

Consumer Banking/ Wealth Management

(SGD m)	2016	2015	%
Total income	4,279	3,547	21
• Retail	2,598	2,131	22
• Wealth Management	1,681	1,416	19
Expenses	2,384	2,261	5
Profit before allowances	1,895	1,286	47
Allowances	129	116	11
Profit before tax	1,766	1,170	51

Financial performance

Consumer Banking Group/Wealth Management (CBG) delivered another year of solid performance, with total income rising 21% to SGD 4.28 billion, despite a challenging business environment across a number of markets. Profit before tax reached a new high of SGD 1.77 billion, up 51%. Expenses were tightly managed and grew 5%, a significantly slower pace than income growth, resulting in an improved cost-income ratio of 56% compared to 64% a year ago.

CBG's performance was broad-based. Strong growth in customer deposits, mortgage loans and cards resulted in a 26% increase in net interest income. Non-interest income from investment and bancassurance products grew 17% as we continued to focus on delivering seamless solutions for customers' investment and protection needs. 2016 was a milestone year for DBS in bancassurance as we successfully commenced our 15-year strategic partnership with Manulife in four key markets. Through this collaboration, more than 30 new products were launched to address the insurance needs of our customers.

Our wealth business also delivered solid growth, with income and assets under management (AUM) increasing 19% and 14% respectively. Our total wealth AUM stands at SGD 166 billion, putting us among the top five wealth managers in Asia.

Strong growth in Singapore

In Singapore, we maintained our market leading position in customer deposits, housing loans, bancassurance and cards. We have 51% market share for retail savings accounts and over 28% of market share for housing loans. We lead the market in bancassurance with a market share of 32% and we continue to be the largest credit and debit cards issuer in the market, with close to five million cards in circulation.

For the first time in Singapore, an innovative solution, Manulife IncomeGuard+, allowed eligible customers to purchase a life insurance product via digital banking, without the need to fill in any physical forms.

Notwithstanding our leading position, we continued to invest in digital capabilities and improved our product suite and processes to create better customer journeys. Everything that we design and build ultimately begins and ends with our customers in mind. In 2016, we upped the ante in the innovation space with the launch of our mobile app, "DBS digibank" in Singapore.

More customers are engaging with us online and via mobile. The number of customers using our Internet and mobile banking platforms has increased, reaching more than 2.6 million and 1.4 million respectively. Credit card and loan applications can now be executed through our revamped

mobile banking platform. Total remittance volumes grew 33% to over SGD 7 billion as we extended our remittance corridors to Australia, China and the US.

A strong area of performance was mortgage loans. Leveraging our strong SGD balance sheet, we led the market in offering customer-centric propositions which gave home buyers greater transparency and less volatility in their mortgage loan repayment, which resulted in portfolio growth four times faster than the market. The solutions offered include a unique interest rate cap Managed Mortgage Programme which blends fixed and floating rates and the Fixed Deposit Home Loan Rate Programme pegged to our SGD fixed deposit rate.

Our credit cards business also delivered a strong performance, with a record high market share in billings and receivables. We also maintained our market position for the highest share of net receivables. These results were driven by our continued focus on data analytics and contextual marketing that guided our marketing activities and helped to maximise the effectiveness of our campaigns.

Healthy growth in other markets

Outside of Singapore, 2016 was an inflection year for Indonesia and Taiwan, with both of these businesses turning profitable on the back of broad-based momentum across products and segments. We also saw good traction in China, with double-digit income growth and improving operating efficiency.

Across the region, despite a challenging environment, income from investment products recorded broad-based growth across asset classes and segments. While the business faced margin compression due to competitive pricing, customer activities remained resilient and engagement deepened through constant product innovation.

In Taiwan, our refinancing and top-up mortgage offerings were well received by our wealth customers. In the fourth quarter of 2016, we launched the HomeAdvisor

mobile app, which provided home buyers with a one-stop service for property searches, affordability calculations, valuations and engaging DBS for assistance. In Indonesia, our mortgage loan portfolio tripled, albeit from a relatively small base, as we continued to improve our proposition, customer journey and home sales advisor effectiveness.

In India, we launched digibank, the country's first mobile-only bank. This was a revolutionary offering as it brought together an entire suite of ground-breaking technology – from biometrics to artificial intelligence – to enable customers to enjoy a whole new way of banking. We have done away with onerous form-filling and cumbersome processes – digibank is a completely paperless, signatureless and branchless bank. We have since acquired over 840,000 customers since the launch in April 2016, which is a testament to the strength of our innovative offering.

Taking the lessons and key success factors gleaned from our experience in India, we have soft-launched digibank in Indonesia in November.

With India and Indonesia being large geographies, in the past, DBS would not have been able to penetrate the mass retail segment in both markets without an extensive and expensive brick-and-mortar network. Digibank changed that paradigm, allowing us to bank a whole new segment purely on mobile, and at a fraction of the cost of running a comparable traditional bank.

In October, we announced the acquisition of ANZ's wealth management and retail businesses in five markets. A strategically and financially attractive opportunity, this transaction brings earnings accretion and significant cost synergies, and cements our position as a leading wealth manager in Asia.

By adding a large customer franchise to DBS in Indonesia and Taiwan, the acquisition will facilitate our efforts to scale up our wealth and digital strategy in these markets. In Indonesia, DBS will gain about 410,000 customers, effectively increasing our base there by six times. In Taiwan, DBS will add around 530,000 customers, expanding our base by 2.5 times.

Significant strides in our wealth business

With growing affluence in Asia, we identified building a leading regional wealth franchise as a key priority a number of years ago. Since then, our wealth franchise has grown from strength to strength, and today accounts for about 15% of total group income. The strong momentum is due to a number of factors. Instead of a one-size-fits-all strategy for all wealth clients, we have tailored offerings for priority banking, high net-worth and ultra high net-worth clients.

This year marks the fifth anniversary of our Treasures Private Client business, which caters to high net-worth individuals with investible assets of SGD 1.5–5 million, and is still the fastest growing segment.

Our wealth continuum allows us to deliver a seamless experience and work with clients at every stage of their wealth cycle.

In Asia, where many wealth clients are also entrepreneurs, our strong regional corporate and commercial banking franchise allows us to provide them with regional connectivity and advice beneficial to their business. As an Asian bank, we have a deep understanding of Asia, which continues to be a growth region.

We have also made a number of key enhancements to our wealth platform, DBS iWealth. The enhanced platform provides customers with all-in-one access via a single platform to conduct their banking transactions, manage their wealth and also trade on the go – a first in Singapore. DBS iWealth is also available on mobile and empowers clients with quick and intuitive access to services, product information and research.

Leveraging data analytics

Over 2016, we leveraged data analytics to significantly enhance our customer engagement, empower our staff and reduce our risk exposure. We rolled out a contextual marketing programme, starting with Singapore, where we leveraged data to reach our customers with relevant messages at the most suitable time and place. This personalisation and outreach at scale is now being rolled out region-wide.

We have also implemented analytics-driven tools to allow our relationship managers to get a comprehensive view of customer profiles, investment holdings and other relevant information on one integrated mobile platform, enabling them to engage in a much more personalised conversation and tailor financial advice accordingly.

Our investment in data analytics has enabled us to serve our customers better. As we move forward on this journey, we are confident that our continued focus in this field will strengthen our businesses and enhance our customer interactions.



2017 focus areas

- Integrate ANZ retail and wealth business across five markets
- Accelerate digitalisation and further enhance end-to-end customer journey
- Embed iWealth 2.0 to fundamentally enhance wealth digital assets and capabilities
- Drive digibank in India and Indonesia