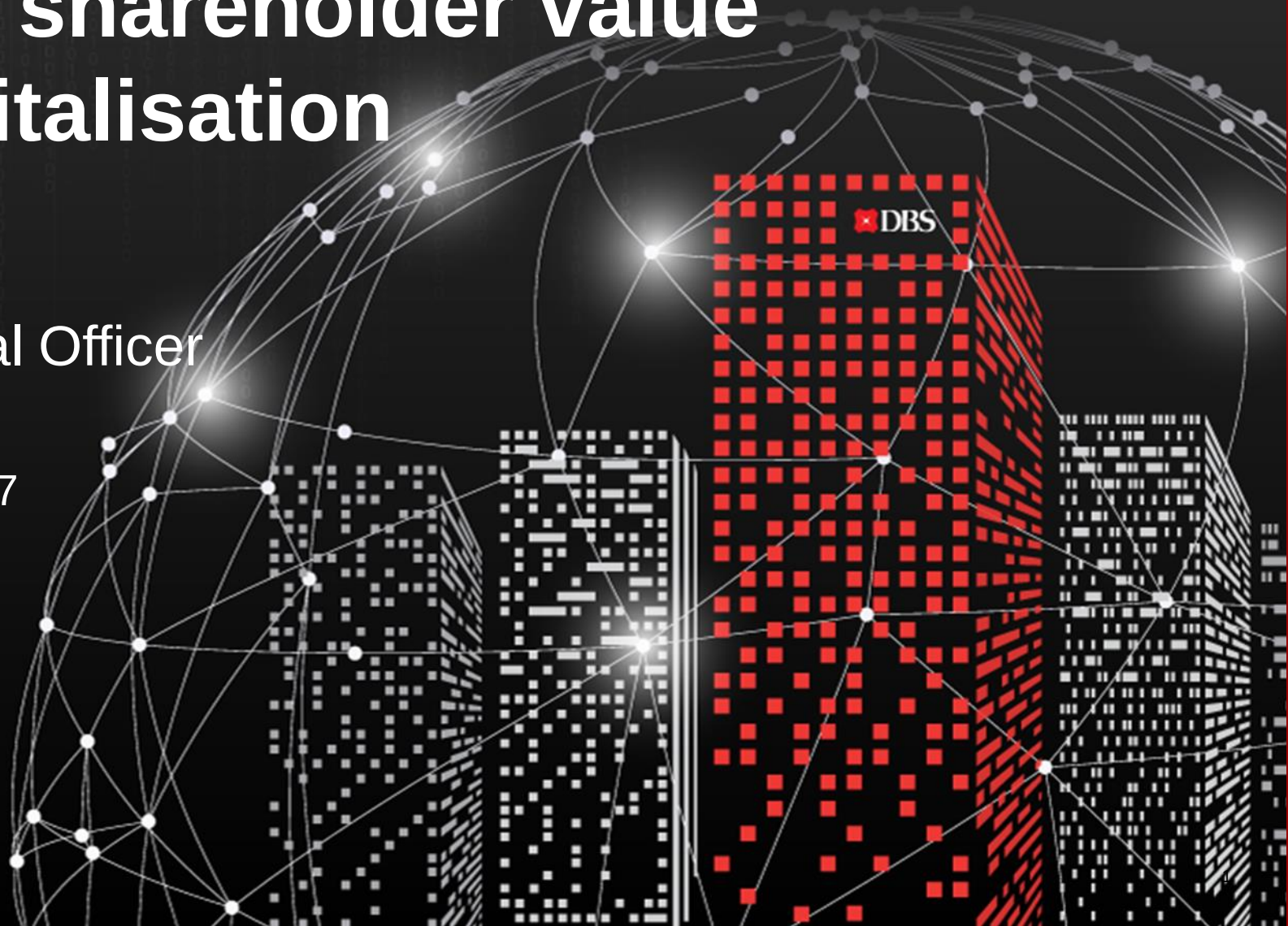
Creating shareholder value from digitalisation

Chng Sok Hui
Chief Financial 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 for the day

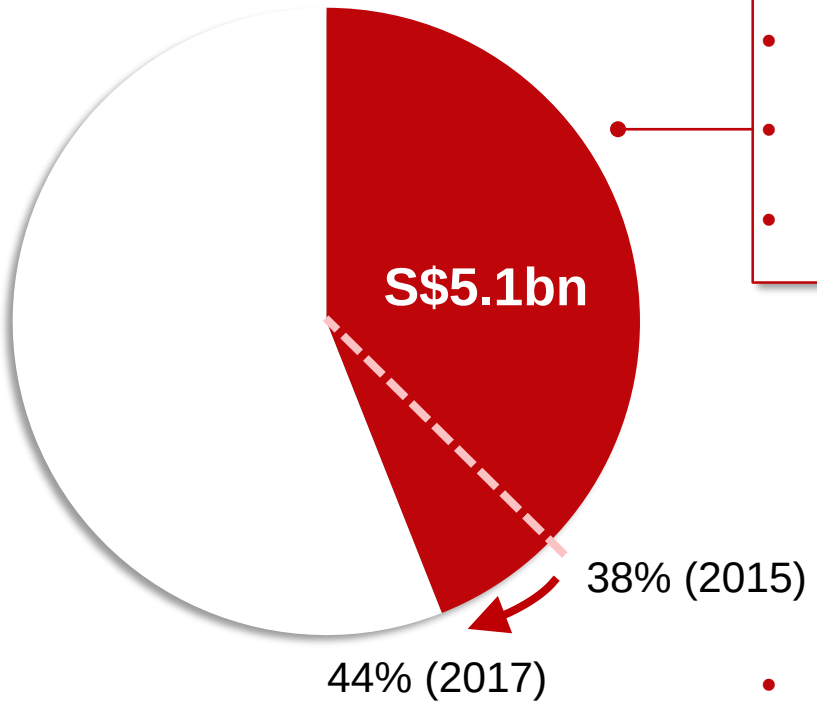
	Presentations	Showcases
Digital Transformation	Transforming technology and culture	Tech and Ops | APIs Use of data insights
Consumer and SME (Singapore, Hong Kong)	**Pre-empt disruptors**	Bancassurance | POSB Smart Buddy
Consumer and SME (Growth Markets)	Disrupt incumbents	digibank | Tally
Other Businesses[1]	**Digitalise for profitability** • Audit • Cash Management • Wealth Management • Strategic Marketing	Reimagining Audit Treasury Prism iWealth

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

44% of the bank: High performing and rapidly digitalising business

Consumer and SME (Singapore, Hong Kong)

2017 income: S$11.6bn



Pre-empt disruptors

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

Income	Cost-income ratio	ROE
11% CAGR [2]	49% (2015) → **43%** (2017)	22% (2015) → **24%** (2017)
vs Group: 4%		

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

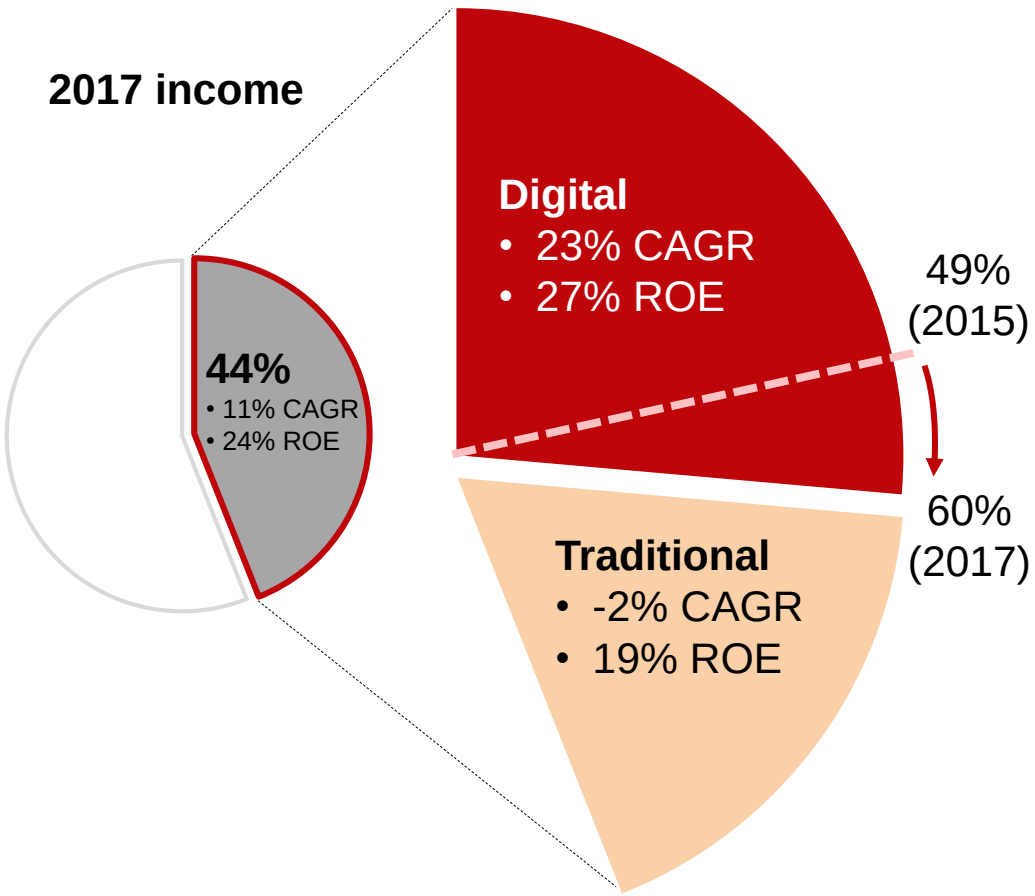
2017 figures annualised based on 1H17, where applicable

[1] 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)

[2] 2015-2017

First bank to develop methodology to measure digital value creation

Consumer and SME (Singapore, Hong Kong)



Two distinct segments based on customer behaviour

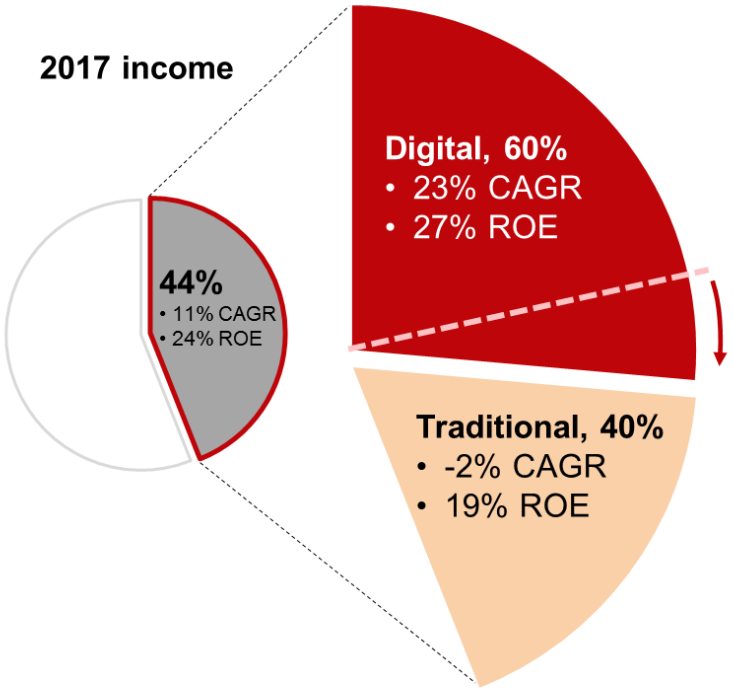
- Digital (D): predominantly online / mobile interactions
- Traditional (T): predominantly offline interactions

We have been progressively helping our customers adopt Digital behaviours

The Digital segment is growing faster, with superior ROE

2017 figures annualised based on 1H17, where applicable; CAGR refers to 2015-2017 income

Agenda



01 **Robust and well-tested methodology to measure digital value creation**

02 Digital segment demonstrates clearly superior financial and operating metrics

03 Rigorous business planning to drive digital adoption and progressively reduce cost-income ratio (CIR)

Robust, well-tested methodology based on customer behaviour

Three behavioural criteria for “Digital customers”

1

Product purchase or segment upgrade via digital channels



- Account opening
- iWealth

OR

2

More than 50% of financial transactions via digital channels



- DBS Remit
- Pay bills online

OR

3

More than 50% of non-financial transactions via digital channels



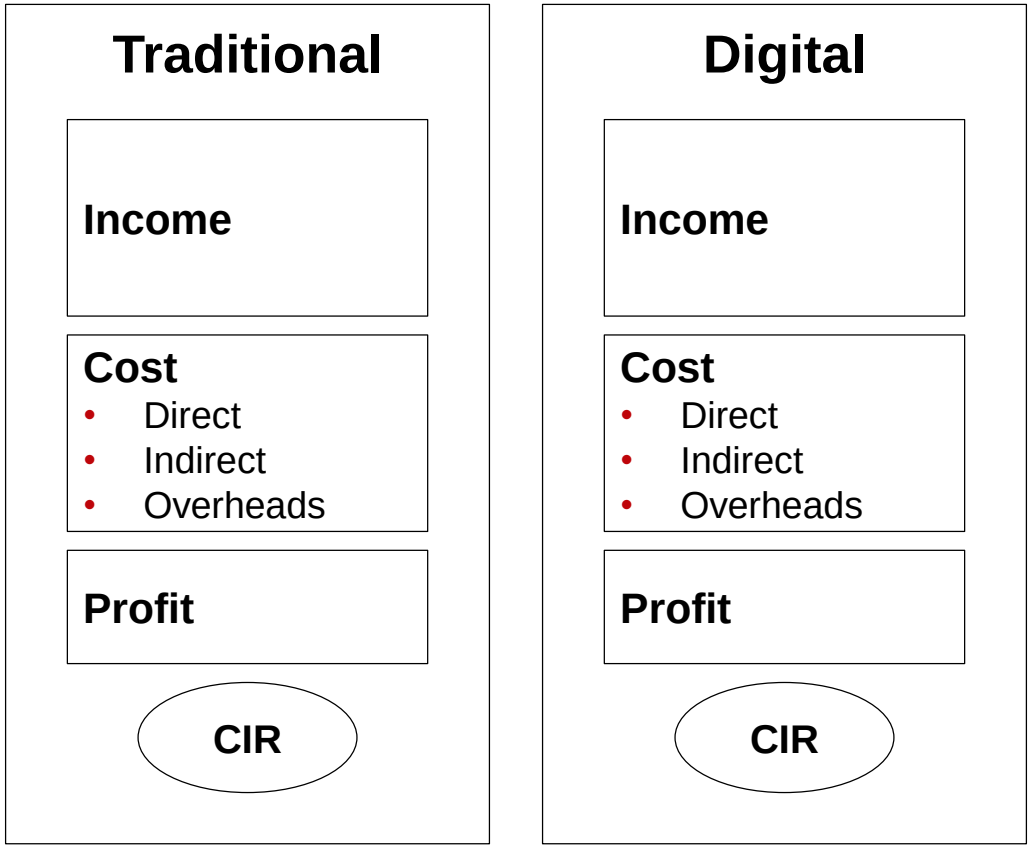
- Add / delete payee
- Change personal details

For **each customer**, **all associated income** and **all associated costs** are completely and accurately attributed

Customers must re-qualify on a rolling 12-month basis

P&L for Digital and Traditional segments based on customer view

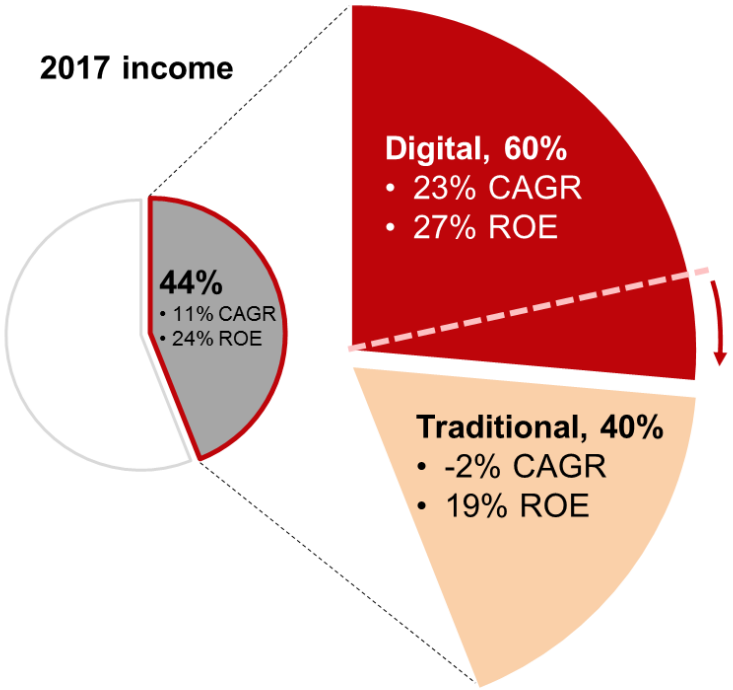
Consumer and SME (Singapore, Hong Kong)



End-to-end P&L constructed following a set of principles

- **Digital and Traditional customers identified** based on banking behaviour
- **Complete attribution** of **all** income streams and costs
- **Full reconciliation** to Group financial statements
- **Granular data** to ensure methodology rigour
- **Time-tested** over three years

Agenda



01 Robust and well-tested methodology to measure digital value creation

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Superior returns from Digital segment

2017 profit and loss (S$bn)	Total	T	**D**	**Digital is material**
Customers (m)	5.9	3.6	**2.3**	**39%** of customers contribute **60%** of income and **68%** of profit before allowances
Income	5.1	2.0	**3.1**	
Costs	2.2	1.1	**1.1**	
Profit before allowances	2.9	0.9	**2.0**	

Key indicators				**Digital is more valuable**
Income per customer (S$'000)	0.9	0.6	**1.3**	**2X** income per customer
Cost-income ratio (%)	43	55	**34**	**20pp** lower CIR
Return on equity (%)	24	19	**27**	**9pp** higher ROE

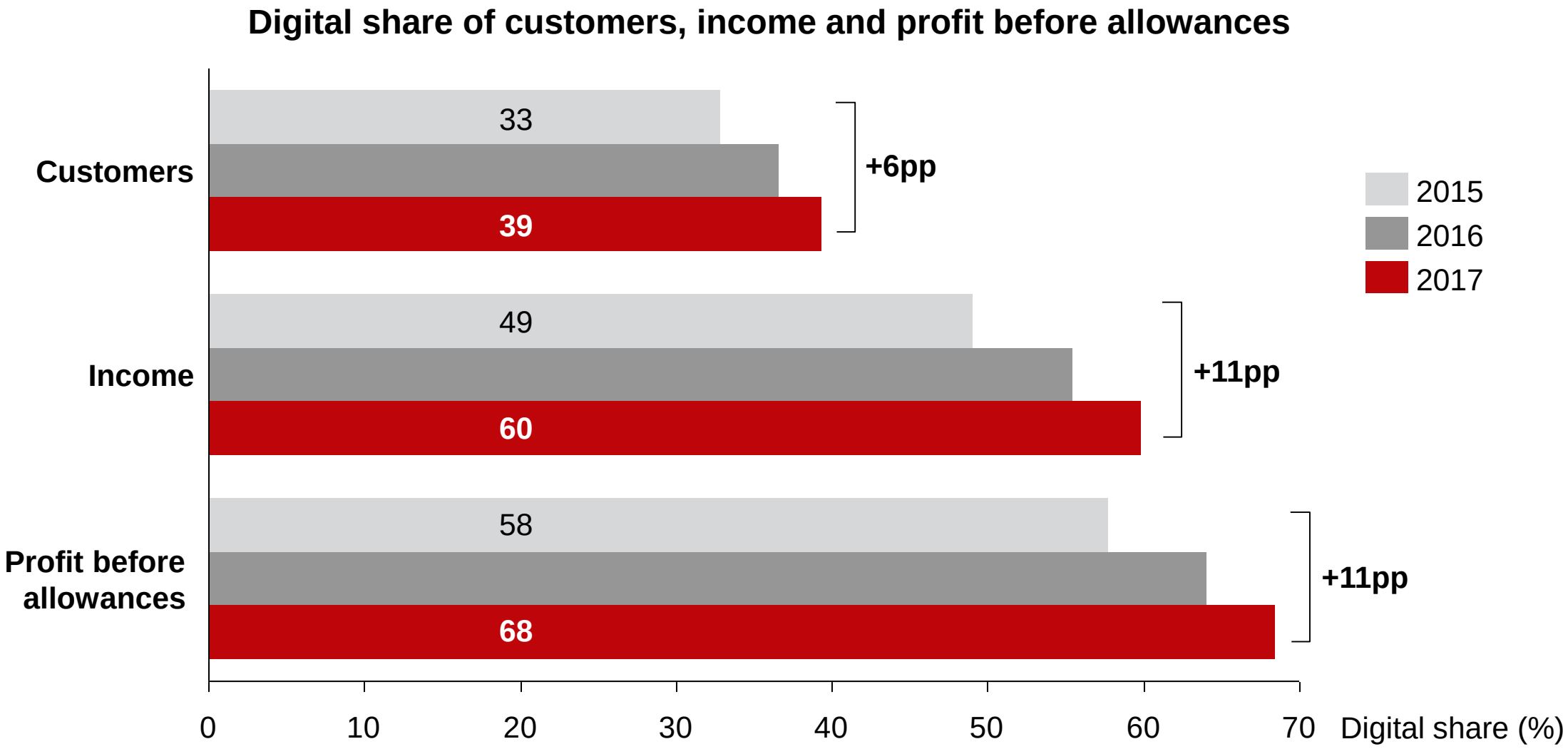
Customer base as of Jun 2017; other 2017 figures annualised based on 1H17, where applicable; numbers have slight rounding differences

Consistently superior returns from Digital segment over time

Profit and loss (S$bn)	2015 D	2017 D	2015 Share of total (%)	2017 Share of total (%)	Digital **increasingly material**
Customers (m)	1.9	2.3	33	39	Strong growth momentum – driven by customer migration and uplift in income per customer
Income	2.0	3.1	49	60	
Costs	0.8	1.1	40	48	
Profit before allowances	1.2	2.0	58	68	
Key indicators			**Differential over T**		Digital **increasingly valuable**
Income per customer (S$'000)	1.1	1.3	2X	2X	Higher income per customer
Cost-income ratio (%)	40	34	-18pp	-20pp	Lower CIR
Return on equity (%)	25	27	+8pp	+9pp	Higher ROE

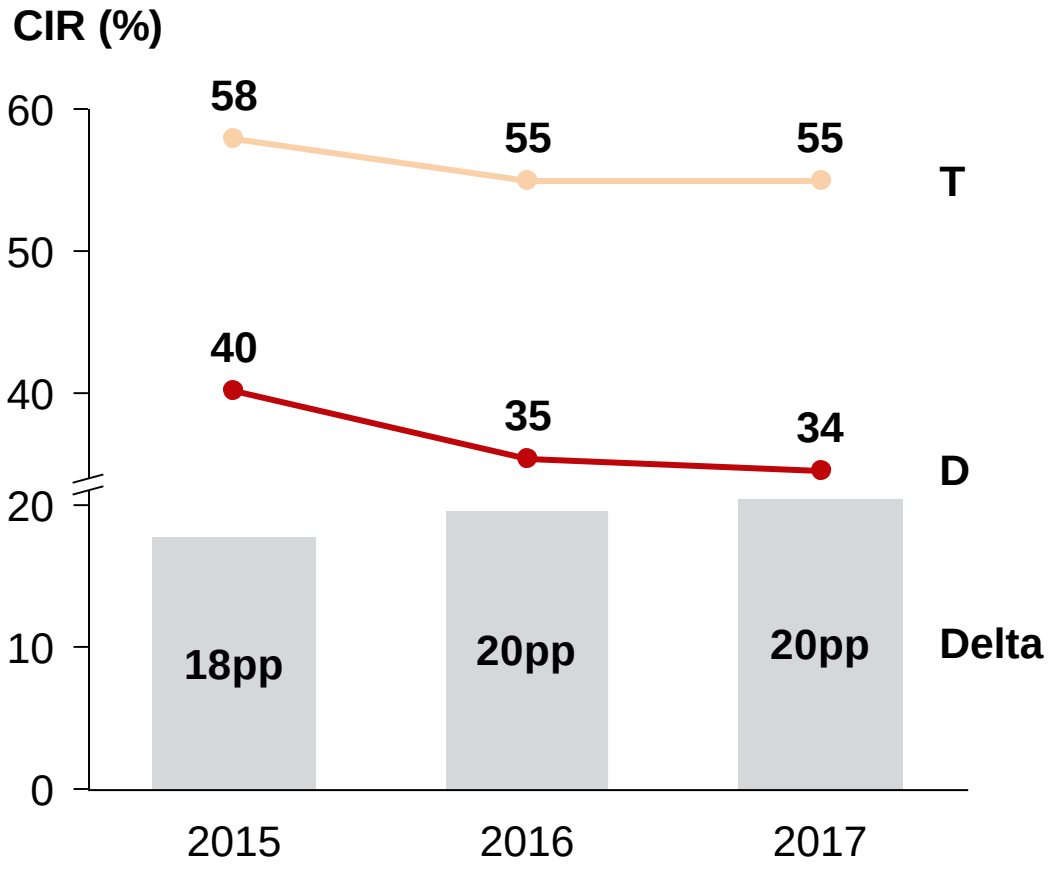
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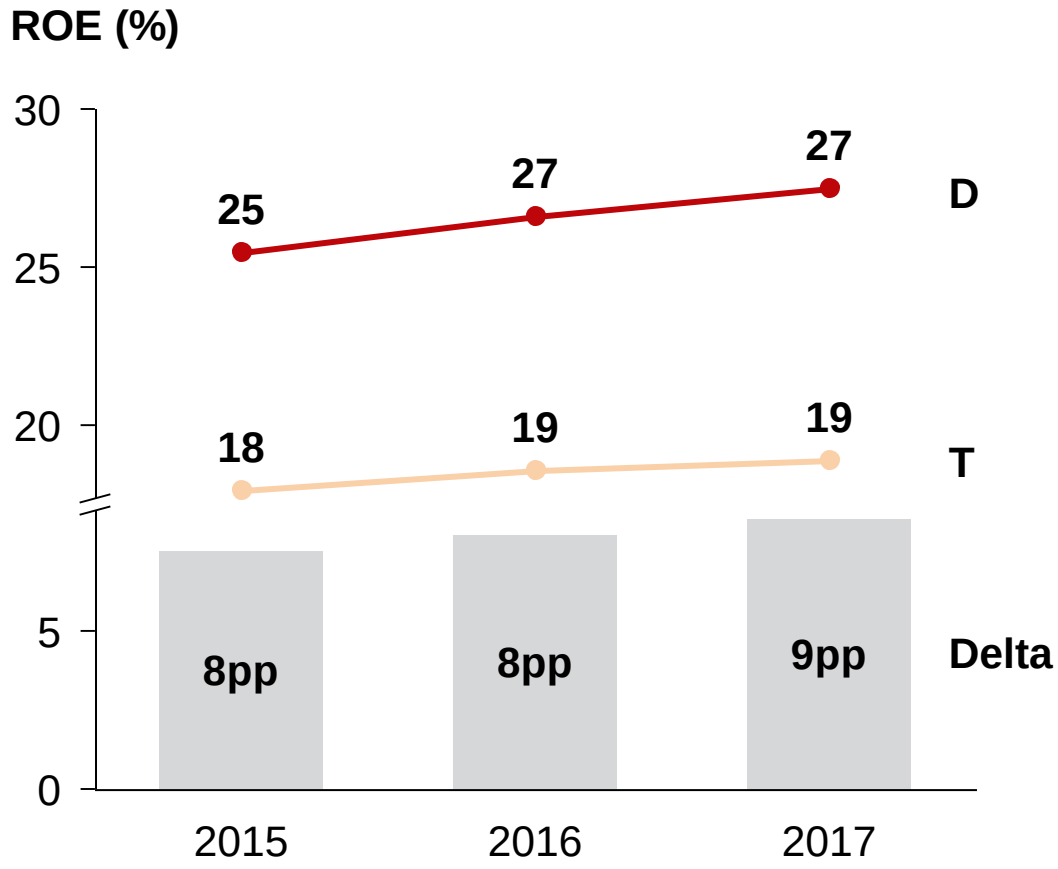
39% of customers contribute 68% of profit before allowances



Customer base as of Jun 2017; other 2017 figures annualised based on 1H17, where applicable; numbers have slight rounding differences

Digital customers have consistently lower CIR and higher ROE





2017 figures annualised based on 1H17, where applicable; numbers have slight rounding differences

Digital customers' superior CIR and ROE driven by four key factors

- **Lower cost-to-acquire**

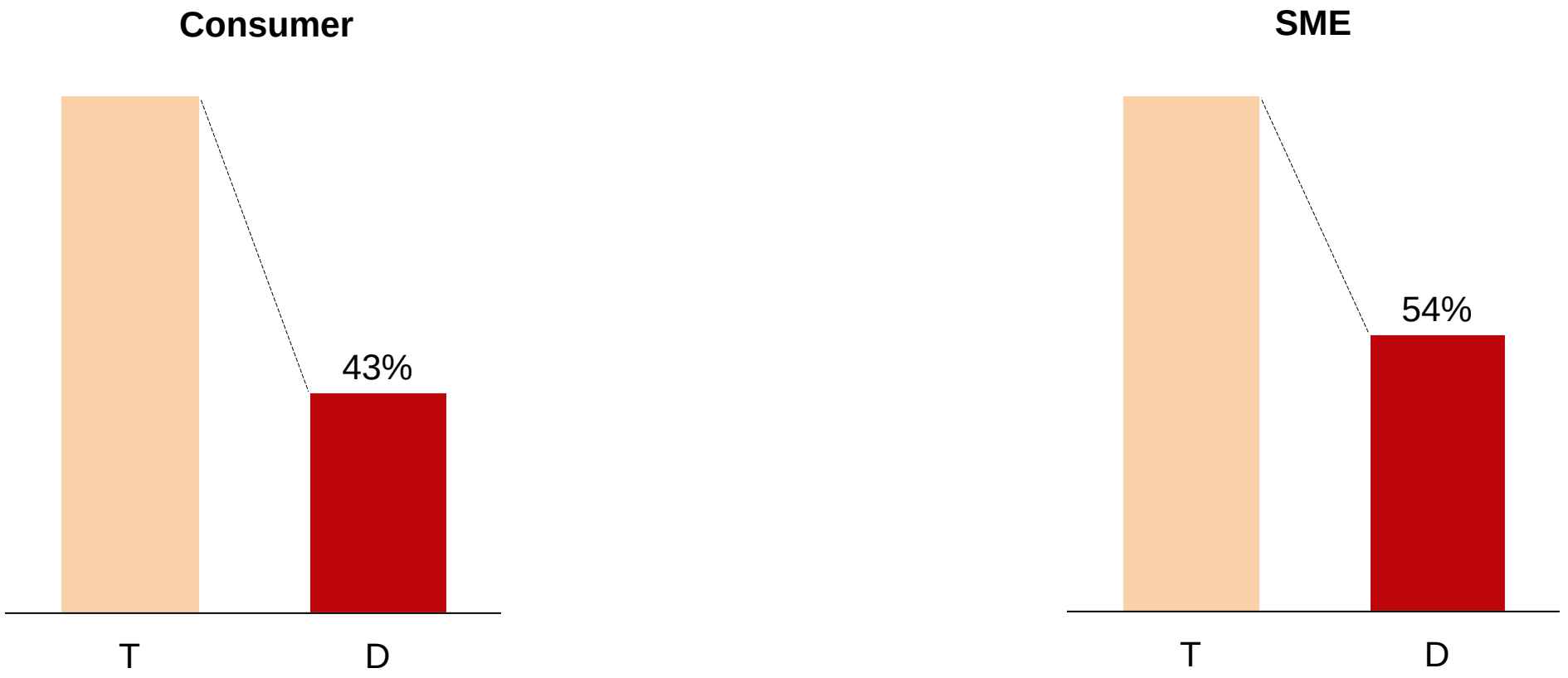
- **Lower unit cost-to-serve**

- **Higher income per customer** year on year

- **Consistently faster growth in income per customer**

Digital customers: Lower cost-to-acquire

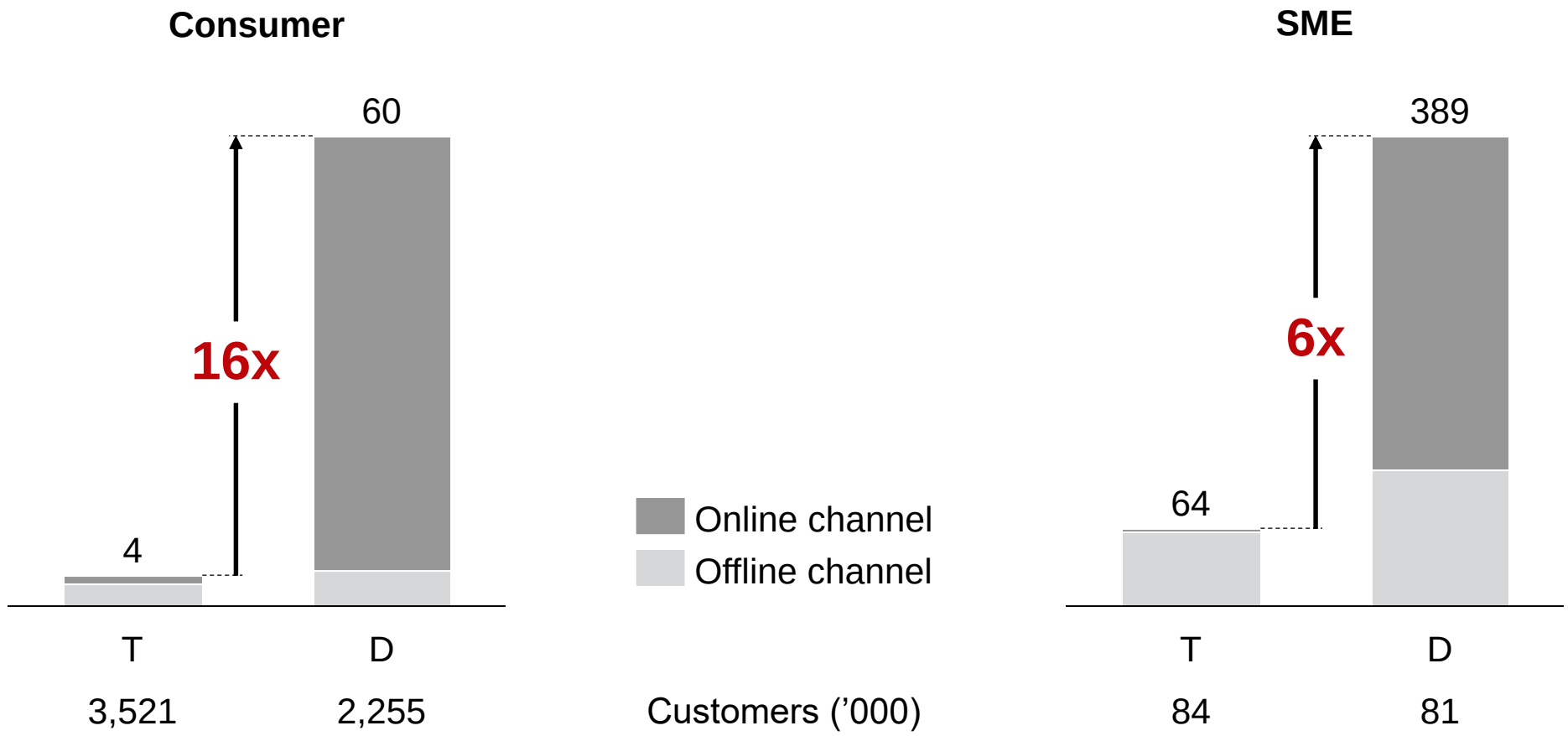
Front office cost-to-acquire per account, 2017



2017 figures annualised based on 1H17, where applicable

Digital customers: Highly engaged; multiple times more transactions…

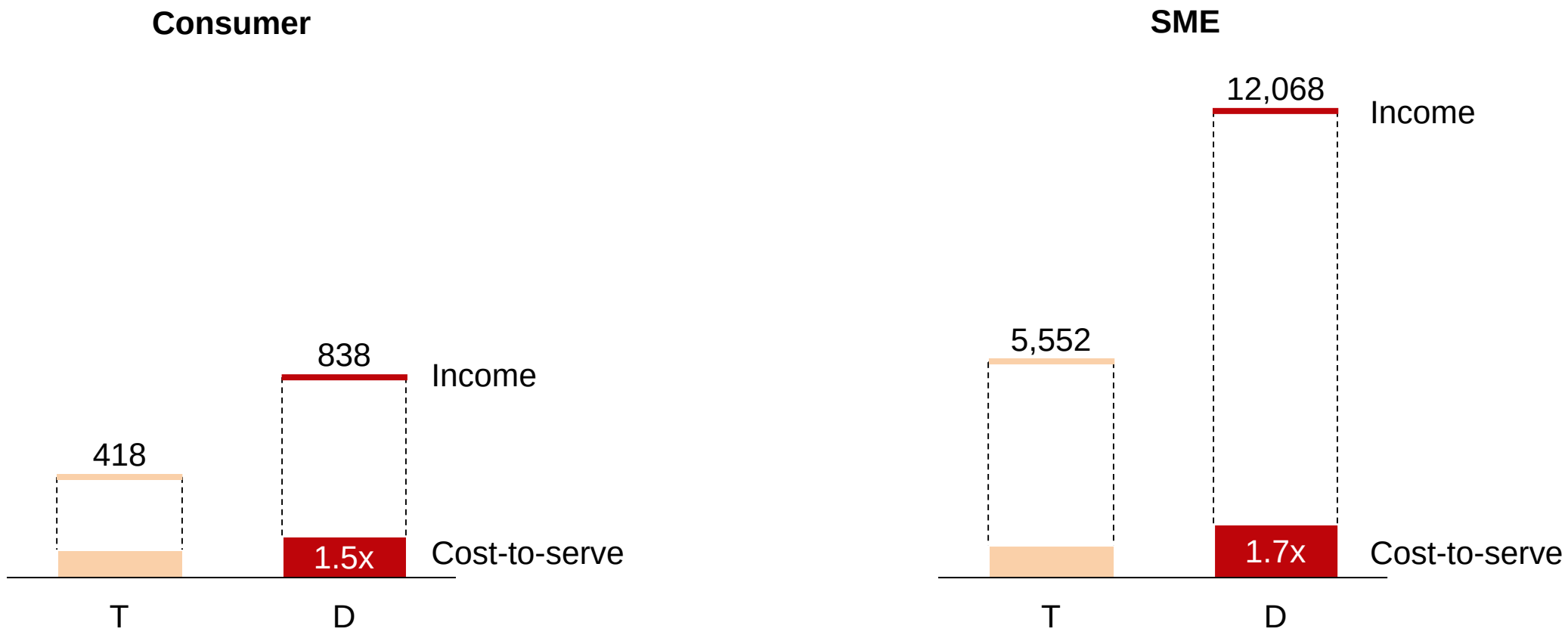
Customer-initiated transactions per customer, 2017



Customer base as of Jun 2017; other 2017 figures annualised based on 1H17, where applicable; numbers have slight rounding differences

…so higher absolute cost-to-serve, but lower cost-to-serve as a percentage of income

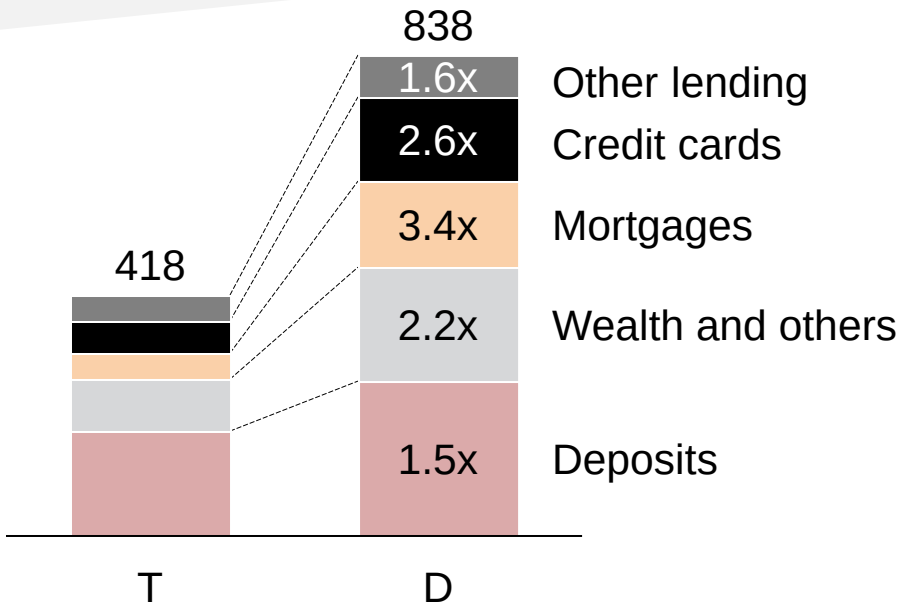
Income and cost-to-serve per customer, 2017



2017 figures annualised based on 1H17, where applicable; income per customer excludes lump-sum income not tracked at customer level

Consumer: Consistently higher income from broad-based engagement

Multiple over T	2015	2016	2017
Income per customer	2x	2x	2x

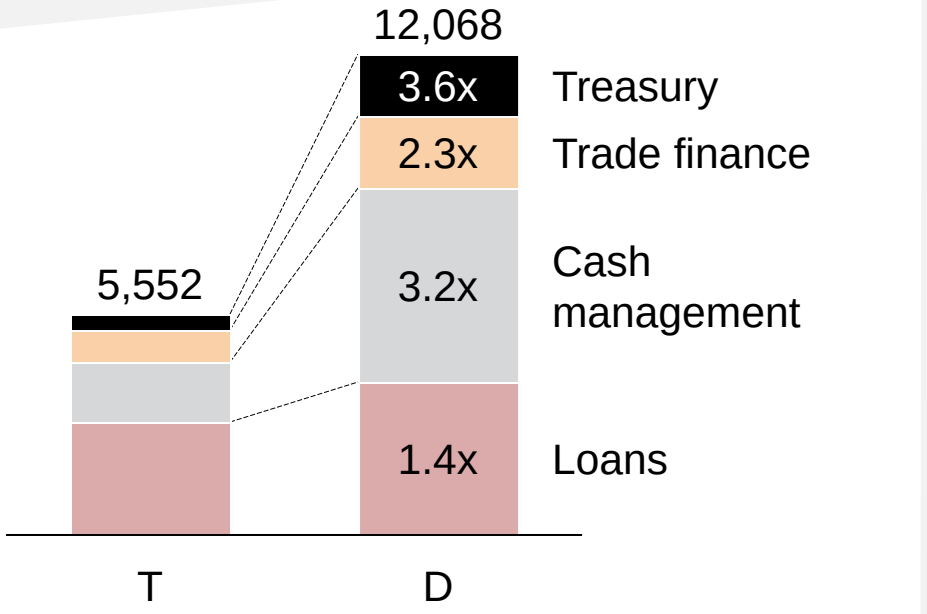


	2017
Products	1.7x
Deposit balance	1.5x
Loan balance	3.6x
Investment balance	2.0x

2017 figures annualised based on 1H17, where applicable; income per customer excludes lump-sum income not tracked at customer level

SME: Consistently higher income from broad-based engagement

Multiple over T	2015	2016	2017
Income per customer	2x	2x	2x



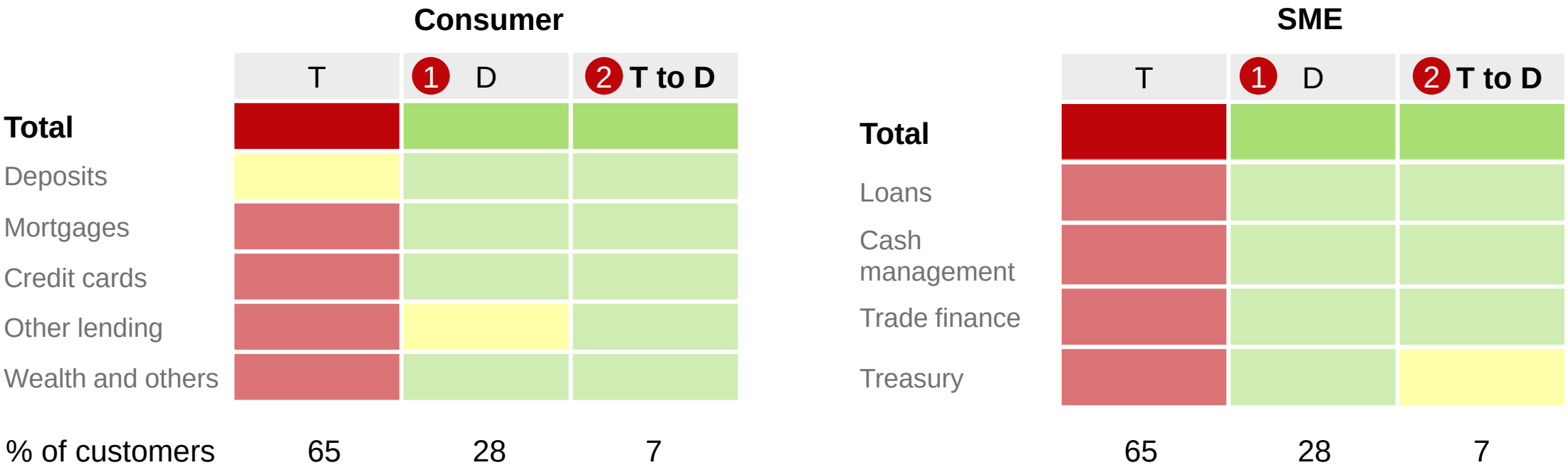
	2017
Products	1.7x
Deposit balance	2.6x
Loan balance	1.3x

2017 figures annualised based on 1H17, where applicable; income per customer excludes lump-sum income not tracked at customer level

Digital customers: Consistently faster growth in income per customer

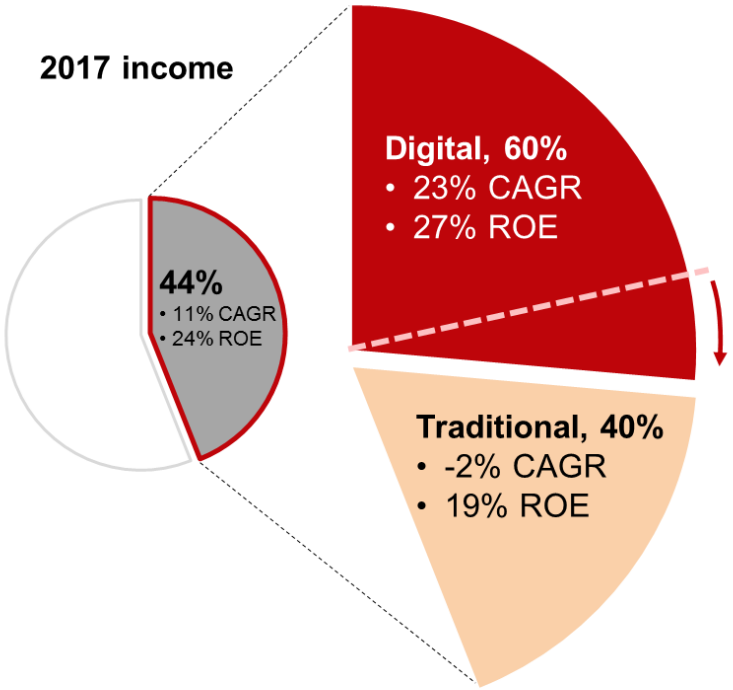
Relative income growth for same customer cohort, 2016 v 2015

Slower than overall | Moderately slower than overall | Faster than overall



1. Existing Digital customers (D): Faster income growth
2. Newly migrated Digital customers (T to D): Also show faster income growth

Agenda



01 Robust and well-tested methodology to measure digital value creation

02 Digital segment demonstrates clearly superior financial and operating metrics

03 Rigorous business planning to drive digital adoption and progressively reduce cost-income ratio (CIR)

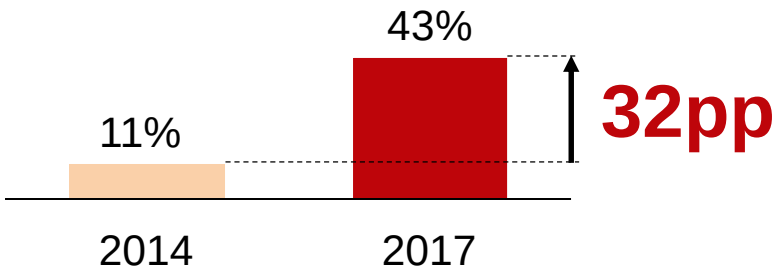
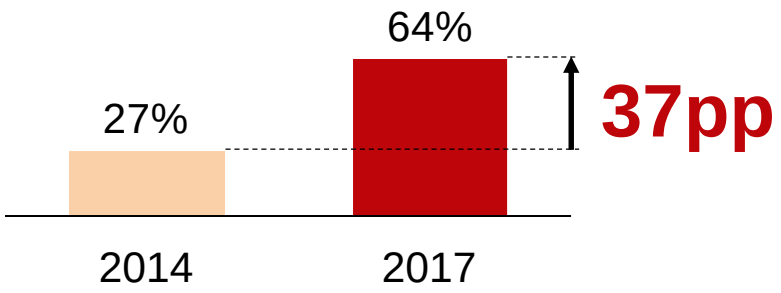
We have changed the way we run our business

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

We have changed the way we run our business

	From		To
Acquire	• Branch-led • Feet-on-street	›	• Ecosystem strategy for wider outreach • Data-driven digital marketing and search engine optimisation • Digital onboarding
Transact	• Paper-heavy • Brick and mortar channels	›	• Paper-less, straight-through processing (“Design For No Operations”) • Seamless, omni-channel
Engage	• Product-focused • Generic engagement approach	›	• Embedding ourselves in the customer journey – driving ‘sticky’ customer behaviours • Contextualised research and marketing for cross-sell

Acquire: KPIs set and tracked across products to drive results

	KPIs	Examples
Consumer	**Increase digital acquisition share:** • Deposits • Cards • Loans • Equity • Unit trusts • General insurance	**Online deposit account opening** Digital share of deposits onboarding 
SME	**Increase digital share of:** • New account opening • Banker's guarantee • Loans **Increase subscriptions:** • IDEAL – online banking platform	**Online deposit account opening** Digital share of deposits onboarding 

2017 figures annualised based on 1H17, where applicable

Transact: KPIs set and tracked to drive results

KPIs

Consumer

Migrate transactions to digital:

- Deposits
- Remittance
- Loans
- Equity
- Unit trusts

SME

Migrate transactions to digital:

- Cash
- Trade
- FX

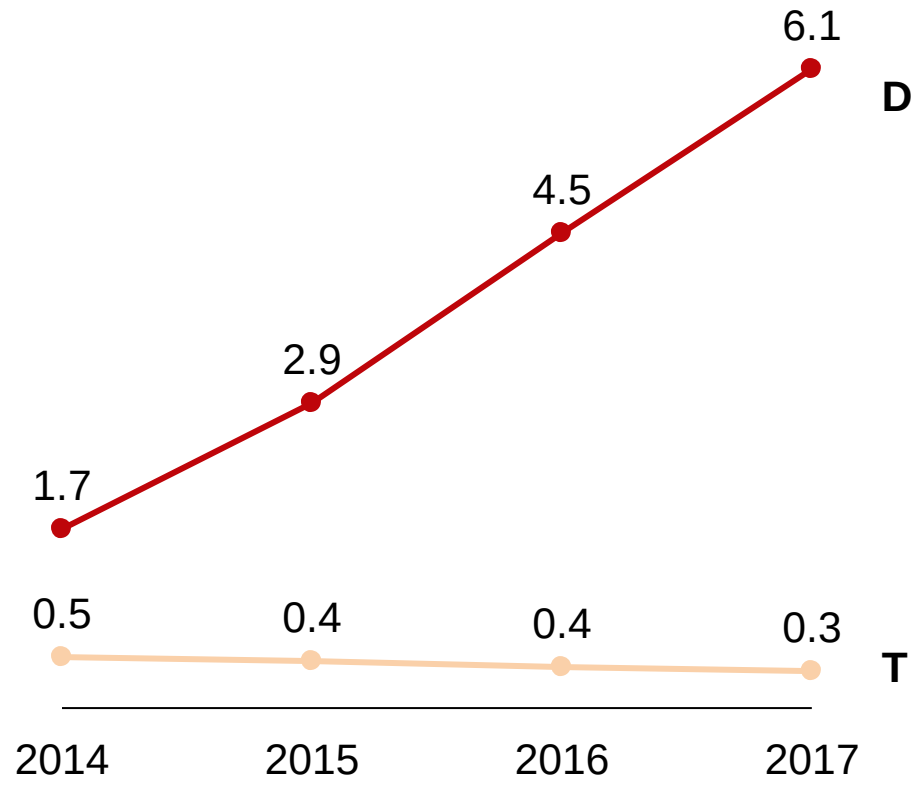
Design for "no-ops":

- Cash and trade processing
- Loan creation, disbursements and servicing
- Account opening and maintenance

Example

Cross-border payments: Customer-initiated

Volume of transactions (m)



2017 data refers to full-year forecast across segments for Singapore and Hong Kong

Engage: KPIs set and tracked to drive results

KPIs

Consumer

Increase number of:

- Digitally engaged customers
- 30-day, 90-day active customers

Improve customer satisfaction:

- Internet banking
- Mobile banking

SME

Increase number of:

- Digitally engaged customers
- BusinessClass members and activities
- Visits to DBS websites

Increase share of:

- Internet banking login frequency
- Mobile banking usage

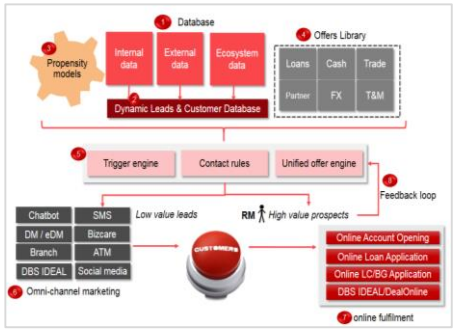
Examples to drive 'stickiness'

Omni: Instant points redemption, budget tracking, etc.



2.5x
Average spend per Omni user

Contextual marketing: Drive cross-sell and up-sell



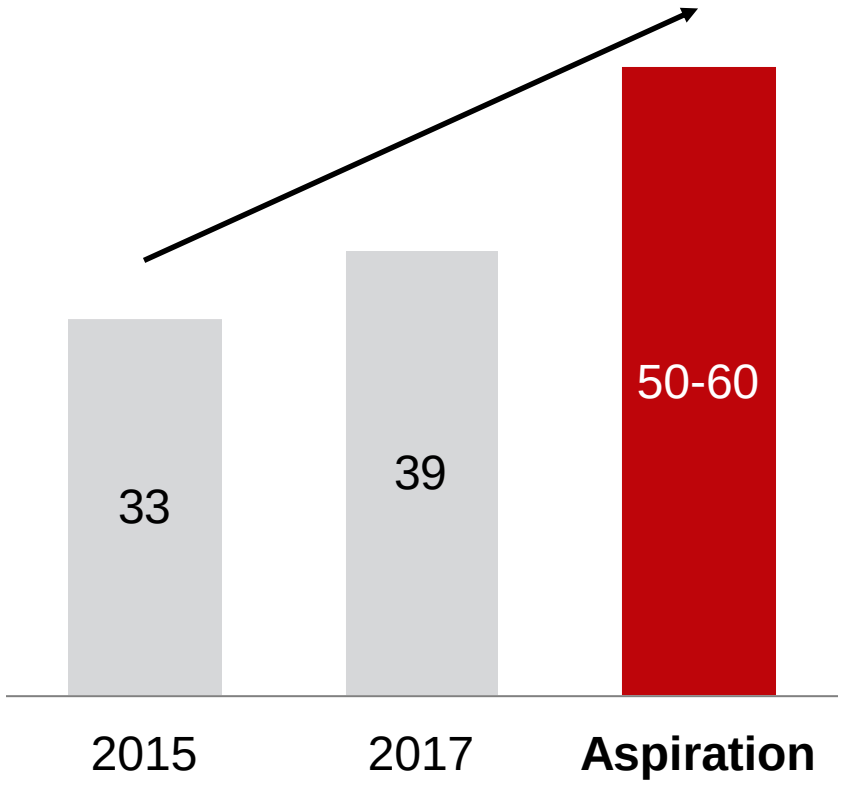
30
Campaigns

~S$1bn
Incremental deposits

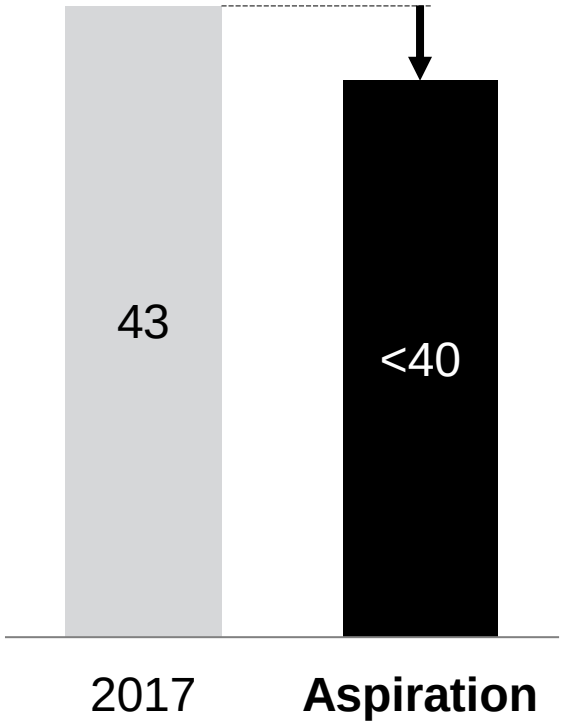
Upside in Digital customer base to drive progressively lower CIR

Consumer and SME (Singapore, Hong Kong)

Digital share of customers (%)

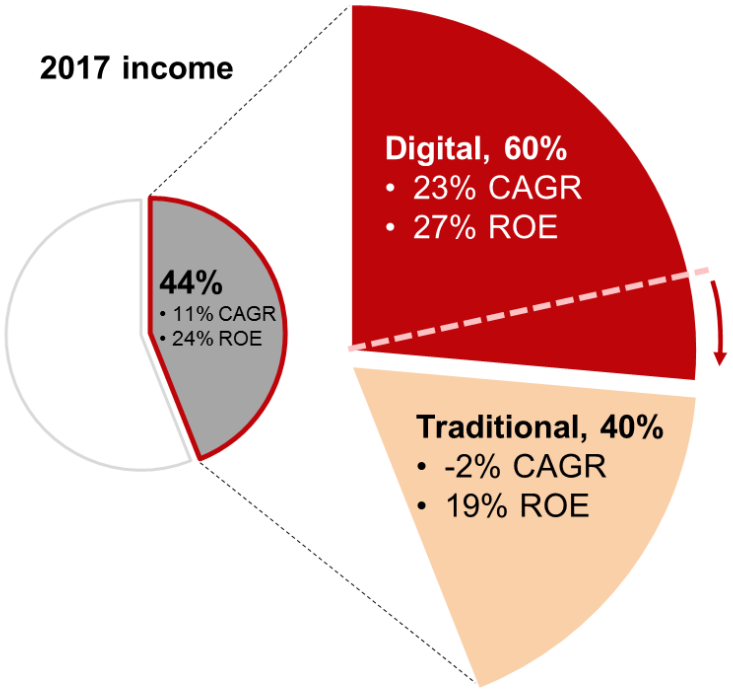


Cost-income ratio (%)



Customer base as of Jun 2017; other 2017 figures annualised based on 1H17, where applicable

Summary: Digitalisation driving significant value creation



01 **Robust and well-tested methodology** to measure digital value creation

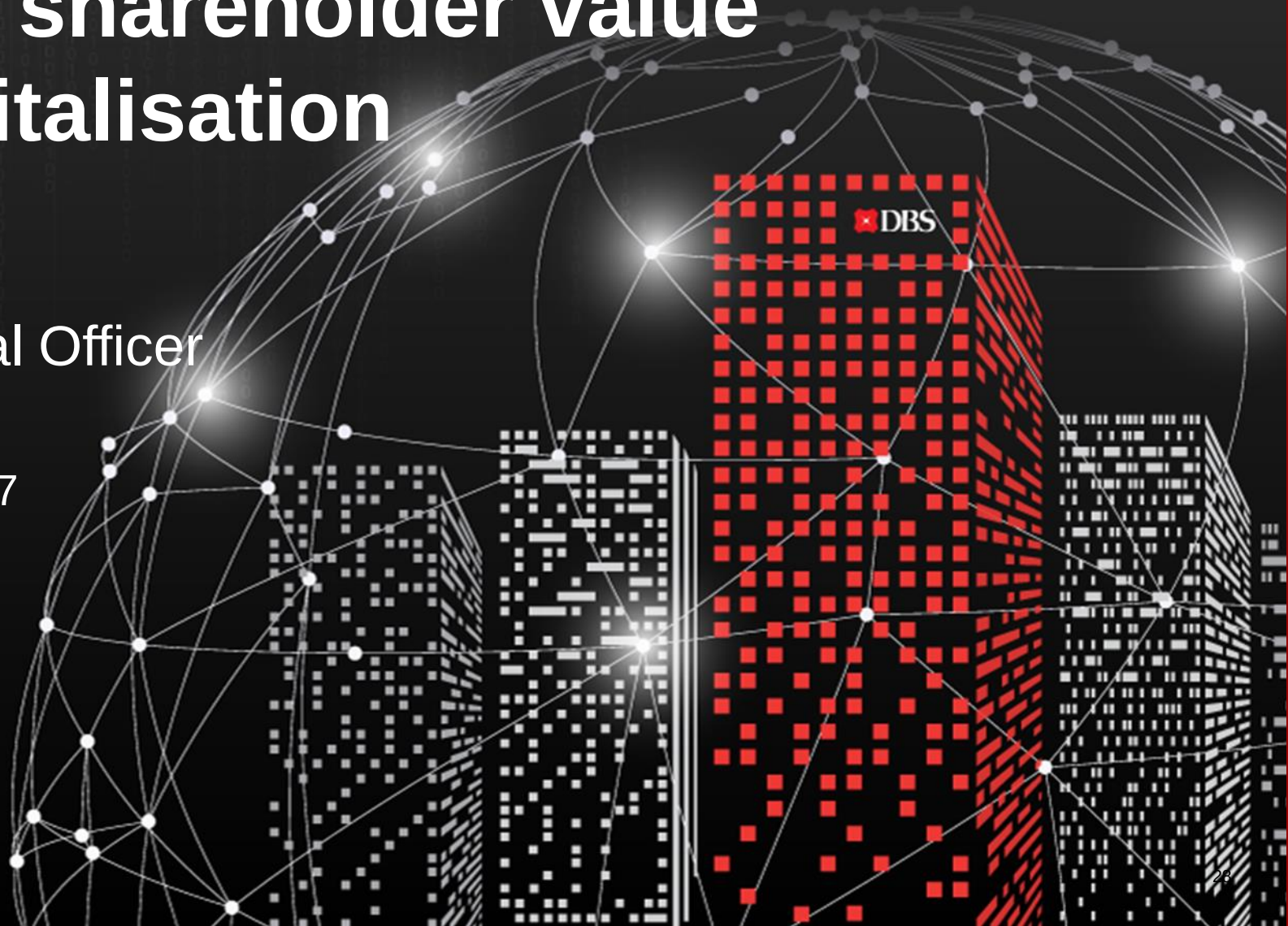
02 Digital segment demonstrates **clearly superior** financial and operating metrics

03 **Rigorous business planning** to drive digital adoption and progressively reduce cost-income ratio (CIR)

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APPENDIX

2015-2017 Profit and loss

Consumer and SME (Singapore, Hong Kong)	2015			2016			2017		
	Total	T	D	Total	T	D	Total	T	D
Profit and loss (S$bn)									
Customers (m)	5.9	3.9	**1.9**	5.9	3.8	**2.2**	5.9	3.6	**2.3**
Income	4.1	2.1	**2.0**	4.9	2.2	**2.7**	5.1	2.0	**3.1**
Costs	2.0	1.2	**0.8**	2.2	1.2	**1.0**	2.2	1.1	**1.1**
Profit before allowances	2.1	0.9	**1.2**	2.7	1.0	**1.8**	2.9	0.9	**2.0**
Key indicators									
Income per customer (S$)	708	537	**1,056**	821	578	**1,244**	858	568	**1,306**
Cost-income ratio (%)	49	58	**40**	44	55	**35**	43	55	**34**
Return on equity (%)	22	18	**25**	23	19	**27**	24	19	**27**

Customer base as of Jun 2017; other 2017 figures annualised based on 1H17, where applicable; numbers have slight rounding differences