# Our digital strategy

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Chief Executive Officer

17 November 2017



*The presentations contain future-oriented statements, including statements regarding the Group's vision and growth strategy in the light of anticipated trends as well as economic and market conditions. Such statements necessarily involve risks and uncertainties, which may cause actual performance in future periods to differ from projections.*

# Agenda

01 Our Investment Thesis: 2009

02 2014: Our Digital Transformation Journey

03 Creating Shareholder Value from Digitalisation

04 Today's Agenda

# 01

## Our Investment Thesis: 2009



# Our Investment Thesis: 2009

- **Create an Asia-centric commercial bank that delivers double-digit ROE and growth rates in a diversified manner**

- **Capitalising on megatrends in Asia**
  - Intra-regional trade and capital flows
  - Urbanisation and infrastructure investments
  - Increasing consumption and growing affluence

- **Distinct from local lenders and global players through an Asian Way of Banking**

# KEY STRATEGIES



**Build a diversified regional Corporate Bank**



**Build a regional Wealth business**



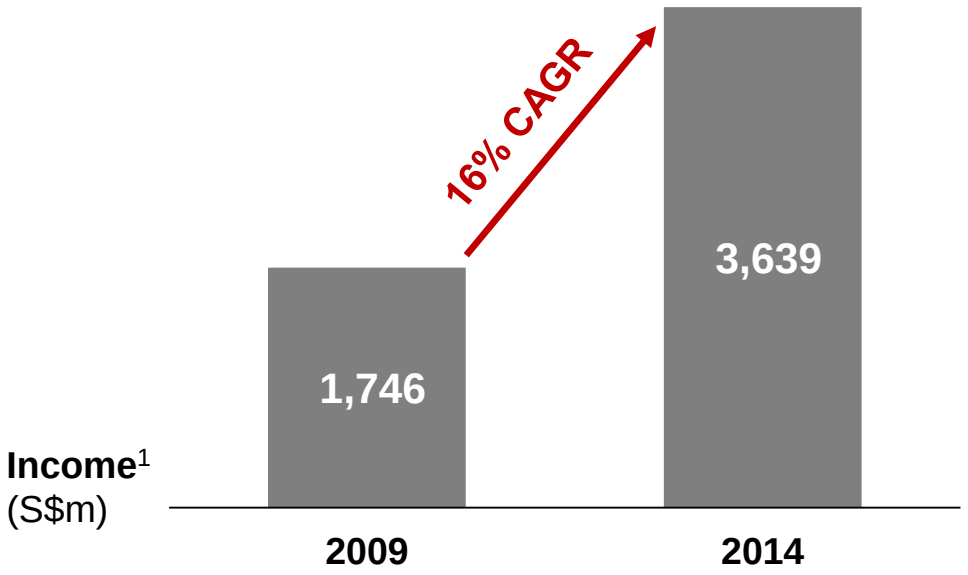
**Regain universal banking leadership in Singapore (Retail, SME)**



**Build out SME in Growth Markets; get into consumer finance opportunistically**

# Achieved good outcomes by 2014

## Corporate Bank




| % of income[1] | 2009 | 2014 |
|---|---|---|
| Trade, Cash, Treasury | 29% | **44%** ▲ |
| Loan | 66% | **52%** ▼ |

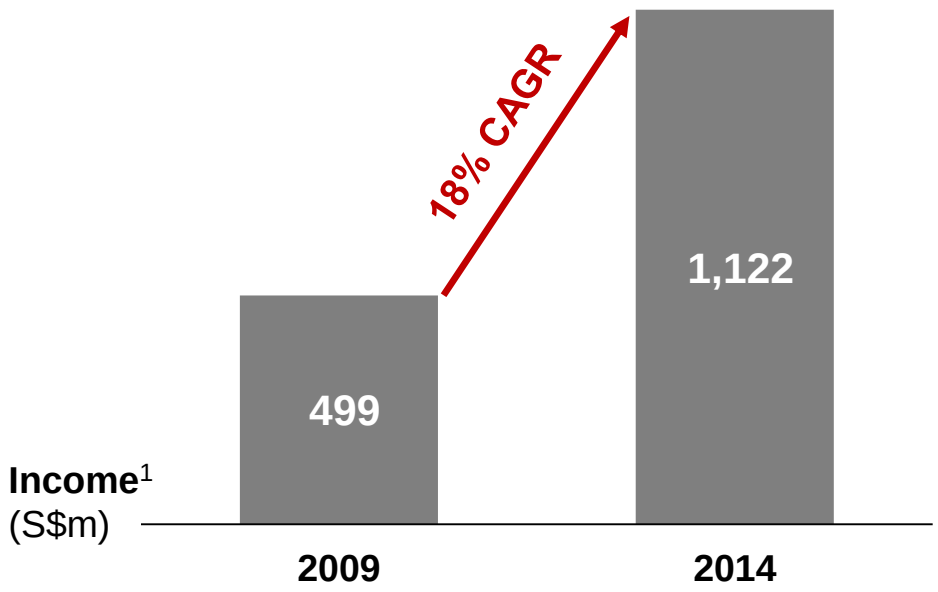
**Built niche, profitable business in capital markets**

**Today, ranked 4th in Asia[2]**

[1] MIS view
[2] Based on market penetration in our markets (source: Greenwich survey)

# Achieved good outcomes by 2014

## Wealth Management




| | 2009 | 2014 |
|---|---|---|
| Ranking[2] | Not in top 30 | **#9** |
| AUM | S$75bn | **S$134bn** |

**Developed Wealth Continuum, created 3 wealth segments[3]**

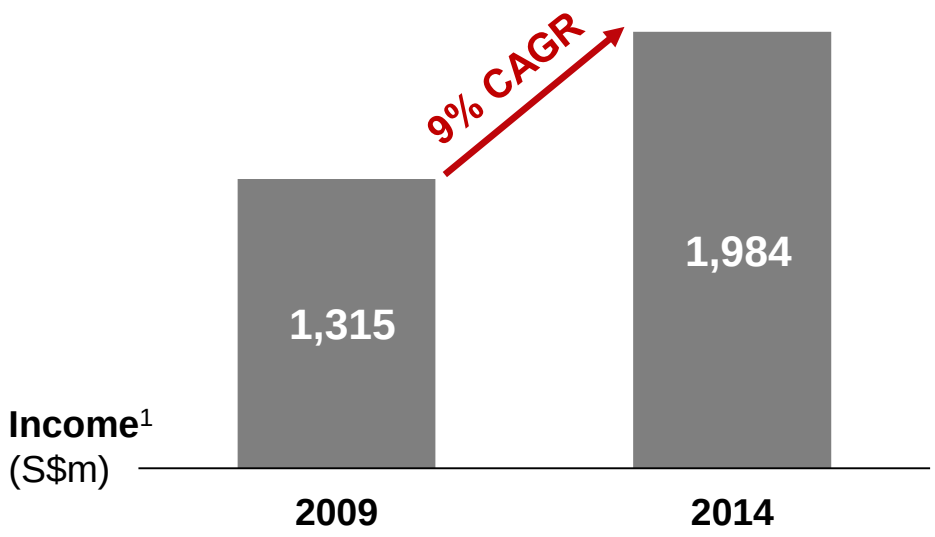
**Today, ranked 6th in Asia[2]**

[1] MIS view
[2] Based on AUM (source: Private Banker International)
[3] Treasures, Treasures Private Client, Private Bank

Leading universal bank in Singapore

# Achieved good outcomes by 2014

## Retail and SME Bank Singapore




| Market positions[2] | 2009 | 2014 |
|---|---|---|
| Mortgage | #2 | **#2** |
| Auto loans | #2 | **#1** |
| Cards | *#2* | **#2** |
| Bancassurance | *Not in top 5* | **#2** |

[1] MIS view
[2] Ranking for mortgage, auto loans, cards based on balances (source: Credit Bureau Singapore, Sep 17);
Ranking for bancassurance based on new business weighted premiums (source: Life Insurance Association, 9M17)

DBS

# Grew income in Growth Markets, but hard to scale

## Retail and SME Bank Growth Markets[1]

**Income[2]**

**13% CAGR**
2009-2014

**Net profit[2]**

**S$18m**
2014

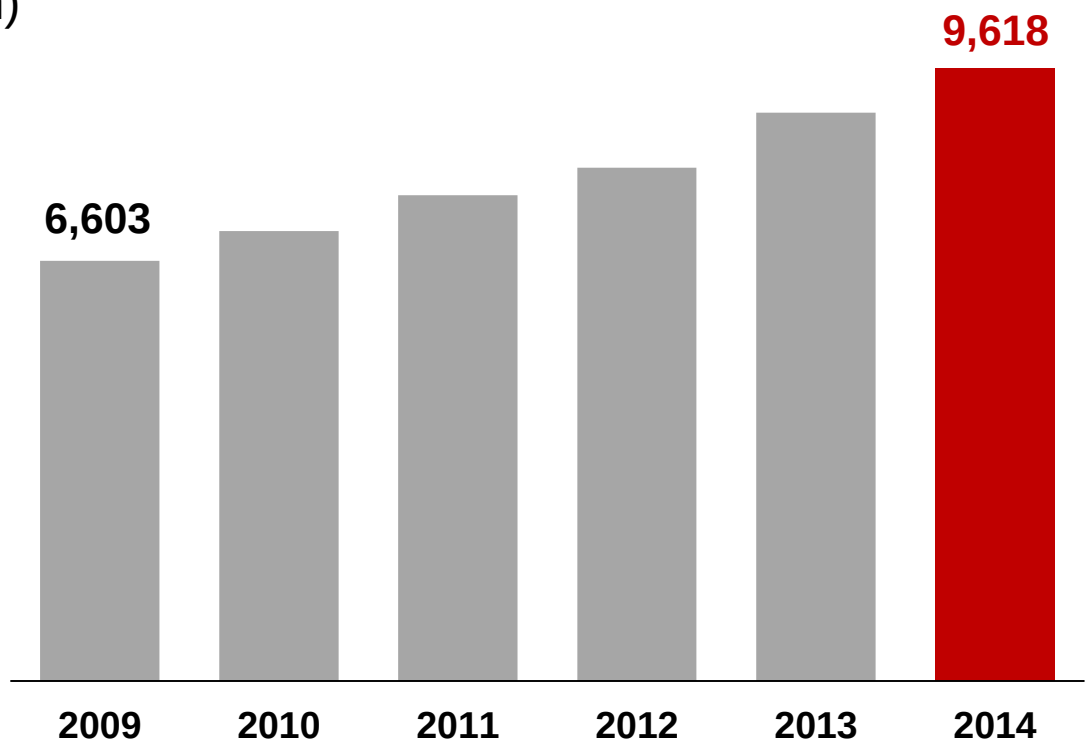
**SME and consumer finance businesses limited by physical distribution and macro challenges**

[1] Growth Markets: China, Taiwan, India, Indonesia
[2] MIS view

# Achieved good outcomes by 2014…

## Group income

(S$m)

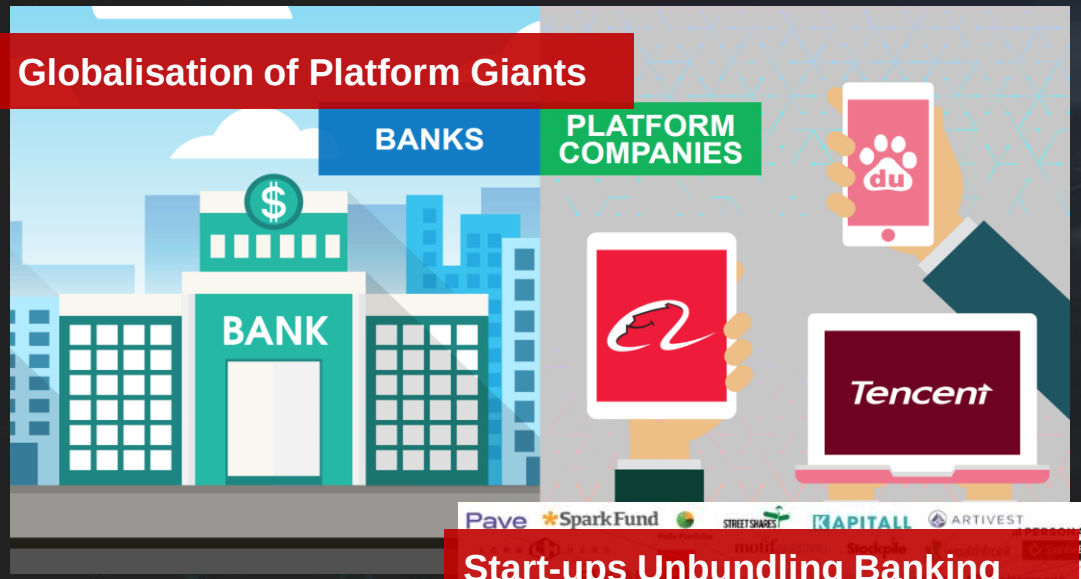



| | |
|---|---|
| Income | **8%** CAGR[1] |
| Net Profit | **13%** CAGR[1] |
| ROE | **8.4%** 2009 to **10.9%** 2014 |

[1] 2009-2014

# …but the world was changing around us

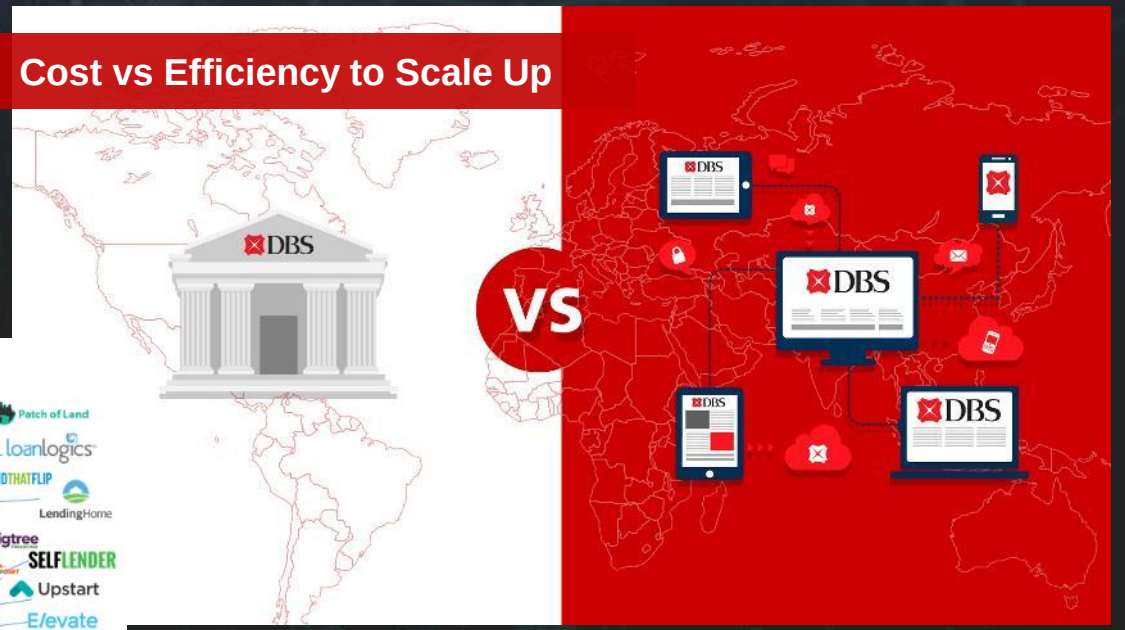
## Globalisation of Platform Giants




## Start-ups Unbundling Banking




## Cost vs Efficiency to Scale Up



# 02

## 2014: Our Digital Transformation Journey






# What would Jeff do?

# Our digital business model: 5 key capabilities

## ACQUIRE

- Increase customer acquisition through wider distribution
- Lower acquisition cost

## TRANSACT

- Eliminate paper, create instant fulfilment
- Decrease cost

## ENGAGE

- Drive ‘sticky’ customer behaviours, cross-sell through contextual marketing
- Increase income per customer

**ECOSYSTEMS:** Pipes to Platforms

**DATA:** Be insights driven

# Driving the transformation: Making Banking Joyful

**Become Digital to the Core**

**Embed Ourselves in the Customer Journey**

*Make DBS 'Invisible'*

**Create a 22,000 Start-up**

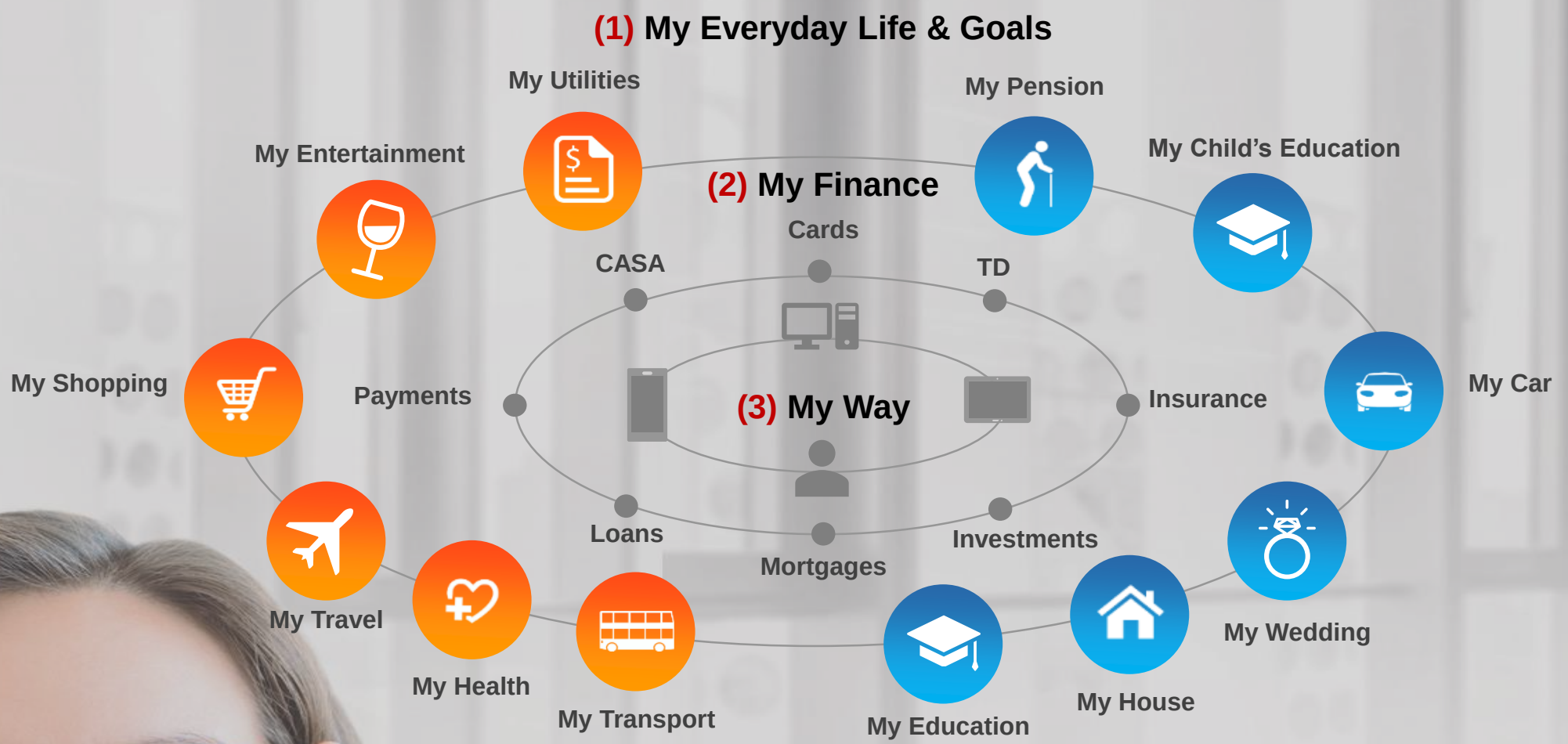
# BECOME DIGITAL
# TO THE CORE

| FROM | TO |
| --- | --- |
| LEGACY | MICROSERVICES, CLOUD, APIs |
| WATERFALL | AGILE |
| MANUAL | AUTOMATED, DEVOPS |
| PROJECTS | PLATFORMS |
| OPERATIONS | DESIGN-FOR-NO-OPS |
| ANALOGUE | PAPERLESS |



DBS

# Make banking ‘invisible’



# What makes a 22,000 start-up?

- **Customer Obsessed**
- **Data-Driven**
- **Take Risk & Experiment**
- **Agile**
- **Be a Learning Organisation**



# Tools

**Employee Immersion Programmes**
*e.g., Hackathons*

**Human-Centred Design**

**Customer Journey Thinking**



# Spaces

**Collaborative Workspaces**

**Innovation Labs**

**Design Centres**



# Partners

**Start-ups**

**Incubators/ Accelerators**

**Universities**

**Research Agencies**

# YOU MANAGE WHAT YOU MEASURE:
## Balanced Scorecard and Management Processes

### Then:

**50% Traditional KPIs**

| | | |
|---|---|---|
| **Shareholders** Achieve sustainable growth | **Customers** Position DBS as bank of choice | **Employees** Position DBS as employer of choice |

**50% Strategic priorities**

| | | |
|---|---|---|
| Geographies | Regional businesses | Enablers |
| Regulators | Society | |

### Today:

**40% Traditional KPIs**

| | | |
|---|---|---|
| **Shareholders** Achieve sustainable growth | **Customers** Position DBS as bank of choice | **Employees** Position DBS as employer of choice |

**20% Making Banking Joyful**

| | | |
|---|---|---|
| Drive digitally:<br>• Acquire<br>• Transact<br>• Engage | Joyful customers & employees by focusing on journeys, experiences | Capture value created from digitalisation |

**40% Strategic priorities**

| | | |
|---|---|---|
| Geographies | Regional businesses | Enablers |
| Regulators | Society | |

# Making Banking Joyful KPIs

**20%** **Making Banking Joyful**

| Drive digitally: | Joyful customers & employees by focusing on journeys, experiences | Capture value created from digitalisation |
|---|---|---|
| • Acquire<br>• Transact<br>• Engage | | |

**ACQUIRE**

▲ Channel share of digital acquisition

**TRANSACT**

▲ Channel share of digital transactions

▼ Manual transacting efforts

**ENGAGE**

▲ Digital, contextual engagements with customers

**JOYFUL CUSTOMERS & EMPLOYEES**

Top 250 senior mangers to sponsor 1 Journey each

**VALUE CREATED FROM DIGITALISATION**

▲ Number of Digital customers

▲ Income per Digital customer

***Higher income, lower costs:***
***better operating leverage, cost-income ratio, ROE as we shift from traditional to digital***

# VISIBLE OUTCOMES: Digital transformation pervasive

digibank

Tally



iWealth



Treasury Prism




Digital Onboarding



BusinessClass



POSB Smart Buddy

**TRANSFORMING THE FRONT END…**




"It is demonstrably the case that **digital innovation pervades every part of DBS** from consumer to corporate, SMEs to transaction banking and even the DBS Foundation."

**Clive Horwood**

**Editor of Euromoney**



digibank Virtual Assistant



Contact Centre Analytics



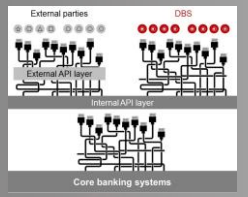

ATM Analytics




Fraud Monitoring



HR Analytics on RMs



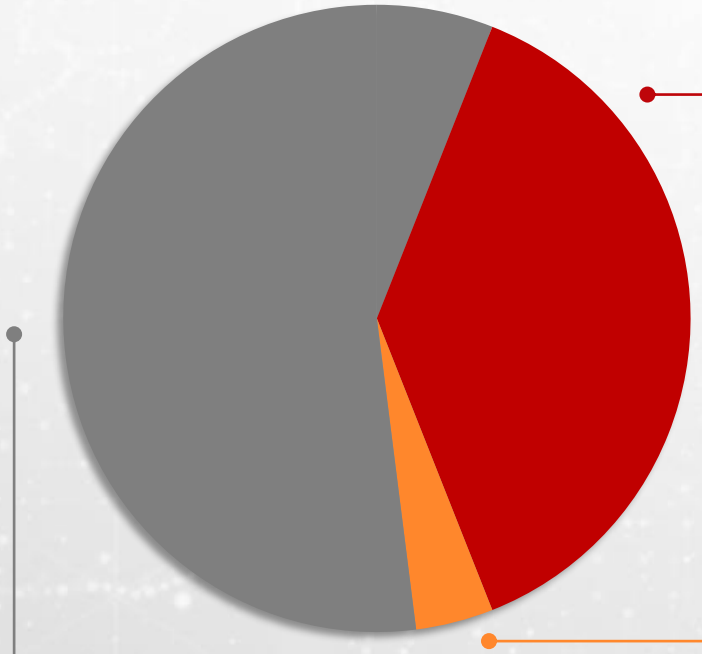

Open API Platform

**… RE-ARCHITECTING THE BACK END**

# 03

## Creating Shareholder Value from Digitalisation

# Unbundling the bank



***Measuring the digital value created in:***

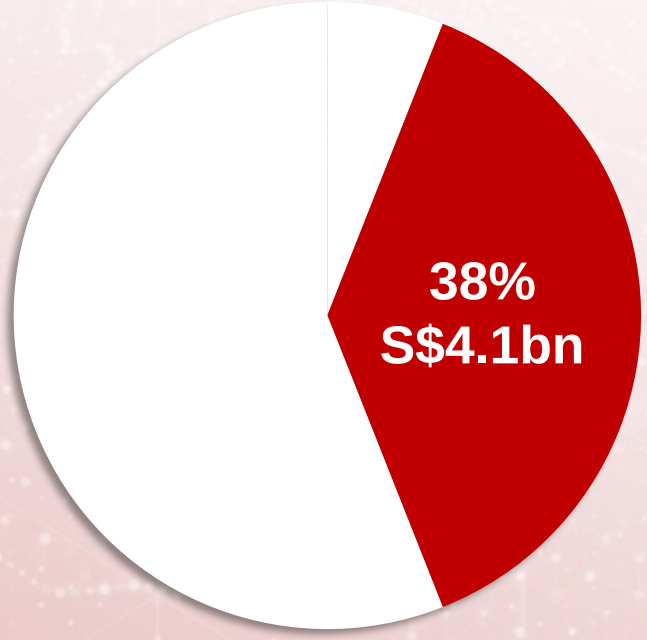
***Our agenda***

| | |
|---|---|
| **Consumer and SME (Singapore, Hong Kong)** | **Pre-empt disruptors** |
| **Consumer and SME (Growth Markets)** | **Disrupt incumbents** |
| **Other Businesses[1]** | **Digitalise for profitability** |

[1] Corporate Bank, Private Bank, Markets, and Others

# Consumer and SME (Singapore, Hong Kong)

## Pre-empt disruptors



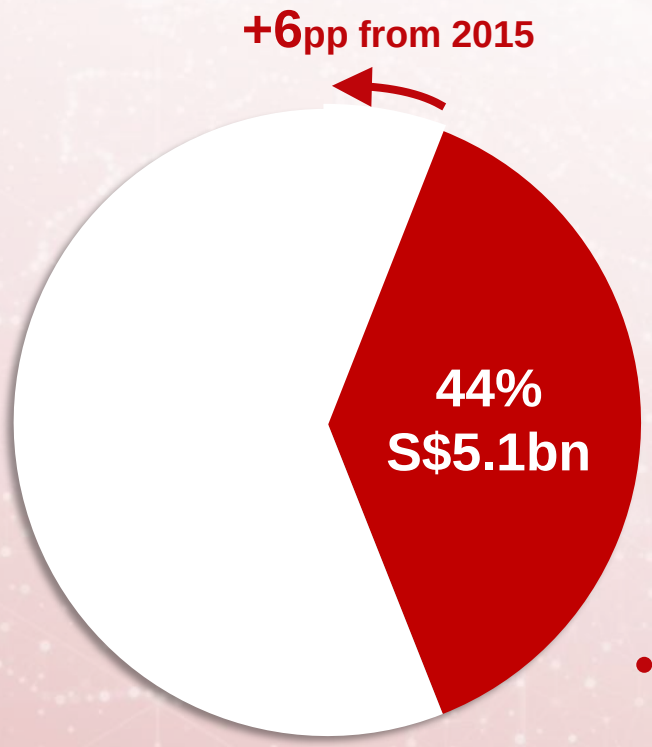

**2015 income: S$10.8bn**

- **Rapidly transforming to digital**
- **Gaining market share, creating new income streams**
- **#1 in Singapore in mortgage, auto loans, cards, bancassurance today**[1]

[1] Ranking for mortgage, auto loans, cards based on balances (source: Credit Bureau Singapore, Sep 17);
Ranking for bancassurance based on new business weighted premiums (source: Life Insurance Association, 9M17)

# Consumer and SME (Singapore, Hong Kong)

## Pre-empt disruptors




**2017 income: S$11.6bn**

| Income | Cost-income ratio | ROE |
|---|---|---|
| **11%** CAGR[1] vs Group: 4% | 49% (2015) → **43%** (2017) | 22% (2015) → **24%** (2017) |

- **Jewel in the crown**
- **Likely to grow income at double-digit**
- **Has potential to contribute ~50% of the bank's income in 5 years**

2017 figures annualised based on 1H17, where applicable

[1] 2015-2017

# Consumer and SME (Growth Markets)

## Disrupt incumbents



4%, S$503m

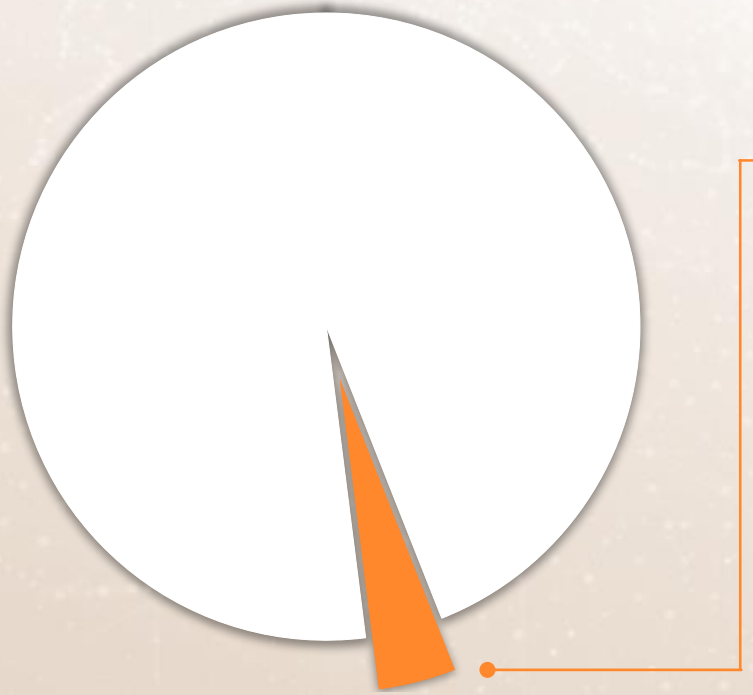
**2017 income: S$11.6bn**

- **Successfully launched new distribution models in India & Indonesia**
- **Still nascent, loss-making**

2017 figures annualised based on 1H17, where applicable

# Consumer and SME (Growth Markets)

## Disrupt incumbents



4%, S$503m

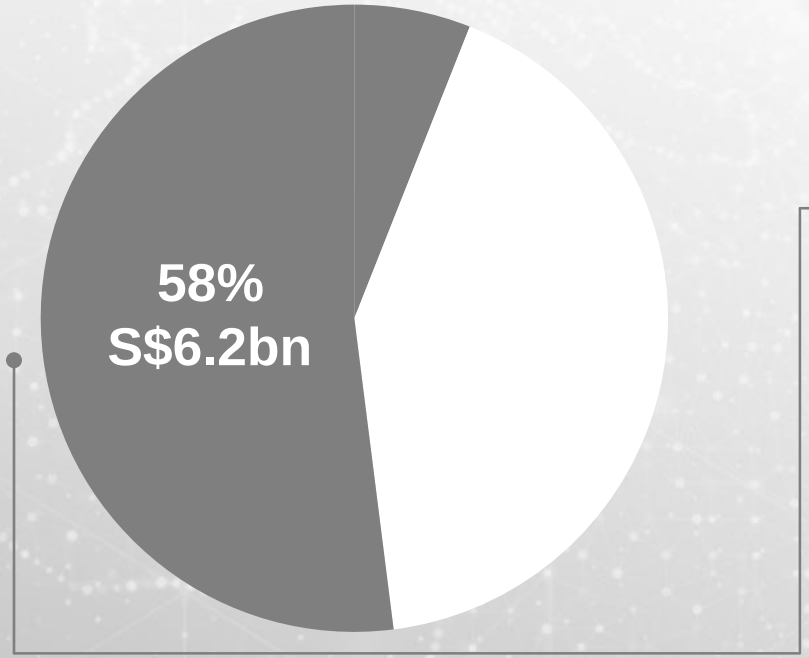
**2017 income: S$11.6bn**

- **A bet on the future**
- **Income growth likely to be >20% CAGR**
- **Has potential to contribute ~10% of the bank's income in 5 years; aspirational ROE >10%**

2017 figures annualised based on 1H17, where applicable

# Other Businesses[1]

## Digitalise for profitability



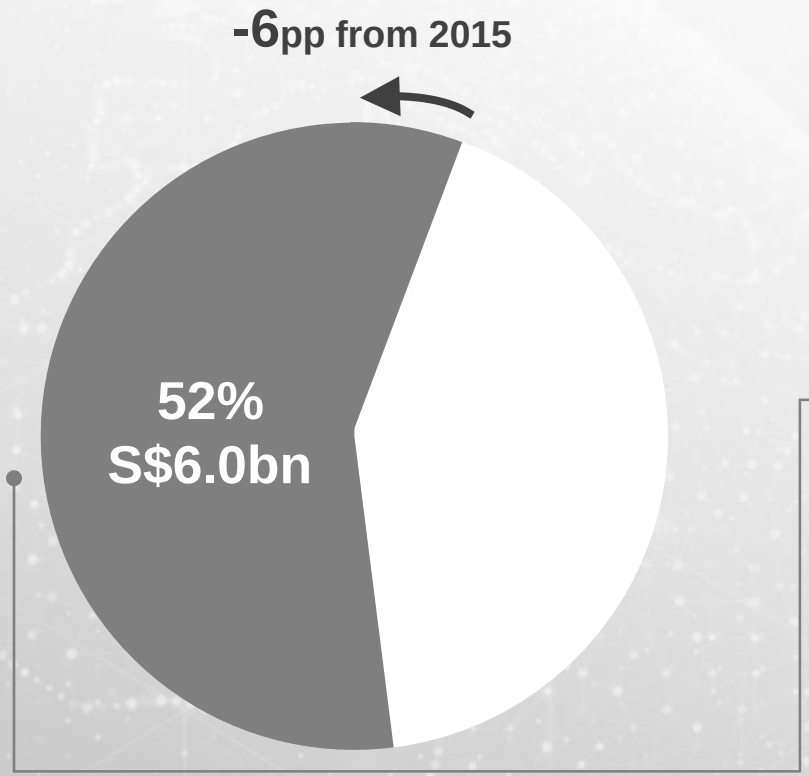

**2015 income: S$10.8bn**

- **Changing the operating model and the way we work**
- **Getting efficiency gains**
- **Some digital standouts**

[1] Corporate Bank, Private Bank, Markets, and Others

# Other Businesses[1]

## Digitalise for profitability




**2017 income: S$11.6bn**

- **Income flat; while Cash Management (16% CAGR[2]) and Private Bank (26% CAGR[2]) have been standouts, trading has been a drag**
- **Reduced cost[3] by ~$100m**
- **Income likely to grow mid-single-digit; aspirational ROE ~10%**

2017 figures annualised based on 1H17, where applicable
[1] Corporate Bank, Private Bank, Markets, and Others
[2] 2015-2017
[3] 2017 vs. 2015

# Summary

- Strategy leveraging Asia's megatrends has paid off with diversified growth and higher returns
- Digitalisation creates opportunity to pre-empt disruptors, disrupt incumbents and improve business profitability
- Our digital transformation is pervasive, encompassing technology, customer journey and a start-up culture. This is difficult to replicate and creates competitive advantage
- We have established a management and measurement system to drive this transformation, and a robust methodology to track financials
- Early results of our efforts are encouraging. Digitalisation has accelerated income growth and lowered structural costs, boosting operating leverage. The opportunity space is significant




# 04

## Today's Agenda

# Agenda for the day

| | Presentations | Showcases |
|---|---|---|
| **Digital Transformation** Technology & Culture | **Dave Gledhill, CIO** | Tech and Ops \| APIs<br>Use of data insights |
| **Consumer and SME (Singapore, Hong Kong)** | **Chng Sok Hui, CFO** | Bancassurance \|<br>POSB Smart Buddy |
| **Consumer and SME (Growth Markets)** | **Surojit Shome, India** | digibank \| Tally |
| **Other Businesses**[1] | **Jimmy Ng, Audit**<br>**John Laurens, Cash Management**<br>**Tan Su Shan, Wealth Management**<br>**Karen Ngui, Strategic Marketing** | Reimagining Audit<br>Treasury Prism<br>iWealth |

[1] Corporate Bank, Private Bank, Markets, and Others

# Our digital strategy

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