DBS

Live more, Bank less

CEO Observations

6 Aug 2020

Business Outlook

- Operating trends **in line with 1Q guidance**
- Loan growth resilient, expected at **5% for full year led by non-trade corporate loans**
- **Record deposit inflows** in 1H led by Casa, momentum expected to continue
  - Casa ratio up 7%pt over half year to 66%
  - Excess deposits deployed in risk-free assets, diluting NIM but improving earnings and ROE
- **Full-year NIM expected to be around 1.60%**

Business Outlook

- Several **fee income streams improving** from trough in April as lockdowns ease
  - Cards and bancassurance rebound in June but remain below pre-Covid levels
  - Wealth management investment income rebounds strongly from trough in April to pre-Covid record levels
  - Investment banking pipeline healthy, market dependent
- Market conditions remain **conducive for Treasury Markets** income and for customer flows
- Unrealised MTM gains in investment securities **provide cushion for lower NIM**
- **Expense Management**
  - Cost-income ratio declines 3%pt to 39% in 1H, **full-year to be stable at 43%**
  - Ongoing review of cost structure

Credit Outlook

- Guidance for total allowances of **S$3bn-5bn over two years maintained**; S$1.9bn taken in 1H
- **Not seeing much NPL formation and SP in 2Q** other than for unsecured consumer credit
- **General allowance reserves at S$3.8bn**, 24% above MAS minimum requirement
- Relief measures across key markets
  - S$12.6bn in corporate loans, mostly secured; all on principal-only moratoriums
  - S$5.7bn in consumer loans, mostly owner-occupied Singapore housing loans with LTV well below regulatory thresholds; largely on principal-plus-interest moratoriums
  - Industry working together to minimise cliff effects

Thank You