



Live more,
Bank less

CEO Observations

30 Apr 2020



Agenda

- How we are navigating the COVID-19 Crisis
- Business Outlook
- Credit Outlook
- Dividends

Operational Resilience

1. Business volumes are strong

- No loss in productivity

2. Seamless remote working in all functions

- ~90% relationship managers, >70% traders, ~99% developers and >50% operations staff working from home

3. Our digital capabilities have served us well

- Contact tracing
- Tracking office occupancy

4. Robust cyber security framework

- Able to handle exponential 88x increase in VPN usage
- Additional layered controls to block or mitigate attacks
- Increased security awareness trainings for employees

Telecommuting At Scale



>50 eTownhalls attended by >20k staff



>1.2mn virtual meetings in April, a 9x increase



>700 staff engaged in 30 virtual workshops held across the bank regionally



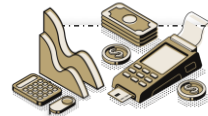
>100 training courses conducted online, benefiting >15k staff

Accelerated roll out of digital customer capabilities



Enhanced Account Services

- More self-service options on IDEAL
- Migrant workers account opening
- Online Equity Trading Account Opening
- SME Loan Applications



Contact Free Transactions

- Digitally signed forms enabled
- Scanned documentation accepted through secure mail, including for trade and cash transactions
- Enabled tele-advisory for online financial planning



Engagement

- Guided Conversations via Chatbot for COVID-19 corporate and retail relief measures
- Online applications for COVID-19 relief
- Held webinars for clients on investments and training on digital tools



Active IDEAL Usage

+28% YoY



Online Equity Trading

>24,000
of new-to-trading
accounts opened

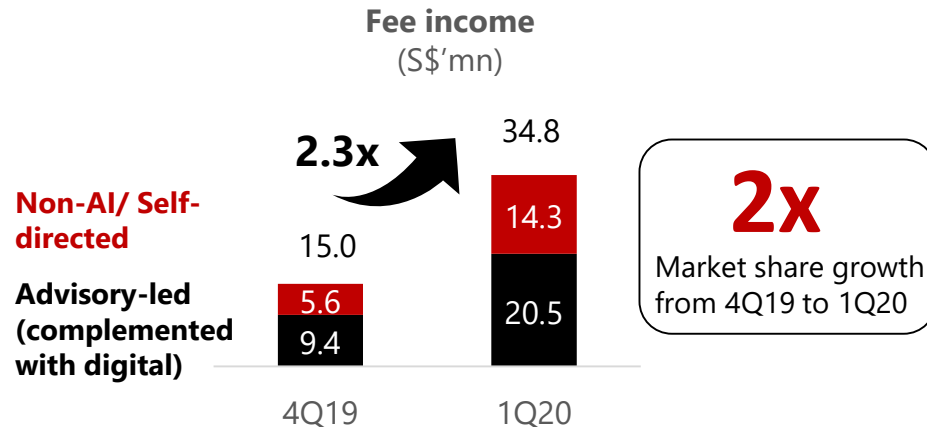


Migrant Workers

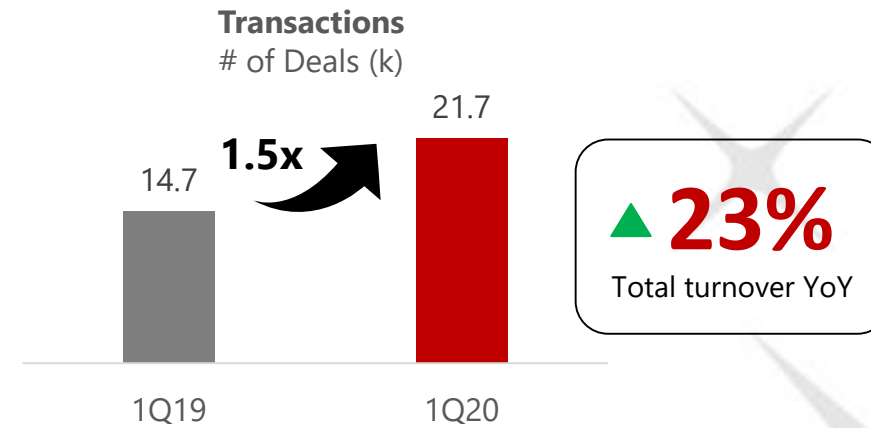
>35,000
accounts opened
in <2 weeks

Significant uplift in digital activity

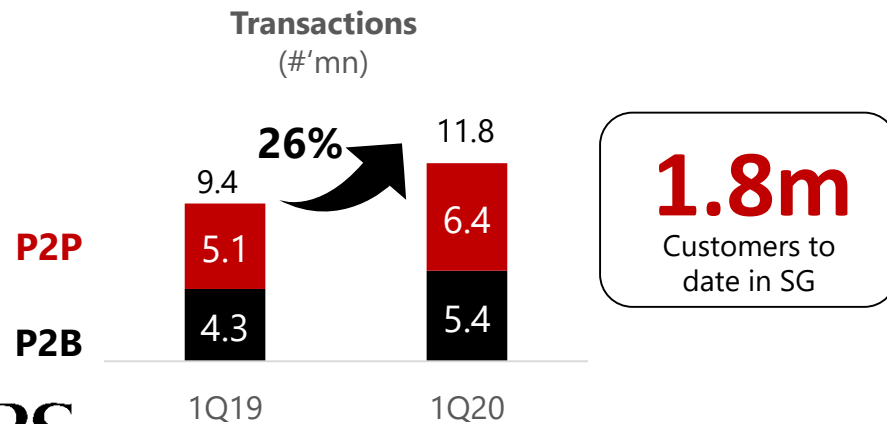
Online Equities Trading



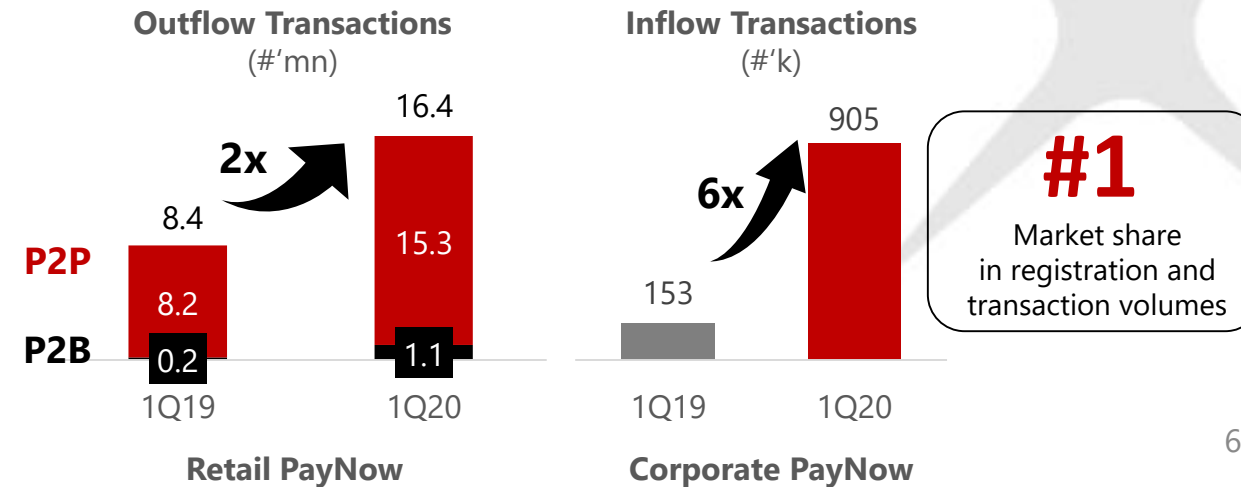
eFX Dealonline



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COVID-19 Support measures

Colleagues

- ✓ **No retrenchment**, hiring judiciously, internships and graduate programmes to continue
- ✓ **Care packages (which includes masks, hand sanitisers & vitamins) provided** to all employees
- ✓ **Medical teleconsultation** services & webinars for staff
- ✓ **Launched TOGETHER campaign** to boost employee morale through a series of programmes aimed at physical, emotional, mental and psychological well-being

Consumers

- ✓ **Close to 8,000** mortgage principal and interest payment applications deferred, representing **S\$4.7bn** in loans outstanding
- ✓ Free **insurance protection** against COVID-19 infections for customers & family members – close to **1.2mn** customers and families insured
- ✓ Allowing eligible SG consumers to convert their credit card and cash line outstandings to term loans at a reduced interest rate

Corporates

- ✓ Providing **loan moratoriums for >1,800 corporate facilities** representing **>S\$3.4bn** in total loans outstanding
- ✓ Aailed **S\$3.2bn** in loan facilities to SG SMEs under government relief programme
- ✓ Prudently supporting our large corporate customers

Communities

- ✓ **DBS Stronger Together Fund:** Donating S\$10.5mn to aid the elderly and underprivileged communities with basic necessities and meals; donated **medical supplies** in Indonesia and India. We expect to provide **4.5mn meals** across all markets
- ✓ Delivered **care packs** to 32,000 healthcare professionals and beneficiaries

Business outlook

1Q profit before allowances growth of 20% provides head start for year

- Full-year profit before allowances to be around 2019 levels after factoring in declines for rest of year
- Provides capacity to absorb expected increase in allowances

Interest rates are main pressure to earnings

- 1Q NIM does not reflect impact of recent interest rate cut
- Impact to be felt from 2Q as benchmark rates driving NIM decline

Business outlook

Business volume holding up

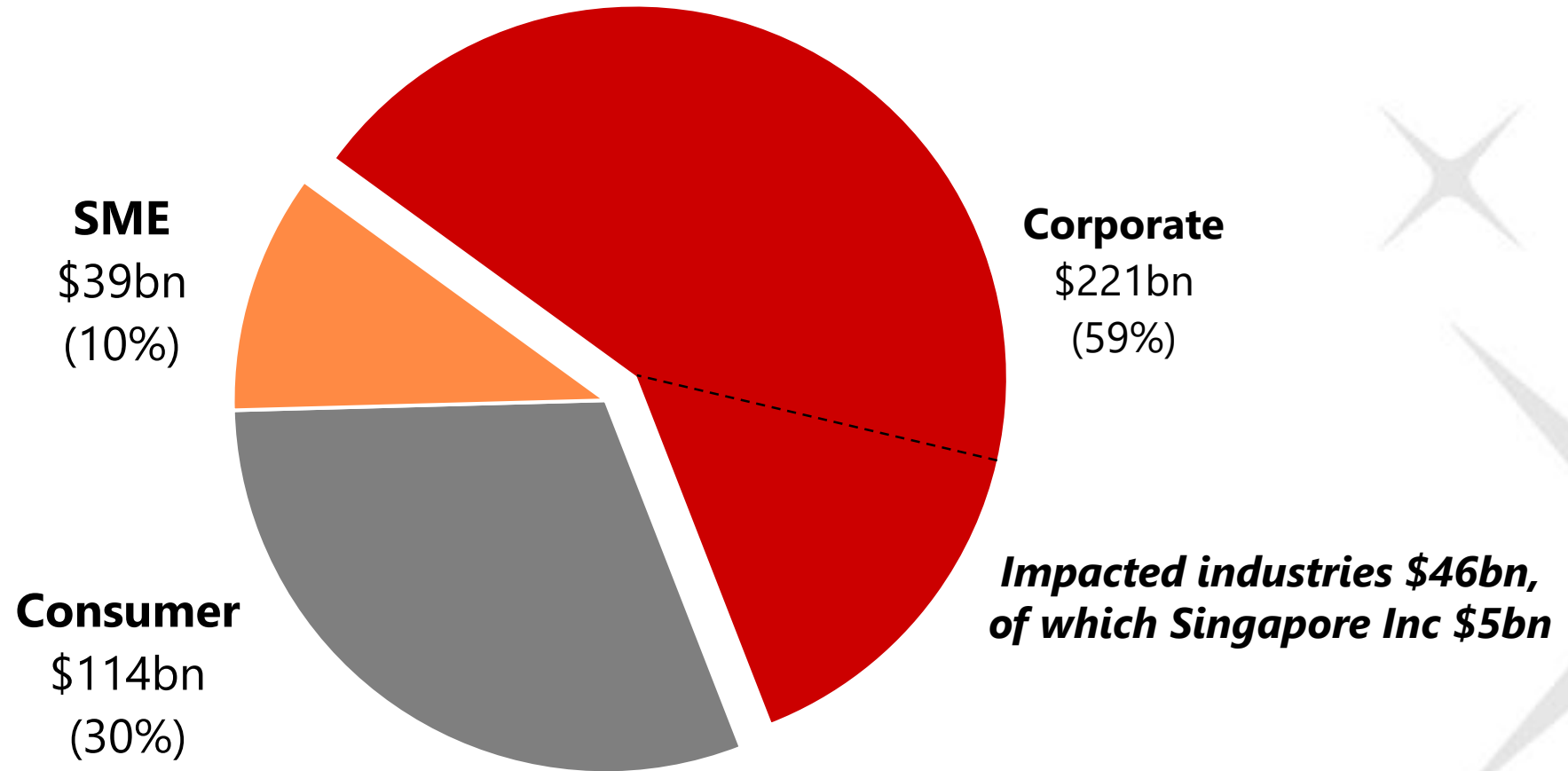
- Loan growth resilient
 - Healthy non-trade corporate loan pipeline from top-end customers
 - Trade loans affected by lower global trade volumes
 - Housing and consumer loans expected to be little changed
- Record deposit inflows from flight to safety, expected to continue
- Fee income likely lower but mitigated by diversified fee income streams
- Other non-interest income provides upside

Business outlook

Expenses to be tightened

- No retrenchments or pay cuts, but hiring judiciously
- Discretionary non-staff costs (e.g. travel) reduced
- Investments to be prioritised
- Bonuses will be aligned to earnings

Loan composition



Credit costs to rise

Credit costs to rise to between \$3bn-5bn (80-130bp) cumulatively over two years

- Two scenarios used to derive estimates
 - Base scenario
 - Lockdowns in major economies until mid-2020
 - Gradual recovery in 2H20, muted growth in 2021
 - Financial market correction of 20% in 2020
 - Stress scenario
 - Lockdowns in major economies until end-3Q20
 - Gradual recovery from end-2020, economic activity in 2021 still materially below 2019 levels
 - Financial market correction of 50% in 2020
- Results comparable to 2002-03 recession and 2008-09 GFC

Consumer

Housing

- Loan size of \$75bn
- Minimal losses expected, as in past crises
- Prudent regulations on LTV limits and debt servicing ratios
- Average LTV of 55% in Singapore and 32% in Hong Kong
- Loans principally for owner-occupation

Unsecured credit

- Loan size of \$11bn, 3% of group loans
- In Singapore, borrowing limits have been progressively tightened since 2015

SME

- Loan size of \$39 billion
- Almost 90% of SME exposure in Singapore and Hong Kong
- Predominantly secured against property
- Lending criteria tightened over past two years
- 10% to highly impacted industries such as hotels, food and beverage, and retailers
- Hong Kong portfolio already been through prolonged stress

Large corporates

- Identified eight industries more directly impacted by slowdown – Oil and gas, Aviation, Hotels, Gaming/cruise ships, Tourism, Retail, Food and beverage and Shipping
- Total loans of \$46bn, of which oil and gas is biggest sector with \$23bn
- Carried out review using name-by-name review based on stress test assumptions according to industry
- Identified about 20% for close monitoring

Oil and gas

- Total loans of \$23bn

(\$bn)	Producers	Processors	Traders	Support services	Total
March 2020	7	7	5	4	23

Producers

- Principally to oil majors and state-owned companies

Processors

- Majority of loans are to midstream (transport and storage), which are benefiting from strong storage demand
- Downstream (refining) loans are mainly to oil majors, leading refiners, or integrated operators with diversified income

Oil and gas

Traders

- Of total \$5bn loans, 50% are backed by bank letters of credit
- One loan recognised as NPA during quarter
- Balance of loans are to global traders or state-owned companies, or are tightly structured and secured loans

Support services

- Conservative stance taken in 3Q17 to recognise NPA, mark down collateral
- Out of \$4bn loans, \$3bn recognised as NPA
- Further SP expected to be taken

Aviation

- **Total loans \$6bn**
 - 15% to Singapore Inc
 - 35% national airlines backed by aircraft
 - 35% bank-related and international leasing companies
 - 15% to aircraft/engine manufacturers

Entering slowdown with strong balance sheet

Strong capital

CET-1: 13.9%

Above management operating range and regulatory requirements

Strong general allowance reserves

GP: \$3.2bn

GP reserves include management overlays of around \$1bn

Strong liquidity

LCR: 133%
NSFR: 112%
LDR: 83%

Regulatory ratios well above requirements, ample liquidity to support business operations in stressed funding conditions

1Q dividend maintained at 33 cents per share

- Earnings generation currently expected to be sufficient for maintaining quarterly DPS at 33 cents
- Barring significant macroeconomic worsening, CET-1 envisaged not to dip significantly below target operating range of 12.5-13.5%
- Will continue to assess prospective impact of COVID-19 crisis on financial performance, credit costs and capital ratios, and adjust dividend policy as appropriate

Thank You