

# Institutional Banking

(SGD m)	2016	2015	%
Total income	5,216	5,290	(1)
• Corporate	3,670	3,759	(2)
• SME	1,546	1,531	1
Expenses	1,737	1,722	1
Profit before allowances	3,479	3,568	(2)
Allowances	1,499	558	>100
Profit before tax	1,980	3,010	(34)

## Financial performance

For Institutional Banking Group (IBG), dislocations in commodity prices as well as challenging operating conditions in Greater China affected trade and treasury flows. The stability of IBG's income despite these headwinds reflects the resilience of the franchise.

IBG's total income declined marginally by 1% to SGD 5.22 billion. The shortfall from Greater China markets was moderated by higher earnings from Singapore and the other international markets. By product, an increase in contributions from cash management and investment banking offset a decline in trade and treasury activities. Expense growth was contained at 1% to SGD 1.74 billion.

Total allowances increased SGD 941 million to SGD 1.50 billion, due largely to stresses in the oil and gas support services sector. Profit before tax therefore fell 34% to SGD 1.98 billion.

## Key highlights

We place the customer at the centre of all we do, and are committed to helping our large corporate and SME clients with their financial needs. Our relationship teams, organised by industry segments, are able to understand our customers' business and risks better. Our

insights in the region have also helped us foster deeper conversations and relationships with clients, deepening our wallet share.

In 2016, we continued to make investments in product capabilities, such as in cash management, and developed our industry knowledge, networks and cross-border expertise to drive initiatives that add value to our customers. Here are some key highlights.

### A leading cash management franchise

Our cash management income grew 25% as investments in cash management capabilities yielded strong returns. Revenue growth was broad-based across all key markets.

We continued to invest in our global suite of cash solutions with significant progress in the next generation of payments, receivables and liquidity management solutions.

The number of new working capital advisory mandates doubled, helping clients better manage their working capital and minimise funding costs.

Our efforts were recognised as we garnered several marquee awards including Best Overall Bank for Cash Management in Asia Pacific from Global Finance, Best Transaction Bank in Asia Pacific from The Banker and Best in Cash Management from CFO Innovation.

## Strong growth in open account trade

Our open account trade business delivered growth of 7% with 80 new client mandates. Corporate treasurers seeking to improve the liquidity of their balance sheets worked with us to tap into our supply chain financing and account receivable purchasing solutions, including some of the largest structured deals seen in the market in 2016.

Our trade business received industry recognition including Best Trade Finance Provider and Best Supply Chain Finance Bank in Asia Pacific from Global Finance.

## Banner year in investment banking

We had a banner year in investment banking and DBS was named Best Asian Investment Bank for the second year by FinanceAsia.

In difficult market conditions marked by stressed credits and volatile rates, our fixed income franchise continued to grow. We not only maintained our leadership position in the SGD bond market, but grew our market share to 43.2%. We were also ranked among the top eight bookrunners in Asia ex-Japan in the US dollar corporate space.

We continued to bring debut issuers to the market such as India's Jubilant Pharma (5-year USD 300 million high yield bond), and also worked with repeat issuers such as China's Huawei (10-year USD 2 billion jumbo issue, the largest unrated single tranche US dollar transaction for a corporate globally since 2003).

We remained the top equity house in Singapore, participating in over 89% of equity funds raised, including 91.5% of initial public offerings (IPOs). As the leading REIT house in Southeast Asia, we were involved in more than one-third of offerings and lead-managed the three largest REIT IPOs in Southeast Asia. We were also involved as the joint global coordinator in Hong Kong's largest IPO since 2014, Postal Savings Bank of China's USD 7.4 billion initial offering.

## Project finance

Project Finance International magazine named DBS the Asia Pacific Bank of the Year 2016, acknowledging the traction we have had in supporting companies looking for advice, and in arranging funding, in Asia Pacific's project and infrastructure finance market. We acted as financial adviser for deals such as the Adaro Power - Sembcorp consortium bid for a power plant in Indonesia and as mandated lead arranger on major projects such as the Tangguh LNG expansion project in Indonesia, the new Victoria International Container Terminal in Australia, a portfolio of hydro projects in China, and Singapore's largest waste-to-energy incineration plant, TuasOne.

## Expanding our Institutional Investor and Western MNC customer base

Our strategy to grow our institutional investor and Western multinational (WMNC) businesses has reaped rewards as these customers valued our credentials as a strong regional bank and our insights in the Asian markets.

We saw significant uplift in revenue for the institutional investor segment. The client base doubled from 2013 and we saw double-digit growth in deposits, treasury products and cash management.

2016 also saw significant growth in cash, trade and treasury and markets business with WMNCs, as our international centres were able to work seamlessly with our core Asian markets to add value to these clients.

## Capturing China outbound business

Chinese companies were on a buying spree in 2016. We were able to capture some of these opportunities by leveraging our strong pan-Asian presence, comprehensive suite of products and healthy balance sheet to support Chinese corporates as a total solutions partner.

We provided financing for and acted as financial adviser in deals such as motor vehicle distributor Dah Chong Hong's acquisition of global exporter Li & Fung's Asian distribution business and China Merchants Group's

SGD 1.8 billion privatisation of its SGX-listed China Merchants Holdings Pacific, which operates toll roads.

In addition, DBS played a leading role in helping Chongqing enterprises access offshore capital markets via the third China-Singapore government project launched in Chongqing last year. We completed the first offshore RMB bond under this project for Chongqing Grain Group, which was also the largest corporate offshore RMB bond offering in 2016.

## Customer-centric digital initiatives

Over the course of the year, we embarked on several customer-centred innovation programmes, where we experimented with new technology and developed new product initiatives and process improvements. We piloted a trade analytics programme to screen for red flags on trade finance transactions and detect anomalies in transaction behaviour. We were also the first Asian bank to eliminate physical tokens for corporate Internet banking transactions, making banking simpler for corporate treasurers and small business owners.

We continued to leverage technology to acquire new customers, simplify the way they transact and enhance the customer experience. In Singapore, more than six out of 10 SME accounts with us were opened online versus five in the previous year. SMEs can obtain bank guarantees online within three days, compared to a week previously. Via a pilot with Tally Solutions, one of India's largest enterprise resource planning companies, SMEs in India can access DBS' payments solution directly from their enterprise resource planning software.

DBS is playing a leading role in industry initiatives to create new standards across corporate banking, so that we can cater to clients' future needs. These include SWIFT's Global Payments Initiative, which aims to create the next era of correspondent banking and international payments. DBS is also actively engaged in industry initiatives including the National Trade Platform being developed in Singapore, the Unified Payments Interface in India, and the Faster Payments Systems in Hong Kong.



## 2017 focus areas

- Continue to drive digital innovation to transform the customer experience
- Accelerate our cash management business and be the preferred bank for corporates and SMEs for their cash management and working capital needs
- Focus on growth markets including growing our SME franchise in these markets
- Deepen wallet share with large corporates across Asia