

CEO Observations

February 16, 2017

Disclaimer: The information contained in this document is intended only for use during the presentation and should not be disseminated or distributed to parties outside the presentation. DBS Bank accepts no liability whatsoever with respect to the use of this document or its contents.



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 ¹	Producers	Traders	Processors	Others <i>(includes Support Services)</i>	Total
(S\$b)					
Exposure	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

¹ Excludes Swiber

Agenda



Portfolio quality



Strong business momentum



Driving productivity, managing expense base

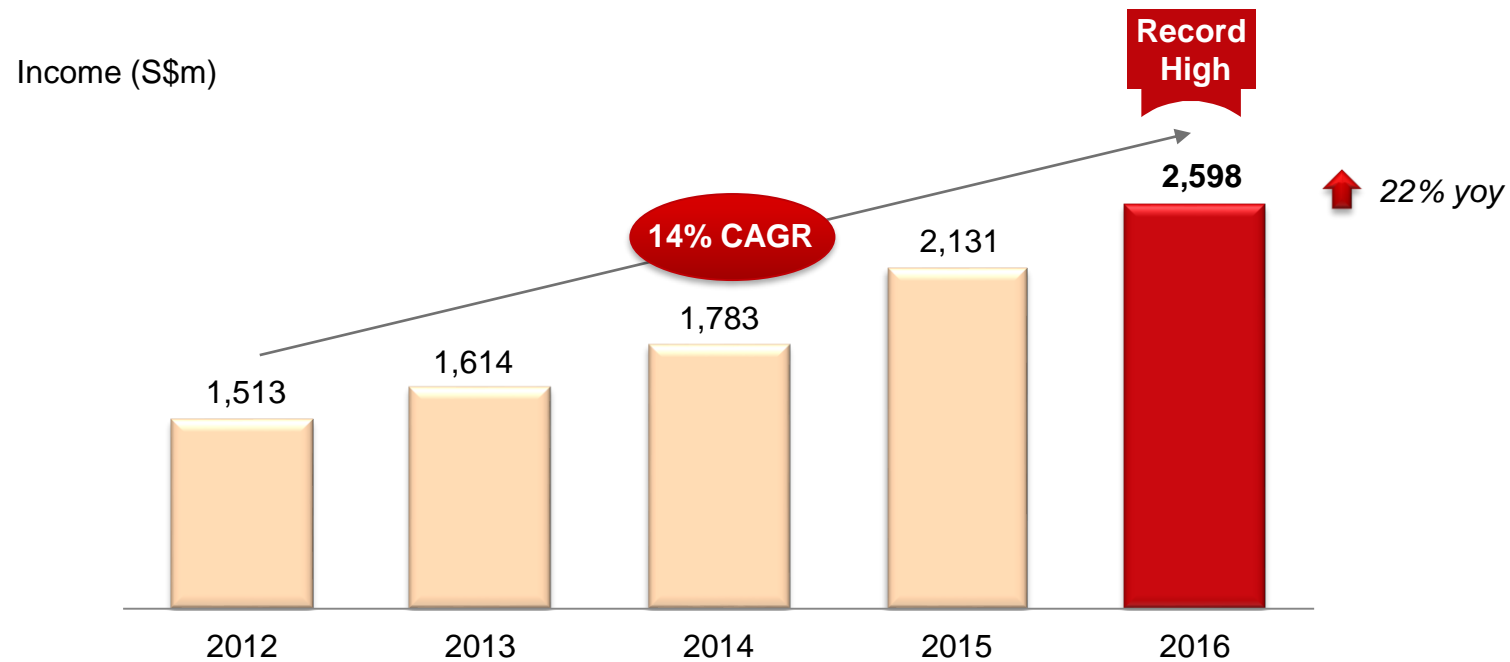


2017 outlook

Strong operating performance

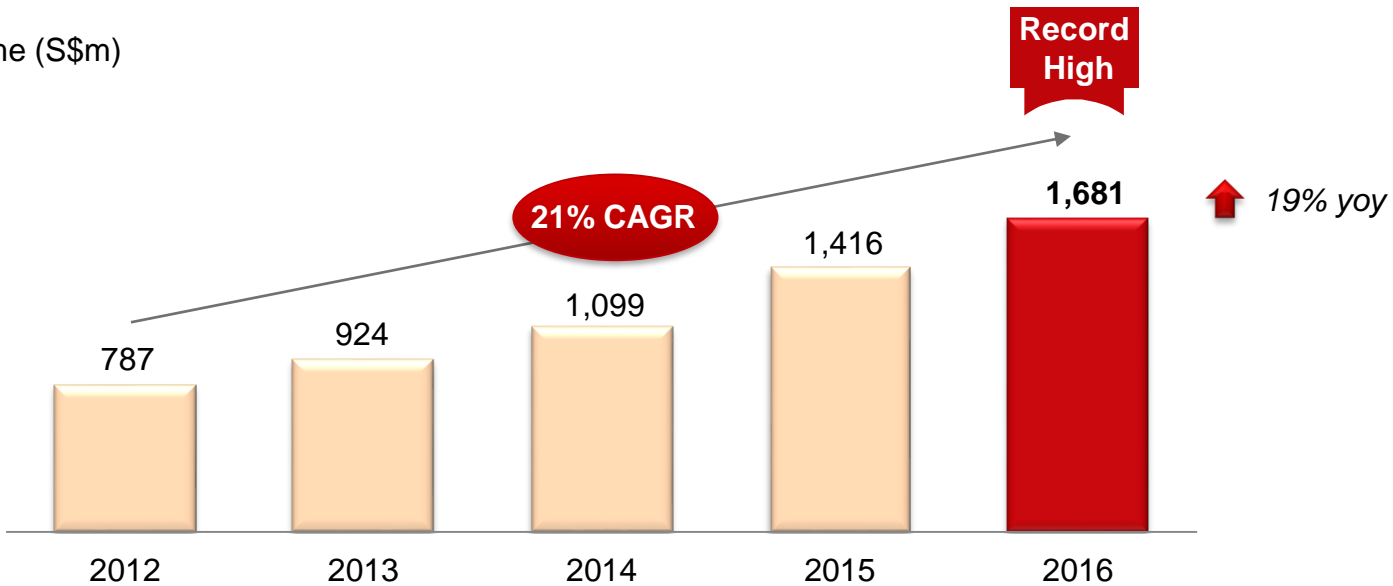
- Loans: 6% yoy growth
- Income: 6% yoy growth to record \$11.5b
- Expenses: 1% yoy increase
- Profit before allowances: 10% yoy growth

Multiple growth engines: Retail



Multiple growth engines: Wealth Management

Income (S\$m)



AUM (S\$b)



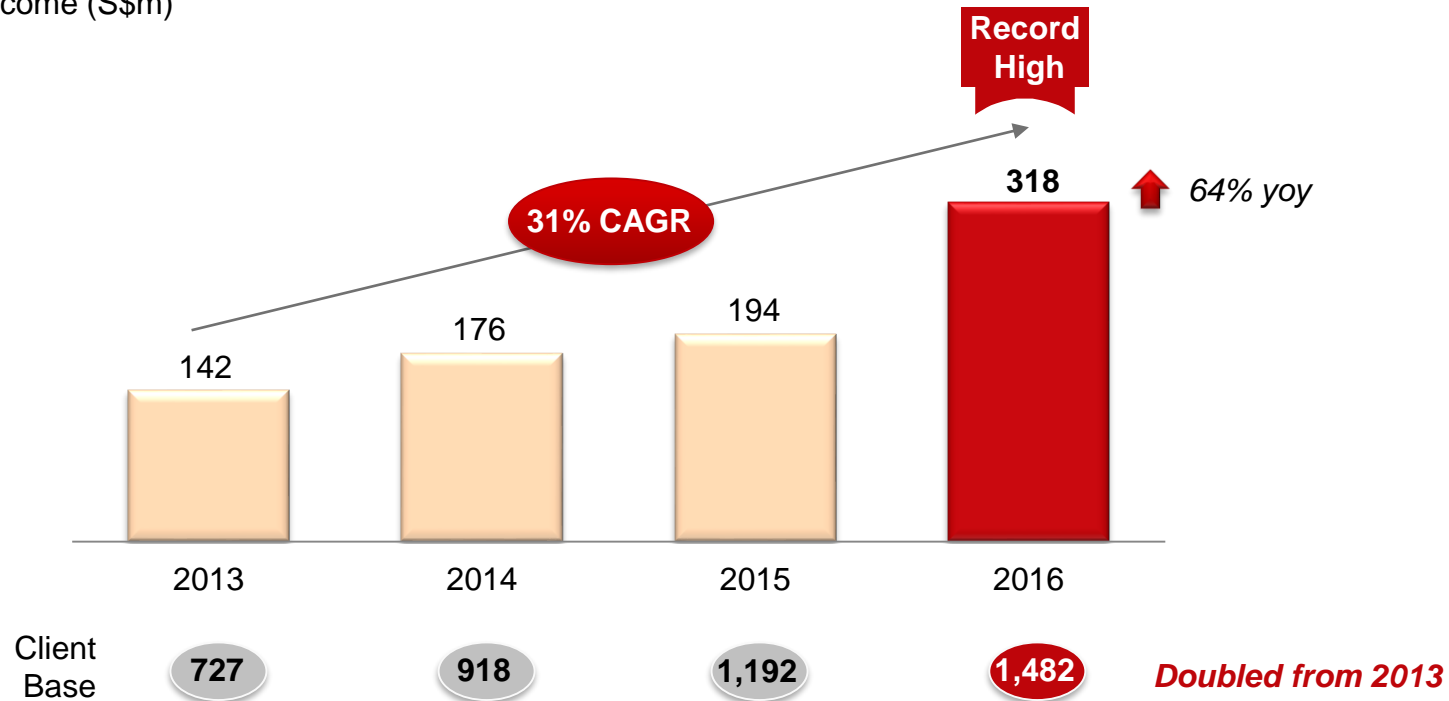
Total Earning Assets (S\$b)



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

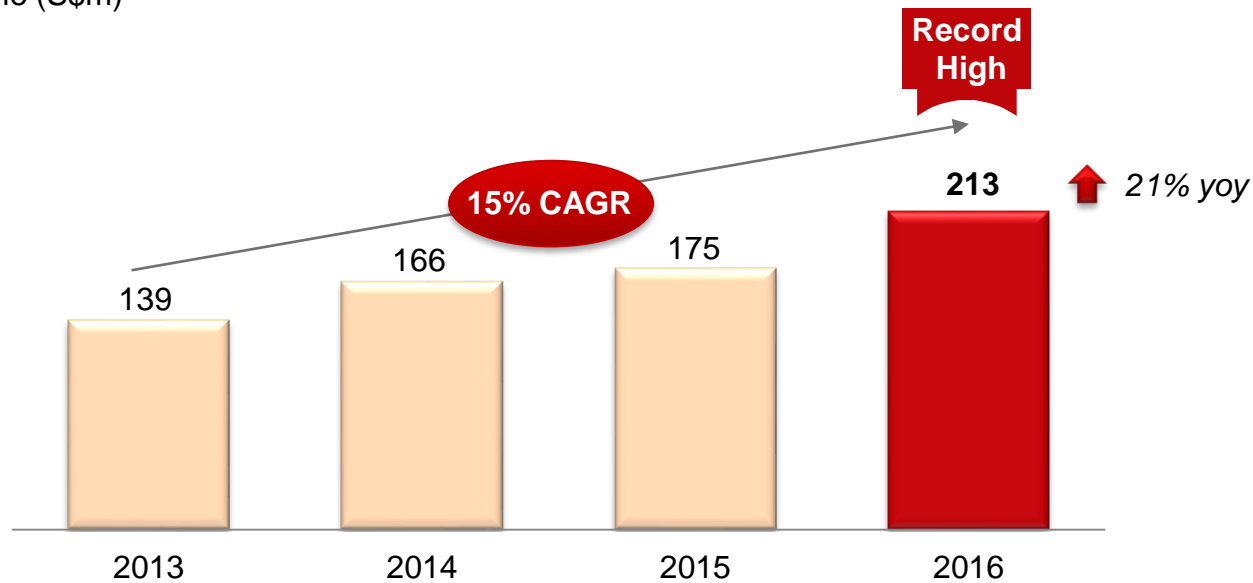
Multiple growth engines: Institutional Investor

Income (S\$m)



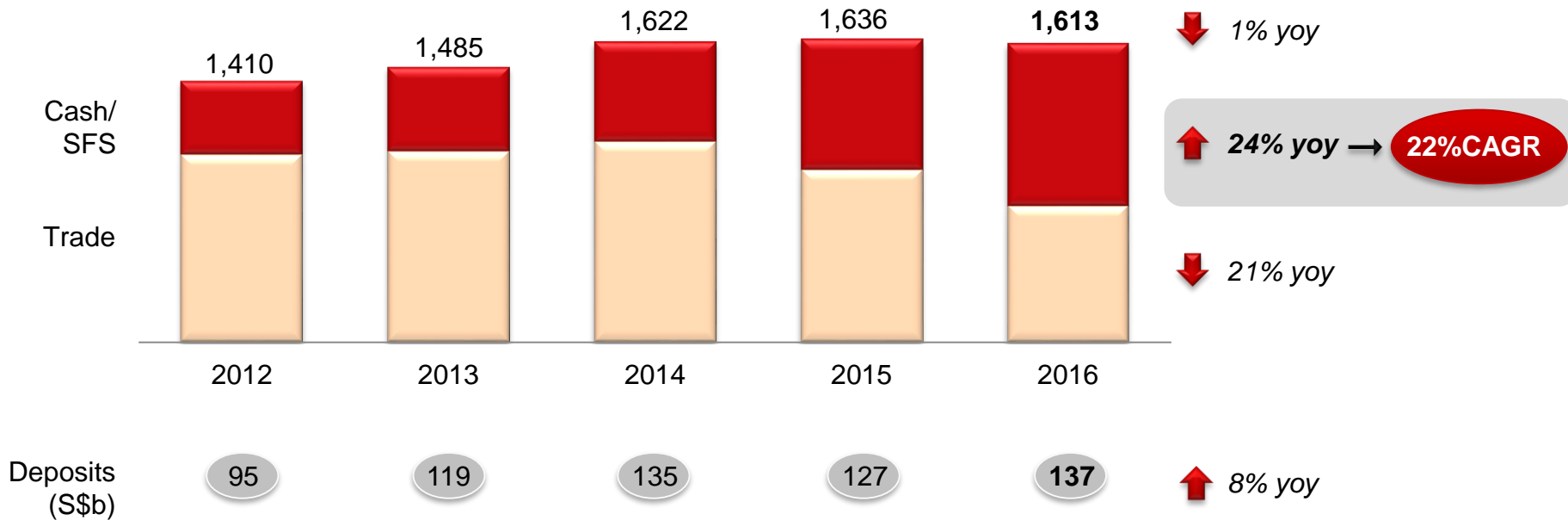
Multiple growth engines: Western MNC

Income (S\$m)



Multiple growth engines: Cash Management

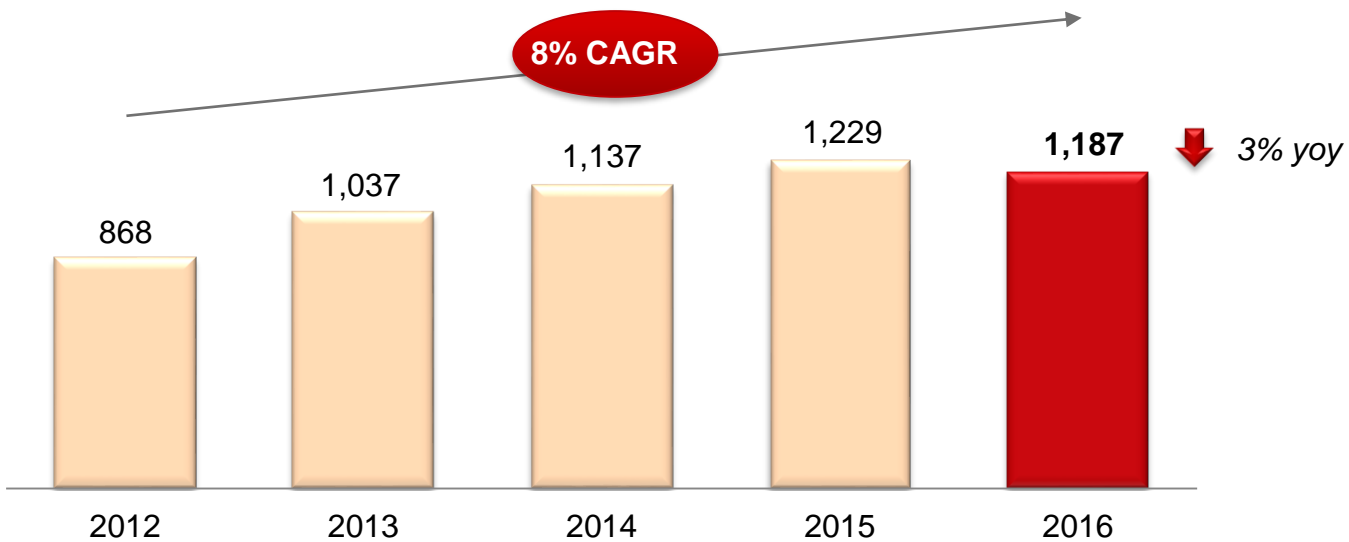
Income (S\$m)



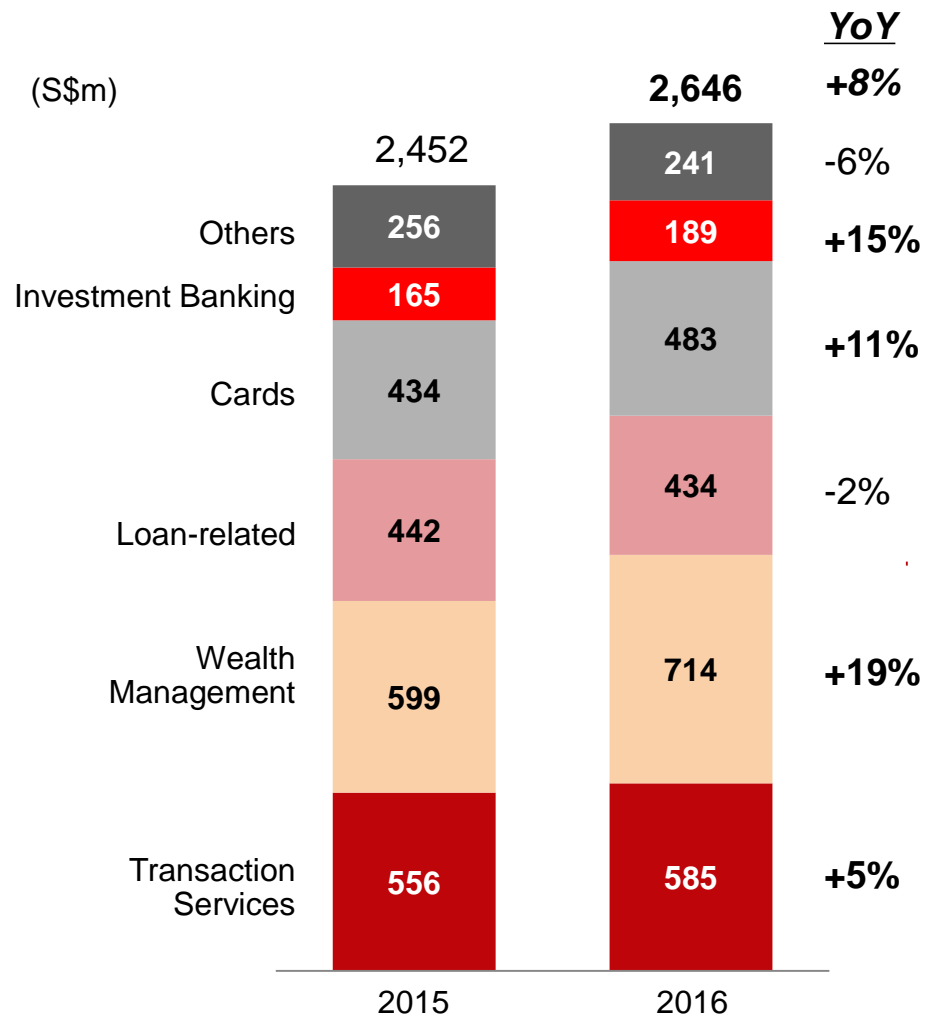
Deposits at end of period

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 %
Total expenses	4,900	4,972	1
<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
Total headcount at period end	22,017	22,194	177
<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 transactions¹ **+33% yoy**

¹ 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**

Agenda



Portfolio quality



Strong business momentum



Driving productivity, managing expense base



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