

CEO Observations

August 8, 2016

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What we previously said

FY2015 results briefing in February

Oil & gas					
Dec 2015	Producers	Traders	Processors	Others <small>(include Support Services)</small>	Total
(S\$b)					
Exposure	6	3	4	9	22
Of which:					
Loans	5	1	4	7	17

- Portfolio unchanged from last quarter
 - Producers, Traders, and Processors portfolio not under stress
 - 71%
 - Support
 - NP
- Stress-test
 - Handful
 - Don't fo

“10-12 names in the \$500-600m range”

What's not in our budget?	
Tail-events	
Large one-offs e.g., a large corporate collapse	
Sharp RMB devaluation in the next three months	

“e.g., large corporate, large oil and gas, large offshore marine collapses”

The nature of our exposure to Swiber

- **S\$721m exposure**
 - **\$403m – to finance working capital for 2 projects**
 - **Working capital based on project cash flow, generally 2 to 3 years**
 - **Dedicated project accounts**
 - **Comprises trade facilities, performance bonds and warranty bonds**
 - **Strong track record. Granted similar facilities on specific projects for oil majors**
 - **\$121m – mainly secured term loans for vessel and property, and hedging purposes**
 - **\$197m – for bond redemptions in June and July**

Why was Swiber not NPA?

- **Good underlying projects. Independently corroborated**
- **Up-to-date in payment of interest and principal until June – no overdues**
- **Trade payables up from 90 to 120 days; not unusual for the industry**
- **High leverage to be addressed by bringing in private equity**
- **Short term debt maturities to be addressed by raising equity, raising additional financing against available assets and disposing assets**
- **Consistent with market**

Why did we give additional loans for bond redemptions?

- **June – bridge to equity after independent validation with potential investor**
- **July – assessment that completing existing projects is best option for all**

Portfolio update: Support services

June 2016*	Producers	Traders	Processors	Others <i>(includes Support Services)</i>	Total
(S\$b)					
Exposure	8	3	4	7	23
<i>Of which:</i>					
Loans	8	2	4	6	19

*Excludes Swiber

- **\$2b to state-owned / government linked shipyards**
- **Remaining \$5b - 90% secured**

\$2.3b to 5 names



1 name has weakness

\$2.7b to 90 names



1/3 of portfolio has weakness

Portfolio update: Oil and Gas

June 2016*	Producers	Traders	Processors	Others <i>(includes Support Services)</i>	Total
(S\$b)					
Exposure	8	3	4	7	23
<i>Of which:</i>					
Loans	8	2	4	6	19

*Excludes Swiber

■ Producers, Traders, and Processors portfolio

- 72% short-term loans
- 55% trade loans
- No material weakness

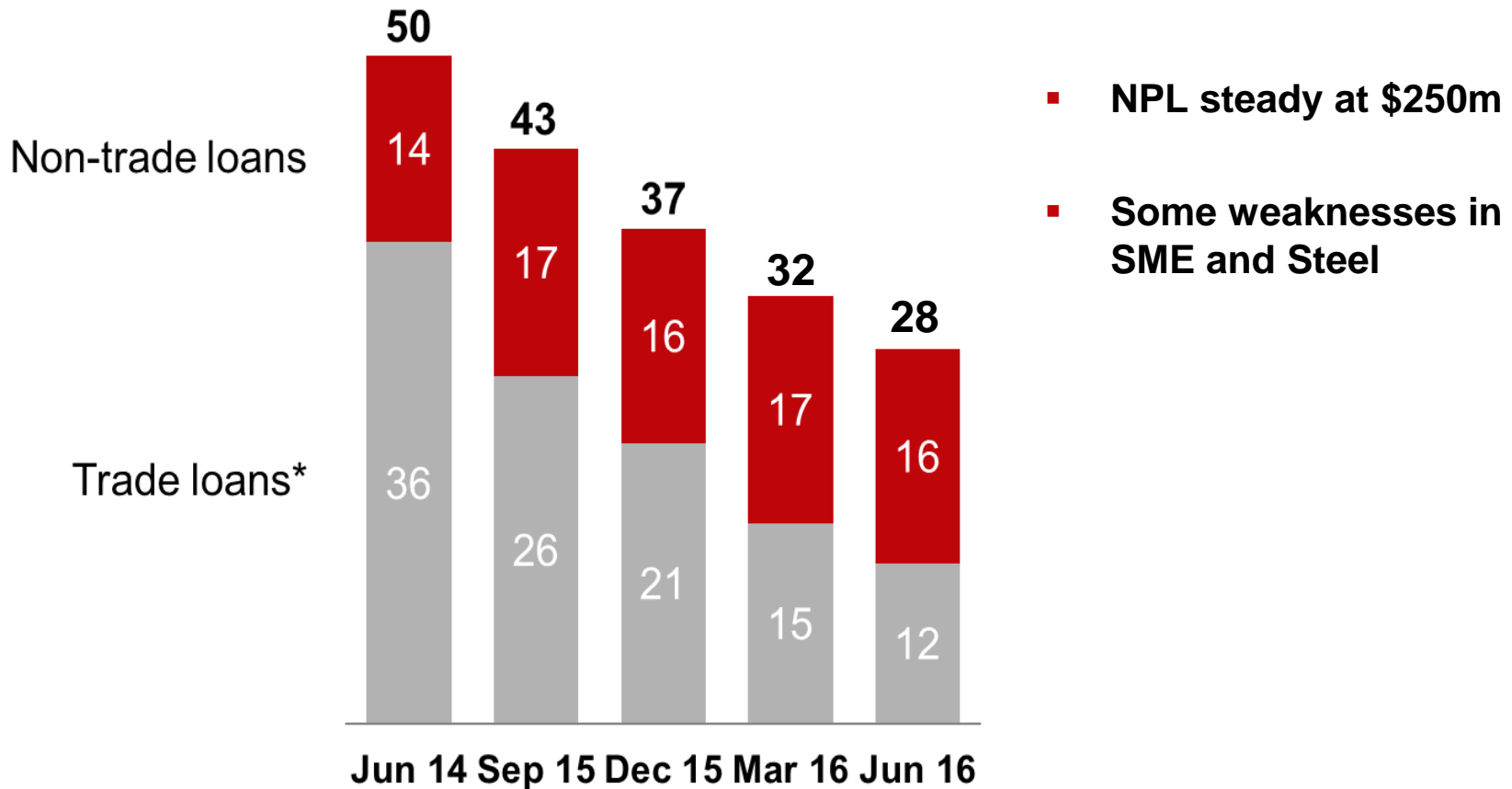
Portfolio update: Other commodities

June 2016	Producers	Traders	Combined
(S\$b)			
Exposure	4	11	15
<i>Of which:</i>			
Loans	4	8	13

- **Portfolio grew \$3b from Dec 2015**
 - 83% short-term loans, 42% trade loans
 - Steel and coal ~\$3b; some weaknesses; already in SP budget

Portfolio update: China

(S\$b)



*China trade loans comprise amounts shown under customer loans and interbank assets.
Based on country of incorporation

2Q Highlights

- **8% income growth to a new high**
 - Strong loan growth
 - Stable NIM
 - Record fees; led by investment banking and bancassurance
- **6% expense growth**
 - Headcount down slightly
- **10% growth in profit before allowances**

Outlook

- **Healthy loan pipeline**
- **Margins will come off slightly**
- **Greater China stabilizing**
- **Outlook for operating trends broadly in line with previous guidance**

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