



The Evolving Landscape

Broad trends involving the global economy, technology and the banking industry are changing the landscape that DBS is operating in.

First, Asia is likely to remain the world's main economic engine for the foreseeable future. By 2020, Asia's¹ GDP will double, growing by a projected USD 11.5 trillion. China, India and Asean will be the major drivers of Asia's incremental growth. Meanwhile, the US will only have grown by USD 4.6 trillion – that is to say, Asia will add 2.5 times of new US demand during the decade, and become a more significant economic driver. If this trajectory is achieved, by 2020, Asia will be 17% bigger than the US².

¹ *Asia-10: China, Hong Kong, Korea, Taiwan, Singapore, Malaysia, Thailand, Indonesia, Philippines, India*

² *DBS Economic Research on 'Imagining 2020'*

MANAGEMENT DISCUSSION

Asia's economies have built up strong foundations over the past decade, positioning them well to weather short-term economic volatility as they realise their long-term potential. Young populations, a ready pool of savings, improvements in education and health care, rising consumption as well as growing regional trade and investment flows have enabled Asia to grow under its own steam. In light of Asia's growth prospects, this part of the world will remain one of the best places to operate in.

Intra-Asian trade has tripled since 2000 as consumption has increased. The growth in intra-Asian trade has led to greater integration as supply chains become regionalised. The role of SMEs has become more important as they form the backbone of these growing supply chains. These companies require innovative solutions for their increasing trade financing and currency needs.

Over the next decade, infrastructure investment in Asia is expected to reach USD 8 trillion as the region develops energy, transport, housing, communications and water facilities to meet the needs of urbanisation and development. As a result, there will be strong demand for capital, creating significant opportunities for banks to lend and intermediate capital flows. This will lead to a deepening of debt and equity capital markets as companies tap into savings pools across Asia to fund growth. The demand for funding will also drive the creation of new financial instruments and asset classes, particularly in fixed income.

Asia is also creating wealth faster than anywhere else in the world. A growing middle class and rising numbers of high net worth individuals are changing consumption patterns and creating new markets. Asia is no longer only the factory of the world but an increasingly significant marketplace as domestic consumption becomes a bigger driver of economic growth. These consumers will need customised financial solutions to fund their lifestyle needs and manage their assets.

Second, technology, which is rapidly being adopted by Asia's young and the rising middle class, is propelling new innovations. The increasing use of Internet and mobile telephony is changing the way customers interact with their banks. Banking needs to respond by being intuitive, innovative and interactive, offering personalised financial solutions simply and quickly. Technology creates a new landscape which provides increasing payment and credit facilities for consumer spending.

Third, the banking industry is undergoing a profound change. Following the global financial crisis, regulators around the world have tightened regulatory standards to remove excesses from riskier aspects of the business and limit speculative activities. There has also been pressure from communities to steer banking back to more traditional and genuinely useful activities. In response, the banking

industry has undergone a perceptible shift from expediency to values; from short-term profit maximisation to long-term profit sustainability; and from creating banking products that turn toxic to creating ones that facilitate the production of economic goods and services. There are also increasing demands for enhanced reporting so that banks can better demonstrate their commitment to corporate governance and responsibility to multiple stakeholders.

✘ Our Strategy

DELIVERING VALUE TO OUR STAKEHOLDERS

Our strategy is to become the Asian bank of choice for a rising Asia. We aim to intermediate trade and investment flows between Asia's three key axes of growth – Greater China, South Asia and Southeast Asia. In Singapore, our home market, we are a universal bank that serves all customer segments. Outside of Singapore, we focus on affluent individuals, SMEs and corporates.

We developed a roadmap comprising nine strategic priorities in 2010. We aim to build on our strong position in Singapore, reposition our franchise in Hong Kong, and achieve greater geographical balance by building out our presence in Greater China and

South and Southeast Asia. We also aim to develop regional business lines: transaction banking to capitalise on increasing regional trade flows and the rise of Asian MNCs and SMEs, as well as wealth management to better serve the rising number of affluent individuals. We are steering our treasury capabilities towards structuring and marketing products for corporate and retail customers to hedge risks and take advantage of market trends. We are also improving our processes to achieve greater customer satisfaction and higher employee engagement as well as building more resilient technology infrastructure.

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