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DBS Q2 profit tops forecasts, rising 6% to $2.79 billion as wealth fees surge

DBS' first-half profit rose 9 per cent to a record $5.76 billion. ST PHOTO: SHINTARO TAY

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SINGAPORE – DBS raised its full-year income outlook as second-quarter earnings rose more than expected on the back of a strongly growing wealth-management business.

South-east Asia's largest bank reported a 6 per cent rise in second-quarter net profit to $2.79 billion on Aug 7, up from the $2.63 billion recorded in the same period a year earlier.

If costs from the integration of Citigroup's Taiwan consumer business were excluded, second-quarter earnings grew 4 per cent to $2.8 billion, topping the mean estimate of $2.71 billion from five analysts, according to LSEG data.

The board declared a dividend of 54 cents a share for the second quarter, bringing the first-half payout to $1.08 a share.

DBS chief executive Piyush Gupta said: "While recent market volatility and ongoing geopolitical tensions have resulted in heightened uncertainty, we have built resilience against the risks of an economic slowdown and lower interest rates."

DBS has "a reasonable amount of dry powder", he told a results briefing on Aug 7, from the ample general allowances the bank has set aside for potential bad loans. This will help to absorb unexpected risks from a recession or sharp economic slowdown, he said.

The lender has also added nearly $65 billion of fixed-rate assets in recent years, bringing the total to $190 billion. Mr Gupta said: "That makes a big difference to the interest rate sensitivity of our book."

While falling interest rates will hit the bank's margins, they are also likely to boost demand for loans and strengthen market sentiment.

Mr Gupta said: "That makes us reasonably well positioned for the next year."

The bank's total income growth in 2024 is anticipated to be a high single digit. In May, when presenting DBS' first-quarter results, Mr Gupta said total income growth would be 1 to 2 percentage points above the previous guidance of mid-single digit.

He said on Aug 7 that full-year net profit growth will be in the mid- to high single digits.

Net interest income in the second quarter from the bank's commercial book rose 5 per cent year on year to $3.77 billion as the lender's net interest margin, a key profitability gauge, improved two basis points to 2.83 per cent.

Loans grew 3 per cent and deposits rose by 6 per cent in constant-currency terms, bolstered by the consolidation of Citi Taiwan.

Net fee income from the commercial book grew 27 per cent to a record $1.05 billion, as wealth management fees jumped 37 per cent to $518 million. This was driven by a shift from deposits into investments and bancassurance, as well as an expansion in assets under management.

Wealth assets under management surged 24 per cent in the quarter to a record $396 billion. The wealth management segment income rose 19.6 per cent to $1.29 billion for the quarter.

DBS chief Piyush Gupta to retire in March 2025; veteran banker Tan Su Shan to take over

The Peter-Piyush show at DBS hits $100 billion, and Singapore should cheer

The bank recorded $3 billion in net new money inflows in the second quarter, bringing the total to $9 billion for the first half of 2024.

Card fees increased 32 per cent to $313 million from higher spending, with the Citi Taiwan consolidation benefiting wealth management and card fees, DBS said. Loan-related fees were also higher, rising 40 per cent to $186 million.

Expenses increased 12 per cent to $2.17 billion, with Citi Taiwan accounting for 5 percentage points of the increase. The cost-to-income ratio stood at 40 per cent.

Asset quality remained sound, DBS said. Non-performing assets fell 3 per cent from the previous quarter to $5.08 billion, as new non-performing asset formation was more than offset by repayments and write-offs. The non-performing loan ratio was unchanged at 1.1 per cent.

The lender set aside more allowances in the second quarter. Specific allowances amounted to $97 million, bringing the half-year amount to $210 million, or nine basis points of loans.

General allowances of $51 million were also taken in the second quarter, compared with the same period in 2023 when the bank wrote back $42 million. This brought general allowances to $73 million for the first half of 2024.

DBS' net profit fell 5 per cent from $2.95 billion in the first quarter.

The bank had record earnings of $5.76 billion for the first half of the year, excluding Citi Taiwan integration costs, up 9 per cent from the same period in 2023.

The DBS results wrap up Singapore banks' earnings season. UOB posted a 1 per cent increase in second-quarter net profit to $1.43 billion on Aug 1.

The following day, OCBC Bank said its earnings in the second quarter rose 14 per cent to $1.94 billion.

DBS shares closed up 2.75 per cent to $33.65 on Aug 7.