

Institutional Banking

Institutional Banking's performance remained stable in 2017. Total income increased 1% to SGD 5.28 billion. Net interest income grew 4% supported by broad-based asset and deposit growth offset by lower treasury customer income.

Underlying growth from the large corporate segment was healthy, supported by strong balance sheet growth despite the impact of residual headwinds from the oil and gas support services sector. The SME segment grew 11%. Expenses were tightly managed and grew at 1%.

Total allowances increased by SGD 827 million to SGD 2.33 billion to remove lingering uncertainty over the oil and gas support services portfolio.

Key highlights

We place customers at the centre of all we do. We 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 and anticipate our customers' business needs better. Our insights into the region and digital engagements with clients have elevated our partnership with them well beyond conventional bank-customer interactions. This has helped us foster deeper conversations and relationships with clients.

In 2017, we continued to make investments in product capabilities and digital innovation to support the transformational and financial objectives of our clients. We delivered cutting-edge, industry leading solutions centred around increasing efficiency, enhancing risk management and reducing costs for clients.

Here are some key highlights during the year.

A leading innovative cash management franchise

Our cash management income grew 32% and growth was broad-based across all key markets. We closed a record number of mandates as clients continued to reap the value of our digital investments and the quality of the solutions that we provide.

With the continued rise of Asian economies, companies in the region have become more

SGD million	2017	2016	%
Total income	5,275	5,216	1
• Corporate	3,561	3,670	(3)
• SME	1,714	1,546	11
Expenses	1,755	1,737	1
Profit before allowances	3,520	3,479	1
Allowances	2,326	1,499	55
Profit before tax	1,194	1,980	(40)

sophisticated in their cash management needs and the way they manage their operations. To meet these needs, we developed best-in-class digital cash management solutions. We pioneered a market-shaping application programming interface (API)-based instant settlement solution, DBS IDEAL RAPID, for clients to create new payments and receivables value propositions.

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We also launched the world's first online simulation platform, Treasury Prism, to help chief financial officers and corporate treasurers design and derive optimised cash management solutions at the click of a button.

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Our clients were also the first in Singapore and Hong Kong to leverage SWIFT Global Payments Innovation to execute cross-border payments with end-to-end tracking. This helped them improve supplier relationships and drive efficiencies across their global cash management operations.

Our efforts to shape the Asian cash management scene were duly recognised as we garnered several marquee awards including "Best Regional Cash Management Bank" by Global Finance, "Best Overall Bank for Cash Management in Asia Pacific" by The Asset and "Top 5 Best Global Cash Management Providers" by Euromoney. We won three global innovation awards, including the "Best Innovation Award" at EuroFinance Barcelona 2017.

Strong growth in open account trade (OAT)

Our OAT business delivered revenue growth of 14%. Much of the growth was attributed to 195 new client mandates.

We also played an active role in the digitalisation of trade finance through leadership roles on the MAS National Trade Platform and Global Trade Connectivity Network, a blockchain utility programme. We were named "Best Regional Trade Finance Provider" by Global Finance.

Strong momentum in investment banking

We had another banner year in investment banking. We were named "Best REIT House in Asia" by The Asset and also recognised as the "Best Investment Bank in Singapore" by Global Finance.

Our fixed income franchise continued to grow as capital markets were buoyant throughout 2017. The business benefitted from a cyclical upswing in the world's major economies. We maintained our leadership position in the SGD bond market, with a market share of 34%. We were also ranked by Dealogic to be among the top 10 bookrunners in Asia ex-Japan in the US dollar corporate space.

With Asian enterprises growing their businesses globally and in the region, we continued to bring more debut issuers to the market such as Haier Group Corporation (USD 1 billion 3.875% senior perpetual capital securities), PT Paiton Energy (USD 2 billion dual tranche senior secured notes), Dr Peng Telecom & Media Group

(USD 500 million 5.05% three-year senior unsecured notes) and also worked with repeat issuers such as CapitaLand (SGD 500 million 3.08% 10-year senior unsecured notes), Huawei (USD 1.5 billion dual tranche senior unsecured notes) and Telstra Corporation (USD 500 million 3.25% 10-year senior unsecured notes).

As the top equity house in Singapore, we participated in 89% of equity funds raised, including 92% of initial public offerings (IPOs). As the leading REIT house in Southeast Asia, we played a key role in milestone transactions such as the USD 533 million IPO of Keppel-KBS US REIT, SGD 640 million secondary fund raising for Mapletree Logistics Trust and SGD 700 million secondary fund raising for CapitaLand Commercial Trust. We also lead managed the landmark SGD 2.4 billion IPO of NetLink NBN Trust, Singapore's largest IPO since Hutchison Port Holdings Trust in 2011. We were also active in helping SME clients in their listings and equity fundraising transactions which included the IPOs of APAC Realty, Mindchamps Preschool, RE&S Holdings, as well as the private placement of shares for mm2 Asia.

In other Asian markets, we were joint bookrunner on the USD 345 million Hong Kong IPO of FIT Hon Teng, IDR 5,400 billion placement for PT Sarana Menara Nusantara and the IDR 325 billion IPO of PT Integra Indocabinet.

Our expertise and knowledge of Asia's key markets allowed us to secure roles as sole financial advisor and/ or underwriter in multiple transactions where we supported Singapore-listed entities in equity fundraising for cross-border acquisitions and other expansion plans.

Supporting SMEs in Asia through regional connectivity and digital innovation

With SMEs as the backbone of the global and regional economy, we continued to invest in this segment by reimagining how SMEs could be better served in the markets in which we operate.

Emphasis was given to redesigning traditional customer journeys such as account opening, credit approval, transaction initiation and cash management leveraging innovative digital solutions. These improvements in the customer journey and experience enabled SMEs to focus more of their time on seizing business opportunities in their home markets and across the region.

Increasing cross-border trade globally means that the need to trade in multiple currencies has also become more pressing. We introduced the Corporate Multi-Currency Account (MCA) to help SMEs and corporates

manage their foreign exchange costs more efficiently. The MCA allows clients to transact and manage up to 13 currencies with only one account.

Capturing opportunities from China's Belt and Road cross-border mergers and acquisitions activity

Chinese companies continued to execute on acquisition strategies in 2017 as part of China's Belt and Road initiative. We captured these opportunities by connecting Chinese acquirers with prospective targets in Asia, providing tailored buy-side or sell-side advice, and supporting due diligence efforts and transaction negotiations.

Our Strategic Advisory team served either as buy-side or sell-side adviser for the majority of takeovers of Singapore Exchange listed entities in which buyers and/ or targets were Chinese companies. A prominent transaction that we advised on in 2017 was the SGD 15.9 billion buyout of Global Logistics Properties, Asia's largest-ever private equity buyout.

Our efforts in helping Chinese enterprises expand overseas and for providing comprehensive financial services along the Belt and Road were recognised as we were awarded the inaugural "Best Regional Bank in Southeast Asia for Belt and Road Initiatives" by Asiamoney.

Deepening relationships with Institutional Investors and Multinational Corporations (MNCs)

Asia remained a top growth destination for businesses globally. Our extensive network in key markets in Asia, as well as our presence in Japan, Korea, United Arab Emirates, United Kingdom and United States enabled us to grow our Institutional Investor and Western Multinational businesses. Income from the latter segment grew double-digit of which income from European and US MNCs grew the fastest.

Sustainability

We expanded our Group Core Credit Risk Policy to incorporate the principles and approach for managing Environmental, Social and Governance (ESG) issues in our lending practices and capital markets activities. Our risk assessment approach ensures that material ESG issues are considered for all new credit applications, capital markets transactions and during periodic reviews. We also made public our approach to the palm oil and coal sectors.

We were the first financial institution in Singapore to issue a green bond. The launch of our green bond amplifies our commitment to sustainability and to supporting projects which have positive impact. We also participated in financing a wide spectrum

of renewable energy technologies across our key markets.

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Customer-centricity through digital transformation

Being digital to the core is a key pillar of our strategy. Over the years, we have built a technology backbone that is scalable and resilient.

Today, we are able to serve customers from a common platform of services and APIs that enables us to integrate best-in-breed technologies to the solutions that we provide. Our focus on digital investments has allowed us to build an ecosystem of partners, suppliers and vendors to deliver financial solutions that are faster, simpler and better for our clients.

We redesigned more than 60 customer experiences in 2017 based on journey thinking and human-centred design principles. One such solution designed to improve customer experience and make payments more flexible is PriorityPay. It provides our clients with faster and cheaper fund transfers across the DBS network.

We also prioritised digitalisation initiatives for our SME customers across the region so that they can spend more time developing their business. For example, customers can now apply for a banking account online without visiting a branch. In some cases, accounts can be opened within 24 hours of online application. Today, across the group, more than 57% of SME accounts are opened online.



2018 focus areas

- 1 Further develop digital and data analytics capabilities
- 2 Continue to accelerate our cash management capabilities and grow OAT
- 3 Build sustainable SME Banking businesses in our growth markets
- 4 Deepen wallet share with large corporates and institutional investors
- 5 Progress further on the sustainability agenda