sok Hui Good morning.

Highlights. We delivered a strong first-quarter performance, with total income rising 6% year-on-year to a record $5.91 billion from broad-based business growth. The strong operating performance allowed us to set aside $205 million of general allowances to further strengthen GP reserves in light of the recent escalation in macroeconomic and geopolitical uncertainty. Profit before tax was a record at $3.44 billion after the GP build.

Net profit was 2% lower at $2.90 billion due to the impact of the 15% global minimum tax, with return on equity at 17.3%.

Commercial book total income grew 4% to $5.54 billion. Net interest income rose 2%, as balance sheet growth more than offset a nine-basis-point decline in net interest margin. Net fee income and treasury customer sales were at record levels, driven by continued momentum in wealth management.

Markets trading income was the highest in 12 quarters, benefiting from market volatility and lower funding costs.

Compared to the previous quarter, net profit rose 10% as income grew 7% from broad-based business momentum in the commercial book as well as in markets trading.

Expenses declined 8%, partly due to non-recurring items in the previous quarter.

Asset quality remained resilient. The NPL ratio was stable at 1.1%, and specific allowances were at ten basis points of loans. The general allowances set aside increased our GP to $4.2 billion. Allowance coverage rose to 137%, and 230% after considering collateral.

Capital remained strong. The CET1 ratio was 17.4% on a transitional basis, and 15.2% on a fully phased-in basis.

The Board declared a total dividend of 75 cents per share for the first quarter, comprising a 60-cent ordinary dividend and a 15-cent Capital Return dividend.

Year-on-year performance. As you can see on this slide, the first quarter had several new highs – total income, profit before allowances and profit before tax. Subsequent slides will show that fee income was also at a record, with both wealth management and loan-related fees reaching new highs. Treasury customer sales was also at a record.

Compared to a year ago, pre-tax profit was 1% higher while net profit declined 2% due to higher tax expense from the global minimum tax.

Commercial book net interest income grew 2% or $72 million to $3.72 billion as balance sheet growth more than offset a nine-basis-point decline in net interest margin to 2.68%.

Fee income grew 22% or $232 million to $1.28 billion as wealth management and loan-related fees reached new highs.

Commercial book other non-interest income declined 12% or $73 million to $548 million due to non-recurring gains in first-quarter 2024. Within this, treasury customer sales grew 11% to a record.

Markets trading income rose 48% or $117 million to $363 million, the highest in 12 quarters, partly reflecting lower funding costs.

Expenses rose 6% or $135 million to $2.21 billion from higher staff expenses. The cost-income ratio was stable at 37%.

Specific allowances were $120 million or 10 basis points of loans, similar to a year ago. General allowances were higher, with $205 million prudently taken this quarter to strengthen GP reserves.

Quarter-on-quarter performance. Compared to the previous quarter, net profit was 10% higher.

Commercial book net interest income fell 3% quarter-on-quarter or 1% on a day-adjusted basis as a nine-basis-point decline in net interest margin from lower interest rates was mitigated by balance sheet growth.

Fee income grew 32% or $307 million led by wealth management and loan-related fees.

Commercial book other non-interest income of $548 million was stable compared to the previous quarter, which included property disposal gains. Treasury customer sales rose 32%.

Markets trading more than doubled as interest rate, FX and equity derivative activities benefited from market volatility and as funding costs fell.

Expenses were 8% or $181 million lower partly due to non-recurring items in the previous quarter.

Specific allowances halved, while general allowances were taken compared to a write-back in the previous quarter.

Net interest income. Compared to the previous quarter, group net interest income rose 1% on a day-adjusted basis to $3.68 billion from strong growth in loans and deposits.

Group net interest margin fell three basis points to 2.12%, due to a nine-basis-point decline in commercial book NIM, reflecting lower interest rates. This was partially offset by an improvement in markets trading NIM, partly due to lower funding costs.

Commercial book net interest income fell 1% on a day-adjusted basis to $3.72 billion, as the impact of lower rates was mitigated by balance sheet growth.

Compared to a year ago, Group net interest income rose 5%, as balance sheet growth more than offset a two-basis-point decline in net interest margin.

Loans. Gross loans grew 2% or $7 billion in constant-currency terms during the quarter to $442 billion. Non-trade corporate loans increased 3% or $8 billion from broad-based growth across the region and a range of industries. Trade loans fell 1% or $1 billion while consumer loans were little changed.

Deposits. Deposits rose 3% or $18 billion on a constant-currency basis this quarter to $576 billion, led by strong Sing-dollar and foreign currency Casa inflows. This compares with the deposit growth of $20 billion for full-year 2024. Sing-dollar Casa growth accelerated to $9 billion, up from $5 billion in the previous quarter, while foreign currency Casa rose by $4 billion. The Casa ratio improved to 53%.

Liquidity remained healthy, with the Liquidity Coverage Ratio at 145% and the Net Stable Funding Ratio at 115%, both well above regulatory requirements.

Fee income. Compared to a year ago, first-quarter gross fee income rose 18% to a record $1.50 billion led by new highs in wealth management and loan-related fees.

Wealth management fees grew 35% to $724 million, driven by strong market sentiment and an increase in assets under management. Loan-related fees rose 23% to $227 million on increased deal activity.

Compared to the previous quarter, gross fee income rose 22% led by double-digit growth in wealth management and loan-related fees

Wealth Management segment income. The strong momentum in Wealth Management from last year carried over into the first quarter. Wealth segment income rose to a record $1.49 billion, driven by a 32% increase in non-interest income from a year ago.

Fees were at a record, driven by higher sales of investment products and bancassurance, while treasury customer sales to wealth clients also reached a new high.

Assets under management reached a new high of $432 billion, with the proportion in investments maintained at 56%.

Commercial book non-interest income. This slide shows the breakdown of the group's non-interest income into three components – fee income, markets trading income, and the third component, commercial book other non-interest income. The third component largely comprises treasury customer sales for both the Wealth segment and the Institutional segment. Treasury customer sales are similar in nature to fee income as they are driven by customer demand.

In the first quarter, the entire $548 million comprised treasury customer sales, while in comparative periods of first-quarter 2024 and fourth-quarter 2024, there were other items of around $100 million each relating to FX gains and property disposal gains respectively. Excluding such non-recurring gains, treasury customer sales rose 11% year-on-year and 32% quarter-on-quarter.

Expenses. Compared to a year ago, expenses rose 6% to $2.21 billion due to higher staff costs from salary increments, increased bonus accruals and a larger headcount. The cost-income ratio was stable at 37%.

Expenses fell 8% from the previous quarter, which had included some non-recurring items

Non-performing assets. Asset quality remained resilient. Non-performing assets fell 3% from the previous quarter to $4.86 billion driven by lower new NPA formation and higher upgrades. The NPL ratio was stable at 1.1%.

Specific allowances. Specific allowances amounted to $111 million or 10 basis points of loans, similar to a year ago. The entire specific allowance charge was from Consumer Banking, which had been stable over the last few quarters. Specific allowance from Institutional Banking was flat as additional specific provisions were offset by write-backs, which included an upgrade of a large case during the quarter.

Specific allowances were about half that of the previous quarter, which had lower-than-usual write-backs.

General allowances. This quarter, we added $205 million to general allowance reserves as a prudent measure given the recent escalation in macroeconomic and geopolitical uncertainty. The increase in general allowances was not driven by deterioration in the actual credit performance of our portfolio. As seen in the previous slide, specific allowances was low at 10 basis points this quarter.

As of end-March, total general allowance reserves stood at $4.16 billion or 100 basis points of loans. General allowance reserves take into account base scenarios, overlaid with stress scenarios. GP overlays for stress scenarios stood at $2.6 billion as of 31 March 2025.

Allowance coverage rose to 137%, an increase of eight percentage points compared to the previous quarter. After considering collateral, allowance coverage rose to 230%.

Capital. The reported CET1 ratio rose 0.4 percentage points from the previous quarter to 17.4% mainly due to the implementation of revised market risk rules effective 1 January 2025. These rules, known as Fundamental Review of the Trading Book, are part of the Final Basel III reforms to enhance risk sensitivity of the capital framework for market risk. Per our Pillar III disclosure, DBS's market risk RWA declined by $5.6 billion due to the rule change, contributing to the 0.4% point improvement in CET1 ratio.

The pro-forma ratio on a fully phased-in basis increased 0.1 percentage points to 15.2%. The leverage ratio was 6.5%, more than twice the regulatory minimum of 3%.

Dividend. The Board declared a total dividend of 75 cents per share for the first quarter, comprising an ordinary dividend of 60 cents and a Capital Return dividend of 15 cents. The Capital Return dividend is part of the three-year plan that we announced last quarter to return excess capital to shareholders. Based on yesterday's closing share price and assuming that total dividends are held at 75 cents per quarter, the annualised dividend yield is 7.0%.

In addition, we also commenced share buyback under the $3 billion share buyback programme during the quarter. So far, we have bought back about $260 million of shares, representing around 9% of the programme.

In summary. We had a strong start to the year. Total income and pre-tax profit were at new highs driven by broad-based business growth. Our return on equity of 17.3% remained above our medium-term target despite the impact of the global minimum tax.

The recent escalation in trade tensions have heightened macroeconomic risks and market volatility. In response, we have strengthened our GP reserves.

We will stay nimble to capture opportunities while prudently managing risks, and our strong capital and liquidity position provides us with a solid foundation to continue supporting our customers.

Tan Su Shan Thanks Sok Hui.

As Sok Hui mentioned, we had a strong start to the year. It was a solid quarter – we were firing on all cylinders with record wealth management fees, loan-related fees, treasury customer sales, operating profit and profit before tax. Both structural and cyclical growth engines were working in the first quarter. With ROE at 17.3%, we are well within our 15-17% guidance despite the impact of the global minimum tax and GP build. Given that our books closed after Liberation Day, it seemed prudent to build up GP—and with a strong first quarter, we thought it was a wise thing to do.

On business growth, both loan and deposit volumes grew strongly. First-quarter loan growth was led by IBG non-trade corporate loans—a high-quality, large corporate deal-driven book. Those are the kind of loans we want to grow. They drive the franchise, generate good ROE and deepen relationships over the long term. Deposit growth was also strong, driven by funds returning from Sing-dollar T-bills as well as our efforts around pricing and understanding consumer and SME flows. The structural work we have done there is paying off.

We had record fee income and treasury customer sales driven by wealth management. Wealth fees were up 35% driven by strong market sentiment in the first quarter. Net new money came in at around $3 billion. There were lumpy outflows of about $2 billion, some of which returned in April. In fact, April continued to show strong net new money growth. Markets had been volatile in the last few months, but this presented opportunities as customers sought to hedge both interest rate and FX exposures.

Markets trading was the highest in 12 quarters, because of the market volatility and because our traders performed well.

Asset quality was resilient. The NPL ratio was stable at 1.1% and NPA formation was lower than in recent quarters. Over the past few years, we have been circumspect about the assets brought onto our books—focusing on industries we know and franchises we are comfortable with. The high loan fee income reflects this structural shift. We have also been circumspect on SME loans, while in some of the emerging markets, we have been particularly risk-aware. The same caution applies to our unsecured consumer loan book.

Our GP reserves reflect prudence amid tariff uncertainty. We think the $2.6 billion GP overlay, or about 60 basis points of the loan book, is sufficient.

As Sok Hui mentioned, our total dividend was 75 cents—60 cents from our current income stream and 15 cents from our capital stock. As long as our ROE stays within the 15-17% range, we are comfortable maintaining this level of dividend payout.

Next, let me talk about the outlook, starting with geopolitics and markets. With Liberation Day, we recognise the potential end of a rules-based world order and the multilateralism we once knew. For us, we looked at how to crystallise our risks. We have stress tested for different risk scenarios to ensure we stay resilient across them. The best way to do this is by assessing both first-order and second-order risks. First-order risks relate to which countries and sectors will be affected. Second-order risks are macroeconomic parameters we stress test for—trade disruption, GDP and consumption declines, slower trade and disintermediation of current trade flows—all of which can lead to credit stress and weaker consumer confidence. There has also been significant volatility in interest rates and FX, with some clients and countries looking to diversify their trade currencies and reserve assets. Another trend is the shift in trade flows. In a multipolar world, some countries are preparing separately for trade with the US and China. The good news is that trade outside the US remains robust, with a growing shift in focus from selling primarily to the US or the West to exploring broader trade flows. That said, the uncertainty following April 2nd has led to a pause in some longer-term investments until there's more clarity. Clients are now looking to reconfigure their trade flows, payment and technology stacks.

So what is the impact of tariffs on our business? As I said, we have stress tested for multiple scenarios. Beyond trade disruption and a global slowdown, we are testing for both stagflationary and recessionary environments, knowing full well that we need to operate in a multipolar world. We have been stress testing for interest rate uncertainty, volatility and generally weaker sentiment. Based on our assessment of first-order impacts, we are not severely affected. Some industries are more affected than others—for example, discretionary consumer goods, the auto sector and electronics. We are also watching for announcements related to semiconductors, healthcare and pharmaceuticals. The good news is that our direct exposure to China-US trade flows, particularly to the US, is limited, so we do not expect significant impact.

The second-order impact we have been stress testing is based on a slowdown in macroeconomic growth. For most countries, the slowdown delta is between 0.5% and 0.9%. We are also stress testing for a US recession or stagflation scenario. In a stagflationary scenario, there may be no rate cuts or perhaps just one. In contrast, a recessionary environment could result in anywhere from three to six rate cuts. In a multipolar world, we are looking at which trade corridors and countries will be affected, as well as companies that are quite leveraged in the mid-cap and SME sectors.

What are the opportunities in this multipolar world? First, shifts in trade flows and supply chains could actually be positive for us. We may see new supply chain and sea logistics links, creating opportunities for inventory financing, as well as offering alternative currencies and liquidity solutions. This plays to our strengths because we have been investing in such payment solutions and alternative currency payment flows.

The new growth corridors and sectors—particularly the structural growth we are seeing in India—continue to perform well. Despite some geopolitical noise, India had a strong first quarter with growth of over 20%. Our investment in Lakshmi Vilas Bank has laid the foundation to grow not only our large corporate and SME businesses, but also our CBG business by tapping into the growing middle-class population and also building up our onshore wealth business.

We are also seeing strong trade flows from Northeast Asia into India, which speaks to the strength of our connectivity. There are also flows from Western MNCs into India—for Apple, Boeing, Nokia, Ericsson, Samsung, LG, etc. As mentioned, these new growth corridors and sectors are where we are seeing structural growth.

As rates decline—as seen in the first quarter and in April—the impact is being mitigated by strong Casa growth, which remains robust in April. Meanwhile, high volatility has created more trading opportunities for our GFM colleagues, and corporate client demand for hedging has also increased.

Moving to my last slide on the 2025 outlook. I am confident that we have built a strong and resilient business. Structural growth remains intact, driven by high-ROE businesses such as Wealth Management, FIG and GTS. We are well-positioned to manage cyclicality and the volatility arising from tariff uncertainty. Business momentum remained resilient in April, and we have stress tested for various downside scenarios.

We expect group net interest income to be slightly above last year's level based on the market's forecast of three rate cuts. NIM will be lower, but this will be offset by balance sheet growth, particularly in Casa volumes. Markets trading will also benefit from lower funding costs. If loan demand drops in the second half—though the second quarter looks okay—we have other interest-bearing assets with good ROE to deploy our deposits into.

We continue to expect commercial book non-interest income to grow at around the mid- to high-single digits.

We are committed to keeping our cost-income ratio in the low-40% range.

SPs should stay within 17-20 basis points of loans. While it is still too early to see the full impact of macroeconomic and tariff uncertainty, the first-order impact appears limited. The second-order impact has been stress tested, and we are prepared with a high GP overlay in place.

Net profit is expected to be lower than in 2024 due to the 15% global minimum tax, though pre-tax profit is likely to remain around las t year's level.

Chanyaporn Chanjaroen (Bloomberg) I have one follow-up question for Sok Hui and a couple of questions for Su Shan.

First, for Sok Hui—during your presentation, did you mention that there was one large case the bank provided for under SP? Could you provide more colour on that case?

For Su Shan—you mentioned that net new money in the first quarter totalled about $3 billion, and noted a $2 billion outflow that could return. Could you provide more colour on that? Additionally, you spoke about structural growth in India despite geopolitical noise. Were you referring to tariffs or the ongoing Pakistan conflict?

Chng Sok Hui As you can see on slide 13 of the CFO presentation, there was a strong upgrade of $119 million this quarter. This pertains to a large NPL case that has now been resolved. The business was purchased by another owner, and we are now comfortable with the case's credit profile. As such, we upgraded it from NPL to non-NPL, which allowed us to release the specific provision previously set aside.

Tan Su Shan On your question regarding the $2 billion transitory outflow, that figure pertains to the PB segment. The PB business tends to be lumpy, and the outflow was due to a structured loan that we could not do. Some of that has since returned, and in fact, net new money growth in April was strong. The structural growth trend remains intact—we have more RMs and continue to see growth in both new clients and net new money.

It is also helpful to look at our total Wealth AUM—comprising Treasures, PB and TPC—which stands at $432 billion. While there tends to be a lot of focus on PB, the Asia Wealth business is about structural growth across all segments. A bank that can serve all segments will do well structurally. The high-end segment is lumpy. It is valuable, but returns may not always be as strong. There is often demand for structured loans that we may be unable to do due to higher risk. The lower end, especially priority banking, is more organic and diversified. It is stickier, particularly when supported by a strong digital platform that complements RMs. That delivers better ROE because you have a good mix of Casa and fee-based income.

Your other question on India. When I mentioned geopolitics, it referred to both the overnight news and the tariff war. That said, India's structural growth story remains intact and we remain positive. There is a rising middle class and a highly digitally engaged population. The India tech stack has enabled us to deliver better digital journeys for our customers and make more informed credit decisions.

Ulrica Lin (Zaobao) Net profit is expected to come in below 2024 levels. How much of that is due to the 15% global minimum tax, and how much is due to the broader macroeconomic impact?

Chng Sok Hui We hope to keep net profit before tax close to last year's level. So the entire impact you are seeing at the net profit after tax line is due to the implementation of the 15% global minimum tax. As I mentioned in last quarter's briefing, the impact is close to $400 million for the full year.

Ulrica Lin It was said that funding will be deployed into non-loan assets if loan demand weakens. Given the current tariff uncertainty, how much of a slowdown in loan demand are you expecting in the second half of the year?

Tan Su Shan The first quarter saw strong loan growth, particularly in non-trade corporate loans. The pipeline remains solid, so the second quarter should continue to hold up well. It is the second half that may see some pressure. If the trade war persists or worsens, we may see non-trade loan activity and corporate deals put on hold. That said, we want to continue to garner more deposits and deploy them into other asset classes. Phil, our Corporate Treasurer, will opine on this.

Philip Fernandez For the non-loan assets that Su Shan referred to, there are a few categories. First, as our deposit base grows, we maintain a liquidity buffer—known as the High-Quality Liquid Assets (HQLA) portfolio—which contributes to both the LCR and NSFR that Sok Hui mentioned earlier. The second is loan substitutes, which come from a range of different borrowers. Third, within our GFM business, we engage in certain secured financing transactions backed by high-quality collateral. The credit risk of all these instruments is lower than that of loans. That said, our focus remains on growing the customer franchise. When loan growth is lower, we supplement it with these other asset categories.

Yantoultra Ngui (Reuters) First, how does DBS see the most recent strengthening of Asian currencies against the US dollar—such as the Sing dollar—benefiting its business? Specifically, what impact does it foresee on its Wealth business or the demand for FX services going forward? Second, how does DBS view any changes in demand for trade financing among its clients amid the US trade tariffs?

Tan Su Shan Many Northeast Asian currencies such as the NT dollar and Korean Won are non-deliverable forwards and therefore not easy to hedge. I was told that life insurance companies in Taiwan and major semiconductor and electronics firms have substantial US dollar exposure. So when these currencies strengthen, there is often a rush to hedge, leading to upward volatility in their local currencies. These movements present both tailwinds and headwinds. If the Sing-dollar appreciates, we hedge what we can, but any unhedged non-Sing-dollar income will obviously face some translation impact. For Asian currencies, a stronger currency affects export competitiveness and cost curves, depending on whether a country is a net exporter or importer. As for Wealth, most of our clients are Asian, so a stronger local currency gives them greater purchasing power for wealth management products.

On your second question, the trade financing business is cyclical, lumpy and seasonal. You have high seasons such as year-end and quarter-end. It is also highly price-sensitive, so it is a competitive industry. We see a change in trade corridors. I think there will be more trade between Asia and the Middle East, and between Asia and the GCC. If trade outside the US—what some refer to as TOTUS—becomes more pronounced in the second half, we could see an increase in intra-regional trade within Asia and ASEAN. Additionally, there has been a shift from just-in-time to just-in-case inventory strategies, leading to increased stockpiling. As a result, inventory financing has picked up, as has open account trade. Documentary trade will remain lumpy and sensitive to pricing. Overall, this part of the book remains opportunistic and dynamic, shaped by what we are seeing around the trade corridors and tariff developments.

Chanyaporn Chanjaroen For the second quarter, are you seeing more wealth flows given the strength of the Sing dollar?

Tan Su Shan In a word, yes. But it is not just the strength of the Sing dollar, it is multi-factored. The wealth business is a structural growth business and we are continuing to see flows. Hong Kong is seeing strong wealth flows from Greater China, particularly China. In Singapore, flows are coming from Southeast Asia and the rest of the world. It is a structural flow.

Goola Warden (The Edge) I just want to ask about the GPs that were taken in the first quarter, and what Su Shan said about the first-order and second-order risk impacts. Have you updated your MEV model to incorporate assumptions related to second-order impacts? Was that why the GP increased? Do you expect to continue setting aside GP over the next three quarters?

Chng Sok Hui Our GP—the entire stack shown on slide 14, totalling $4.2 billion—consists of a baseline component and an overlay component. The baseline component factors in a credit cycle index based on sector and country, and adjusts as macroeconomic variables change. The overlay, which has grown by $200 million, now amounts to $2.6 billion. Since these are stress MEVs, we do not expect them to manifest in the near term. Based on economic projections so far, the $2.6 billion we have set aside should be sufficient unless conditions deteriorate significantly.

Goola Warden One more question—do you have a loan growth and a NIM outlook for this year?

Tan Su Shan For loan growth, we are still looking at around 5%, though that depends on what happens in the second half. As for NIM, our NIM for April was 2.09%, so full-year NIM will likely be a few basis points below that depending on how many rate cuts we get. As I said, we have actually hedged out about a third of our loan book in fixed rates, so the impact from rate cuts would not be that great. The pressure on NII will also be mitigated by an increase in deposits, particularly Casa.

Goola Warden Do you have a base rate cut assumption?

Tan Su Shan Last year, we expected two rate cuts. Now it looks like there will be three. Whether it is two or three, the full-year NIM would not change much because the cuts are expected in the second half of the year.

Goola Warden Just one last question—will you be changing your NII sensitivity?

Chng Sok Hui We are not changing our guidance. The NII sensitivity remains at $4-5 million per basis point of Fed funds rate.

Edna Koh Thank you everyone for your time.