

# CEO Observations

February 16, 2017

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# Agenda



**Portfolio quality**



Strong business momentum



Driving productivity, managing expense base



2017 outlook

# Portfolio quality

- NPL rate rose to 1.4% from 0.9% and SPs rose to \$1.5b: higher than expected
  
- Overall portfolio healthy: 2 problem areas in 2016
  1. RMB derivatives → Issue behind us
  
  2. Offshore oil & gas support services → Sector still challenged, but new NPA formation and SP charges expected to be lower than 2016
  
- Excluding these 2 problem areas, NPL ratio would have been 0.93%

# Portfolio update: Support services

Dec 2016 <sup>1</sup>	Producers	Traders	Processors	Others <i>(includes Support Services)</i>	Total
(S\$b)					
<b>Exposure</b>	6	4	4	7	22
<i>Of which:</i>					
Loans	5	2	4	6	17

## Update on portfolio

- \$1.8b to state-owned / government-linked shipyards
- Remaining \$5.5b

\$2.6b to 5 names

2 names in NPA

\$2.9b to 90 names

1/2 of portfolio has weakness;  
3 names moved to NPA this quarter

- Adequate specific provisions

<sup>1</sup> Excludes Swiber

# Agenda



Portfolio quality



**Strong business momentum**



Driving productivity, managing expense base

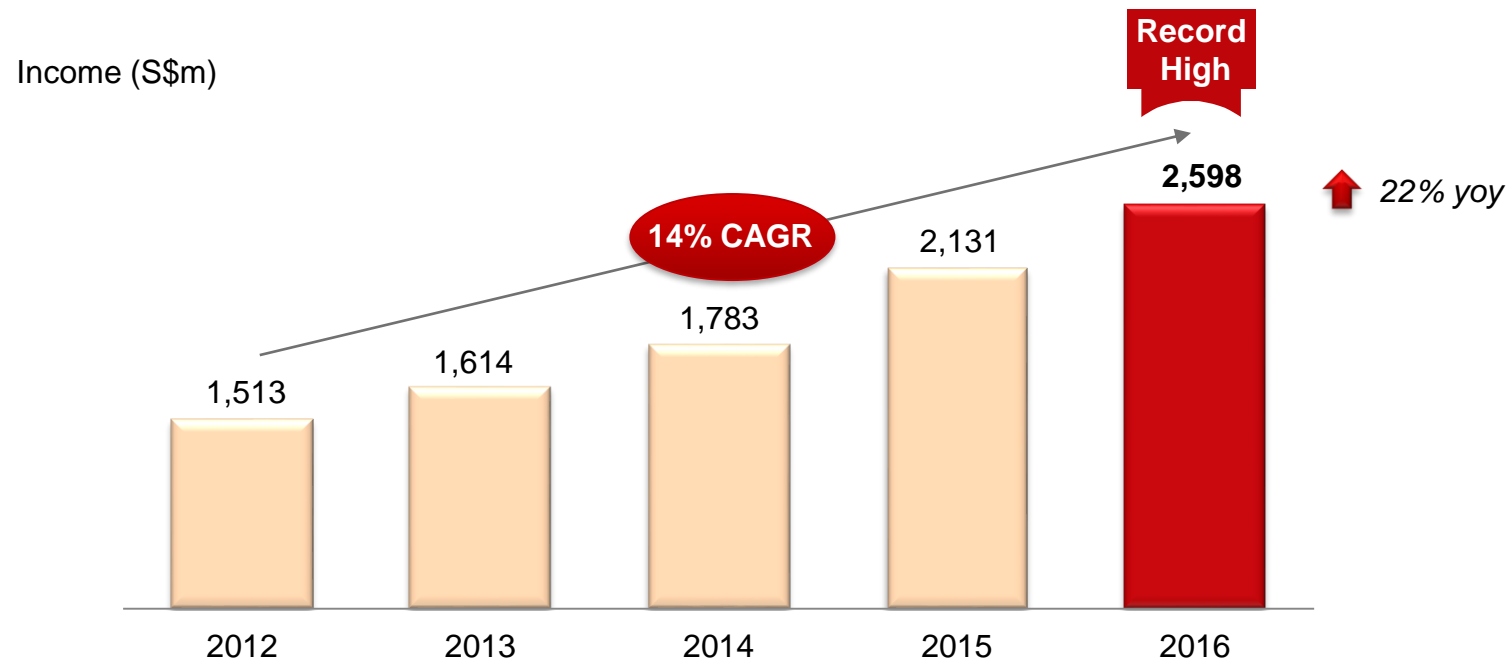


2017 outlook

# Strong operating performance

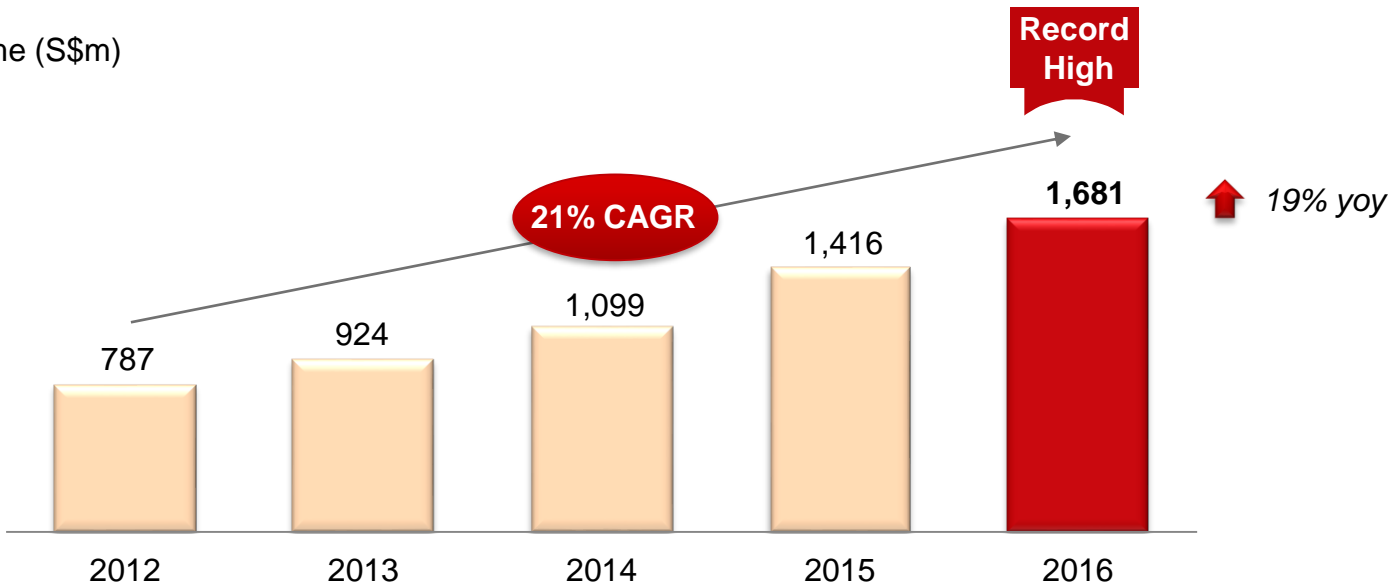
- Loans: 6% yoy growth
- Income: 6% yoy growth to record \$11.5b
- Expenses: 1% yoy increase
- Profit before allowances: 10% yoy growth

# Multiple growth engines: Retail



# Multiple growth engines: Wealth Management

Income (S\$m)



AUM (S\$b)



Total Earning Assets (S\$b)

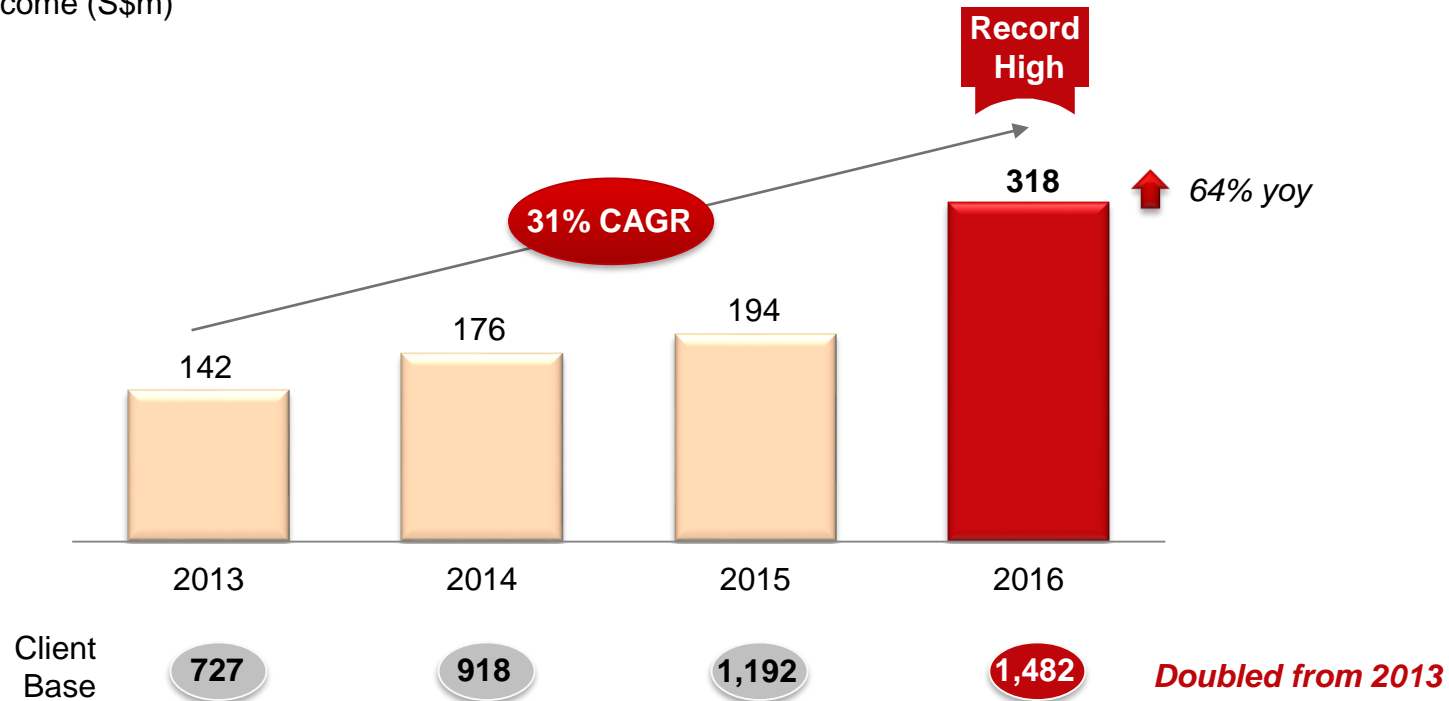


Comprising Treasures, Treasures Private Client and Private Bank  
Total earning assets and AUMs at end of period



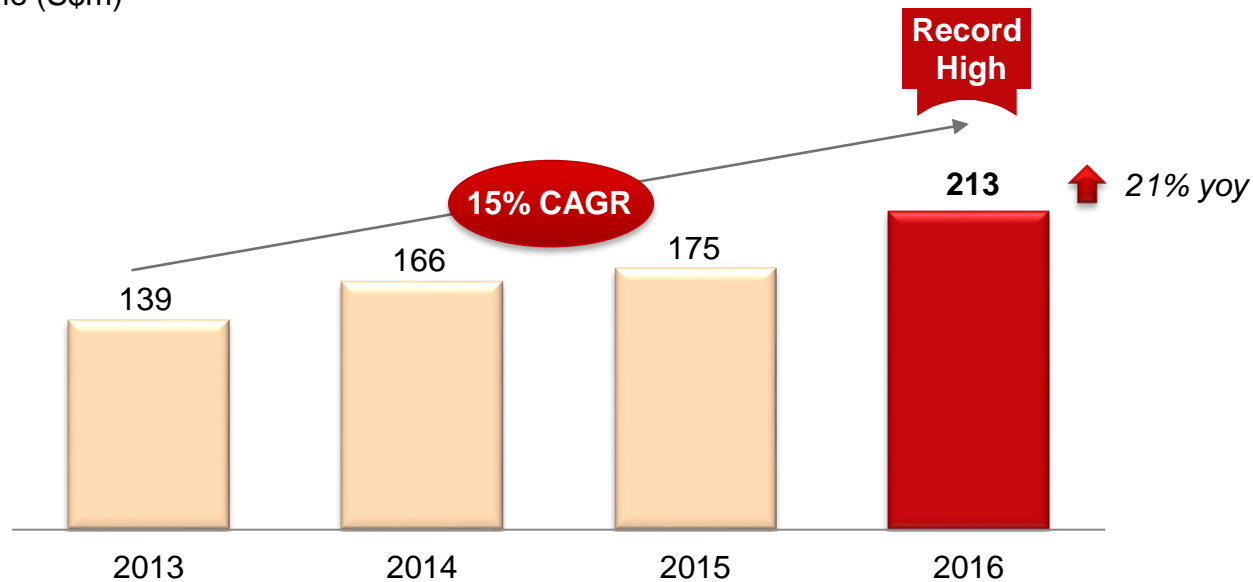
# Multiple growth engines: Institutional Investor

Income (S\$m)



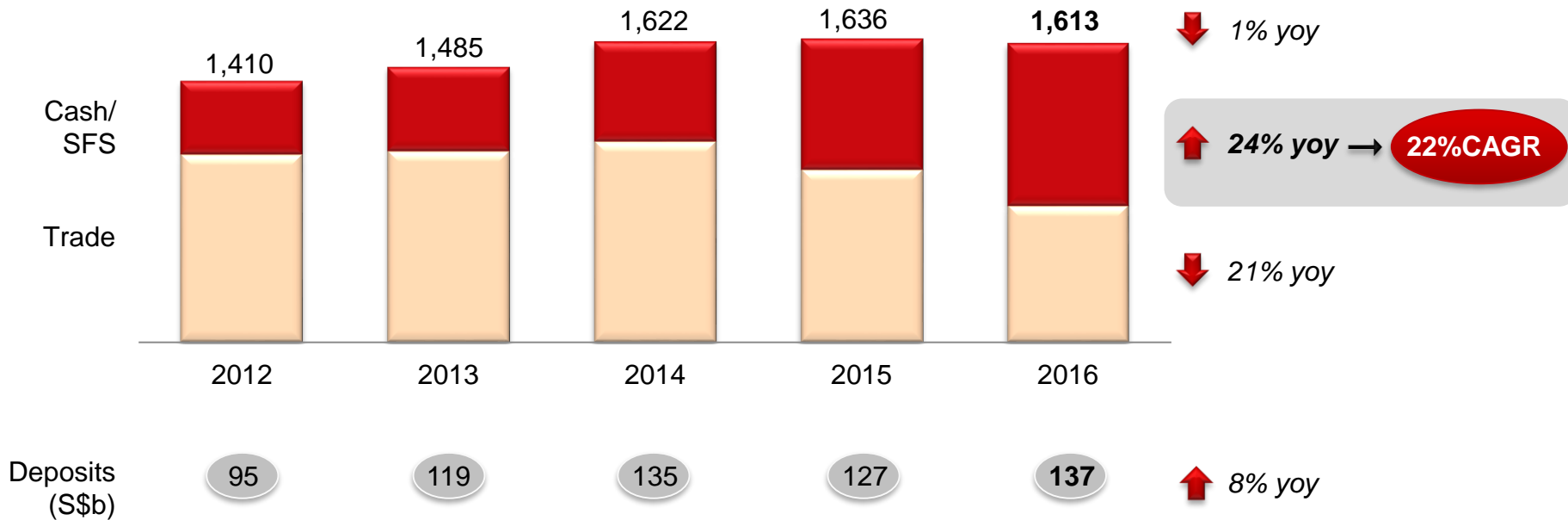
# Multiple growth engines: Western MNC

Income (S\$m)



# Multiple growth engines: Cash Management

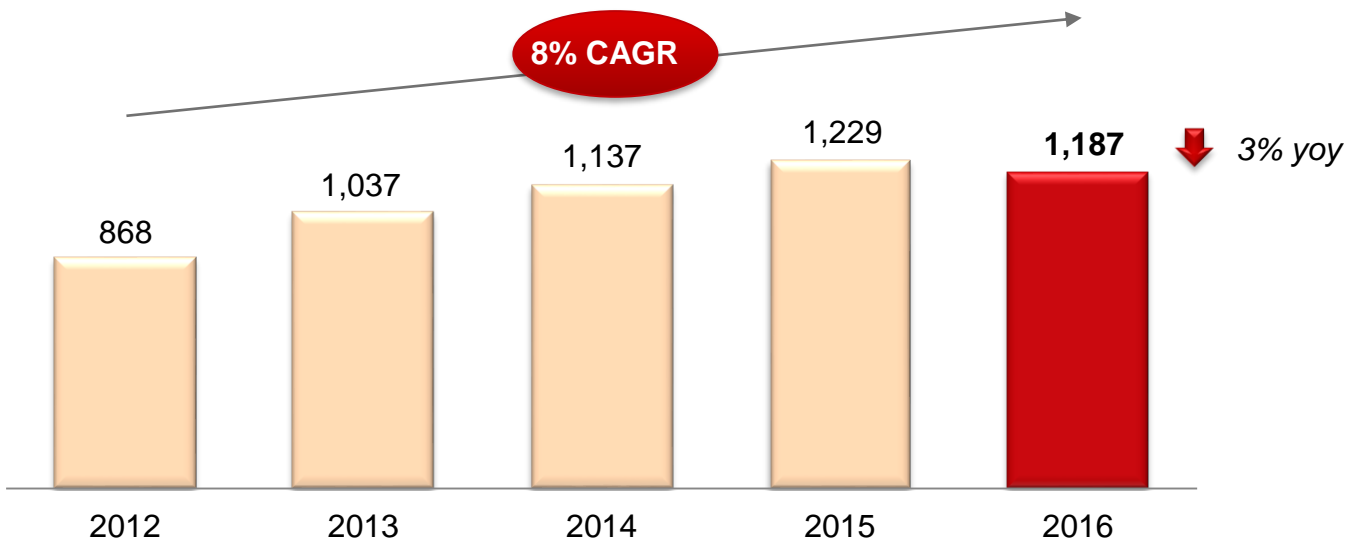
Income (S\$m)



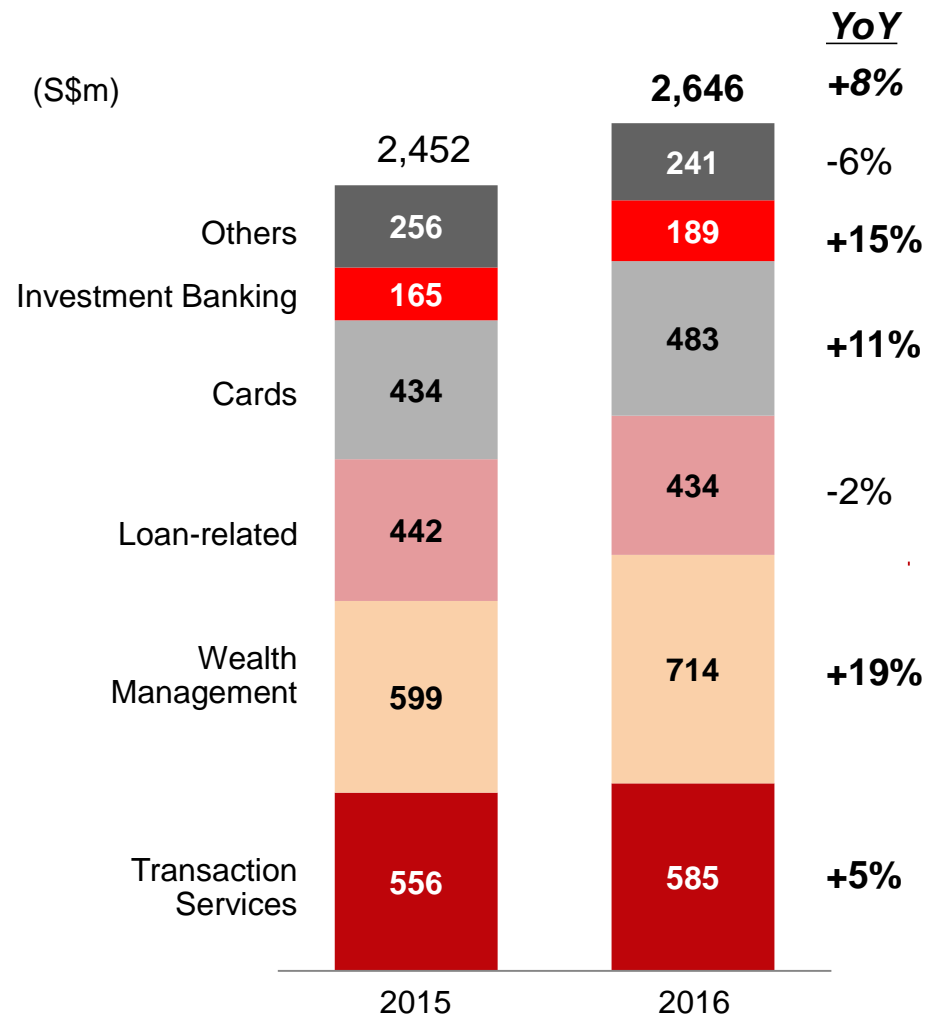
Deposits at end of period

# Multiple growth engines: Treasury customer flows

Income (S\$m)



# Strong fee income growth



Gross fee income

# Agenda



Portfolio quality



Strong business momentum



**Driving productivity, managing expense base**



2017 outlook

# Driving productivity, managing expense base

**Cost-income ratio improved by 2 percentage points to 43% from 45%**

(\$m)	FY2015	FY2016	YoY %
<b>Total expenses</b>	<b>4,900</b>	<b>4,972</b>	<b>1</b>
<i>Staff costs</i>	2,651	2,725	3
<i>Computerisation</i>	883	877	(1)
<i>Others</i>	1,366	1,370	-

(\$m)	FY2015	FY2016	Delta
<b>Total headcount at period end</b>	<b>22,017</b>	<b>22,194</b>	<b>177</b>
<i>Exclude insourcing headcount</i>	21,996	21,689	(307)
<i>Insourcing headcount</i>	21	505	484

# Driving productivity, managing expense base (cont'd)

- **Strong growth in digital acquisitions at lower unit cost**
  - **25%** of Wealth customers
  - **>60%** of Singapore SME customers
  - **>800,000** digibank India customers in 9 months since launch
- **Driving transaction execution towards lower cost digital channels**
  - Online international transfers (DBS Remit) **+64% yoy** to **over 3 million** transactions
  - Digital channel share of retail products at **43%**, from 37% last year
  - Singapore Consumer Bank's online non-financial transactions<sup>1</sup> **+33% yoy**

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<sup>1</sup> E.g., change of particulars, statement checking



# Driving productivity, managing expense base (cont'd)

- **Higher straight-through processing rate**
  - Design-for-no-ops: digibank India uses **1/5** of resources required in traditional bank set-up
  - AI-driven virtual assistant processes **>80%** of queries
  - **12%** reduction in manual efforts in operations

*Making our mark globally in digital*



**World's Best Digital Bank**



**Best in the World for  
Digital Distribution**

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**2017 outlook**

# 2017 Outlook

- **Loan and income:** mid-single digit growth
- **NIM:** expect to get back to 2016 average
- **Cost-income ratio:** will hold around 43%
- **Total allowances:** similar to 2016 excluding Swiber