



**DIGITAL**

**TRANSFORMATION 2.0**

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**Growth Market: India**

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# Scaling in growth markets

India deep dive

## Agenda

- **Recap of our 2017 thesis:** digital technologies were creating a unique opportunity
- **Testing the digital-only approach** in India clarified the need for a wider physical presence for better results
- **Our phygital evolution** allows us to tap growth opportunities
- **Our strategy:** Accelerating SME & Consumer businesses while deepening Large & Mid Corporate business
- **Our three-pronged execution plan:** Enhance digital proposition and leverage our expanded physical presence
- **Aspiration for the franchise:** Scale profitably to be a leading bank in India

# Recap of our 2017 thesis: Digital technologies were creating a unique opportunity

Shifting to a balanced business mix with a more stable funding profile



**Our hypothesis:**  
Rapid adoption of digital technologies creating a unique opportunity  
*No longer constrained by historic brick and mortar challenges*

**Key Drivers**

- Enabling regulatory and technology infrastructure is changing banking landscape
- Large digitally enabled individuals and SMEs
- Improved data availability for cross-sell and credit

**Digital Business Model**

- Substantially lower acquisition and servicing cost
- Leverage partnerships and rich data
- Ability to scale at a faster pace

**Opportunity to create a scalable digital banking model**

**2016:**  digibank by DBS

Launch of India's first mobile-only bank for Consumers

**2017:** *Tally* Partnership

Launch of *e-payments* integrated with accounting software for SMEs

# Testing the digital-only approach in India clarified the need for a wider physical presence for better results

## Liabilities

- >10M digibank App downloads and >400K SME leads through Tally partnership
  - However, **high drop offs** in 'digital-only journey' increased cost of acquisition
- ~3.2M consumers acquired but **dominated by transactors** with low balances
  - Target market customers using digibank as a convenient secondary account
- ~37K SMEs acquired but large number of **micro-SMEs**

## Assets

- Fully digital journey for unsecured lending launched in 2017
  - Conversions impacted in the **self-assisted** journey
- Most lending revenue pools (secured consumer loans & SME financing) **not accessible through a 'digital only' model**

## Ecosystem partnerships

- Partners need national presence for better conversions

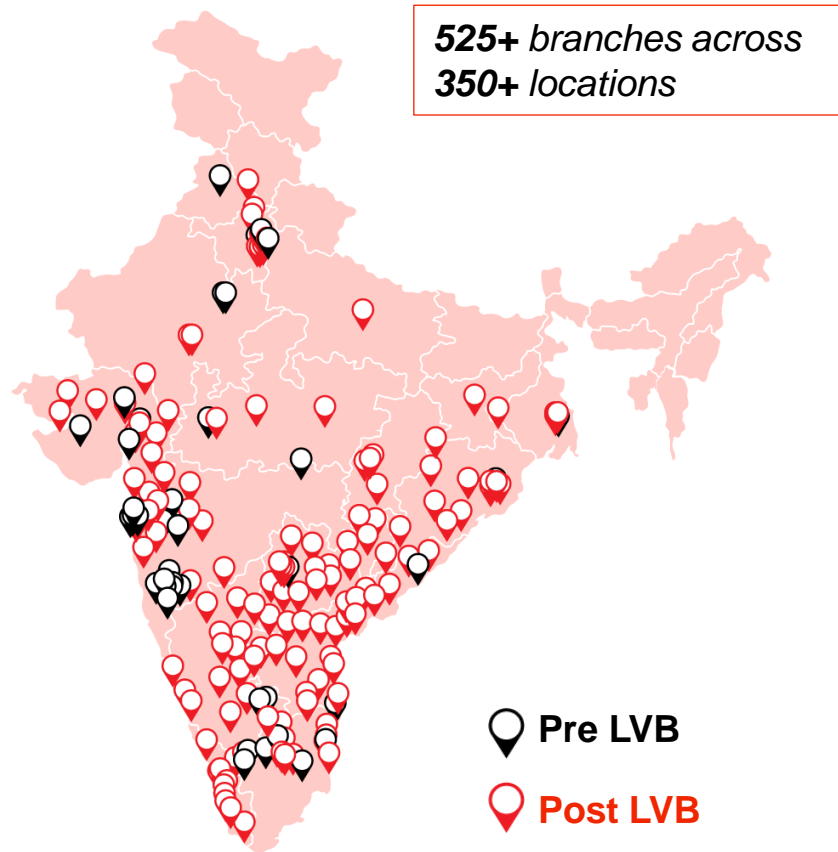
## Expanded physical network required for

- Assisted digital journey
- Last mile support for transaction intensive products & relationships
- Brand assurance
- Better ecosystem partnerships

# Our phygital evolution allows us to tap growth opportunities

Access to attractive market opportunity with annual revenues of S\$200-250b p.a. growing at ~10%

>90% phygitally accessible via expanded network



~70% targeted via expanded capabilities



# Our strategy: accelerating SME and consumer businesses while deepening large and mid corporate business

<b>Business segments</b>	<b>Strategic priorities</b>	<b>Income 2022-26 cagr</b>
<b>Large cap &amp; FIG</b>	<ul style="list-style-type: none"><li>• Deepen relationship with large conglomerates and industry leaders</li><li>• Expand MNC franchise by leveraging Asian corridors</li><li>• Deepen institutional investor franchise</li><li>• Build central and state government business</li></ul>	<b>~10%</b>
<b>Mid cap</b>	<ul style="list-style-type: none"><li>• Expanded mid cap coverage across top 30 cities with strong industry alignment</li></ul>	<b>~15%</b>
<b>Small &amp; medium enterprises</b>	<ul style="list-style-type: none"><li>• Acquire operating accounts using phygital capabilities</li><li>• Expand analytics-based lending across the network</li><li>• Leverage anchor relationships to acquire at scale</li></ul>	<b>~40%</b>
<b>Consumer</b>	<ul style="list-style-type: none"><li>• Accelerate CASA and retail deposits</li><li>• Scale wealth management for domestic and NRI customers</li><li>• Grow secured loans</li><li>• Scale unsecured loans and credit cards</li></ul>	<b>~60%</b>

# Our three-pronged execution plan: enhance digital proposition and leverage our expanded physical presence

**1**

**Continuing to build out the digital platforms** and Managing through Journeys (MtJ) for scaled onboarding and straight through processing

**2**

**Leveraging expanded physical footprint** to deliver new products, increase client acquisition and deepen relationships

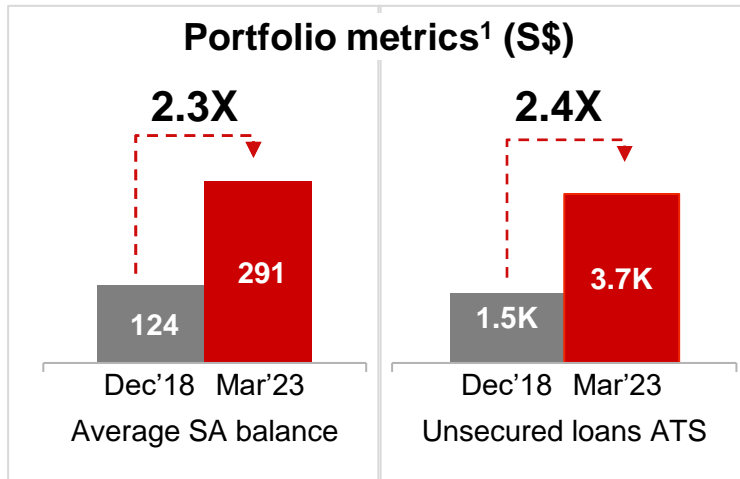
**3**

**Scaling ecosystem partnerships** by leveraging our digital capabilities and national footprint

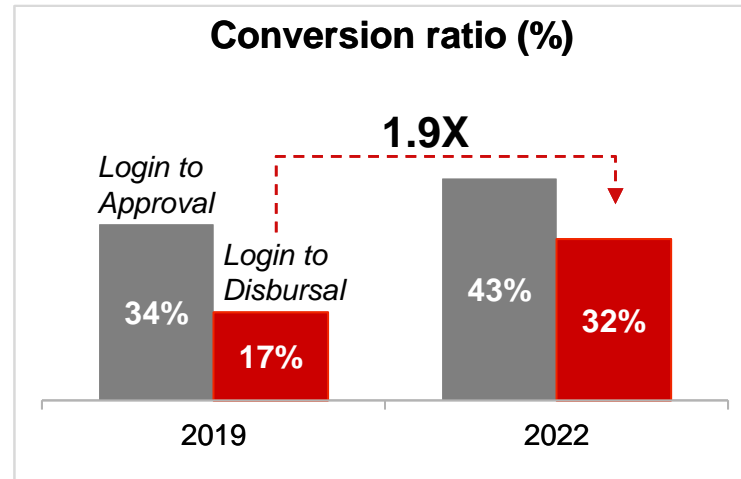
# 1. Building digital platforms and MtJ for scaled onboarding and straight through processing



- **1M digibank** retained customers and **1.4M LVB** customers being migrated
- **83%** new accounts opened digitally
- **5X** growth in revenue per customer including partnerships<sup>1,2</sup>
- Better quality acquisition leading to drop in breakeven from 5 years to 2.5 years<sup>2</sup>

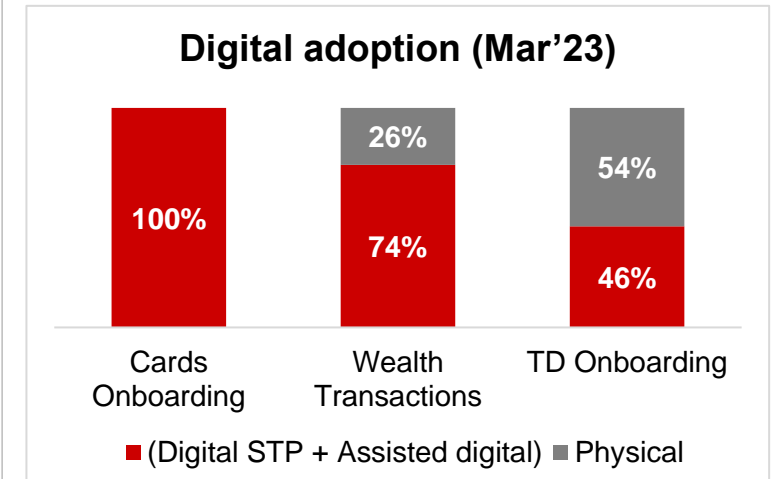


- **12K SFW** customers and **70K LVB** customers being migrated
- **>85%** onboarding digitally initiated
- **4X** growth in Assets; **7X** in Liabilities
- **4.4%** relationship margin<sup>(NIM + Fee)</sup>
- **3.3X** increase in revenue per relationship manager



## Increasing digital adoption

- Increasing share of digital transactions across the expanded customer base
- **80%** of queries on digibank addressed by chatbot
- LVB clients being migrated to digital
  - **2.2X** increase in Trade transactions done digitally



1. At constant FX rate | 2. 2018 to 2022 (Jan-Dec) | SA: Savings Account | ATS: Average Ticket Size | STP: Straight Through Processing



## 2. Leveraging expanded physical footprint to deliver new products, increase client acquisition and deepen relationships

### Branch integration

- All branches rebranded and upgraded
- **90+** branches merged and/or relocated; **~65%** of branches to be profitable by 2024 and **~80%** by 2025

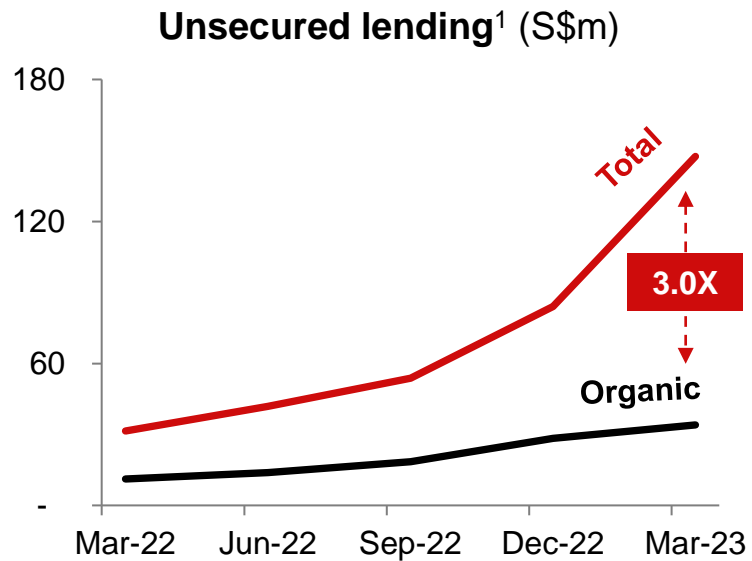
### Assets

- **Gold loans: 300+ locations** on scalable new technology platform
- **Unsecured Loans<sup>1</sup>**: assisted digital journey via branches leading to **10X** increase in monthly acquisitions
- **SME Financing Workflow**: expanded to **100+ hubs** covering **>80%** of major SME centers
- **Supply chain**: covering anchors and spokes across the country

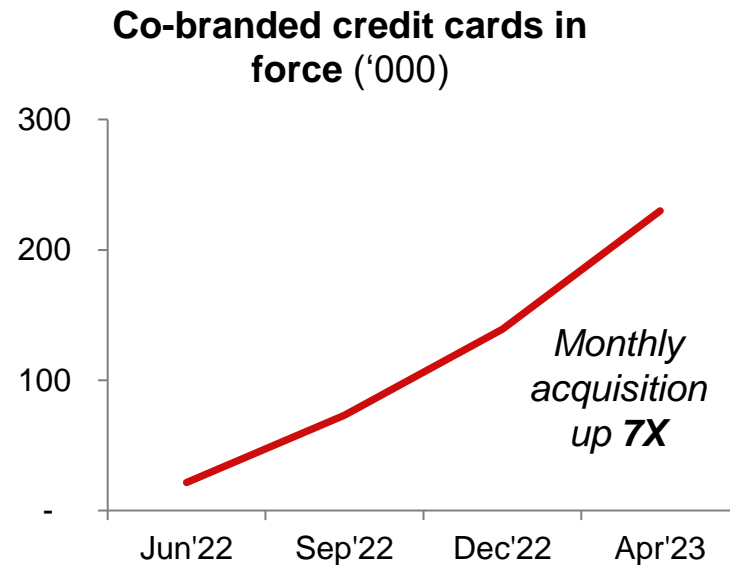
### Liabilities

- **Initial savings account balance<sup>2</sup>**: Phyigital sourcing leading to **2X** higher initial balances vis-a-vis digital only channels
- **Consumer time deposits<sup>3</sup>**: **4X** growth in monthly sourcing due to expanded network
- **SME operating accounts<sup>3</sup>**: **3X** growth in new acquisitions and **2X** increase in average current account balances

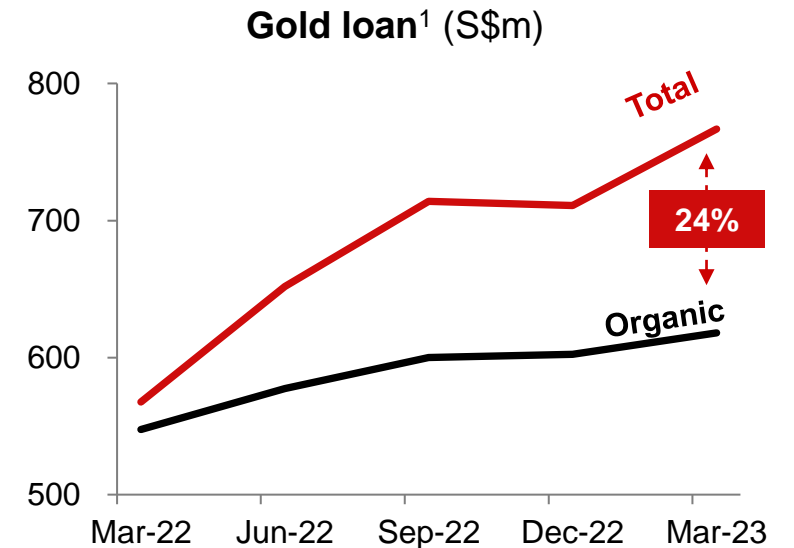
# 3. Scaling ecosystem partnerships by leveraging our digital capabilities and national footprint



- Contributing **68%** of new loans
- More partnerships being added in 2023



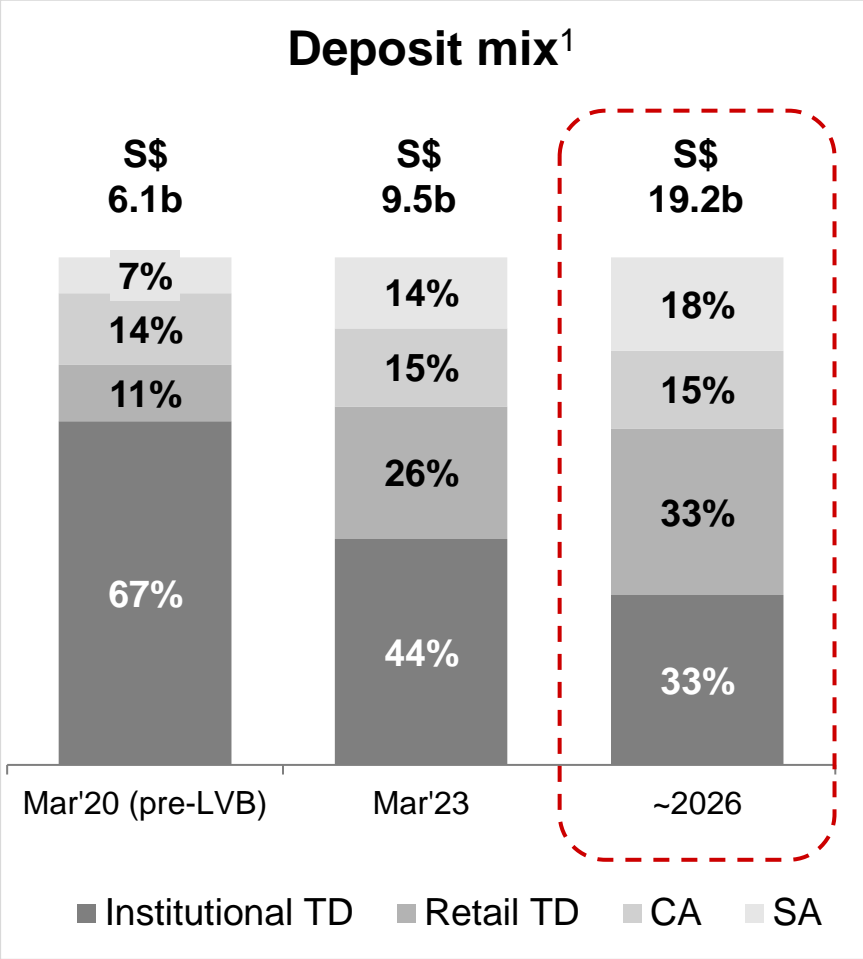
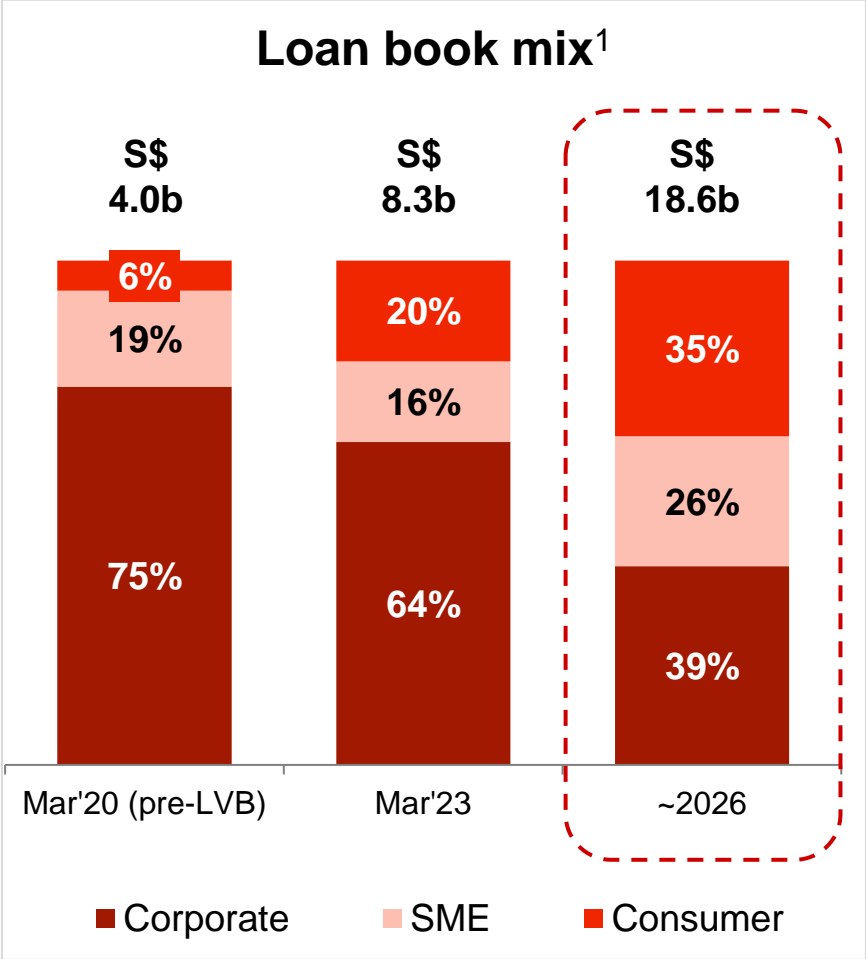
- Adding **~30K** cards per month
- Mobile app penetration (**>85%**)
- Spend per active card above market



- **~50%** customers acquired via partnership
- 2nd partner will be active by Sep'23

In Mar'23, partnerships contributed **~53% (72K)** of new retail accounts opened (**135K**)

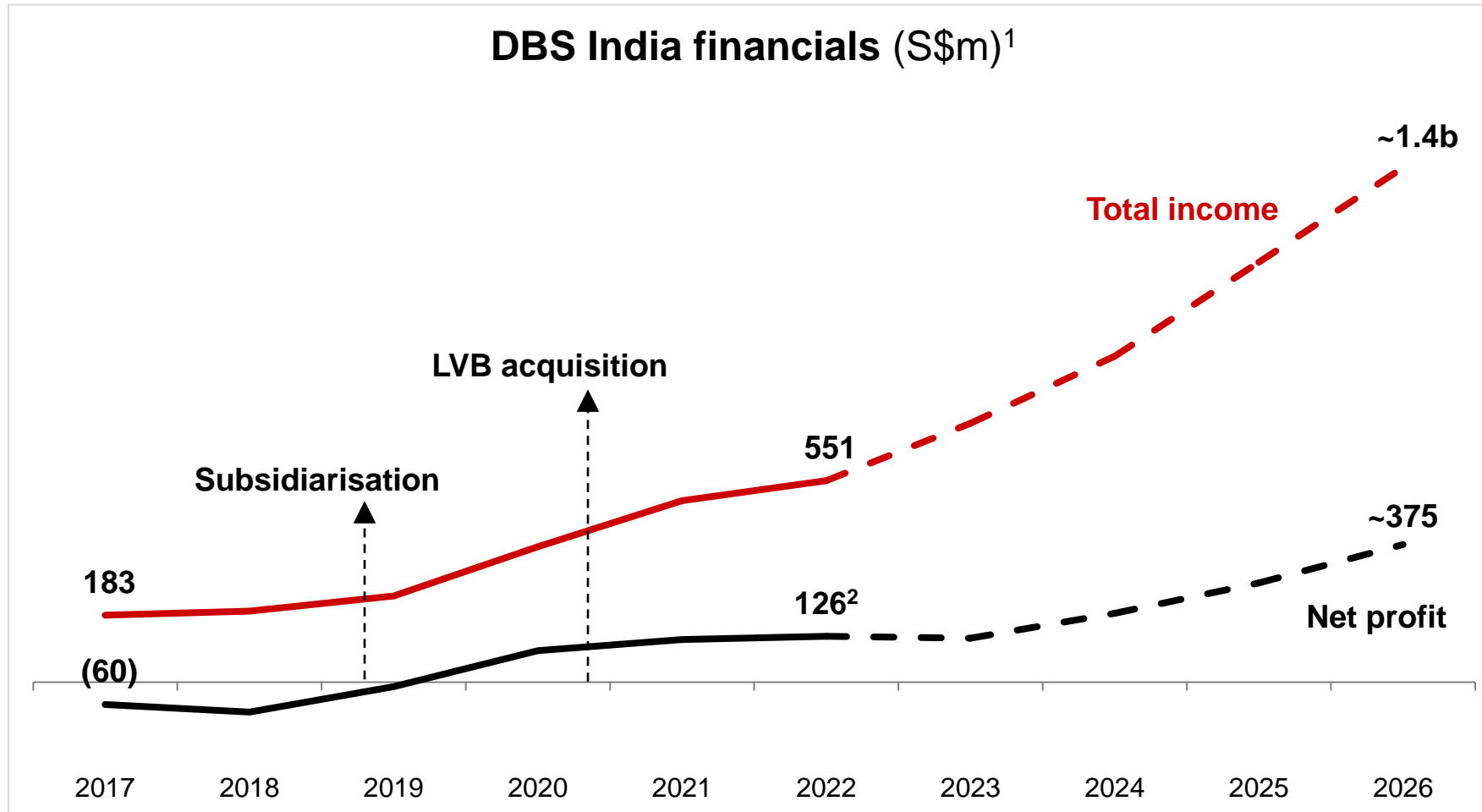
# Aspiration for the franchise: accelerated growth of Consumer and SME businesses



### By 2026:

- Overall loans to grow **2.2x**
  - Consumer and SME loans to grow at **40% cagr**
- **100bp NIM** expansion to enable a higher rate deposit growth strategy
- Overall deposits to double

# Aspiration for the franchise: sustain a 25-30% income growth for improved cost-income ratio and ROE

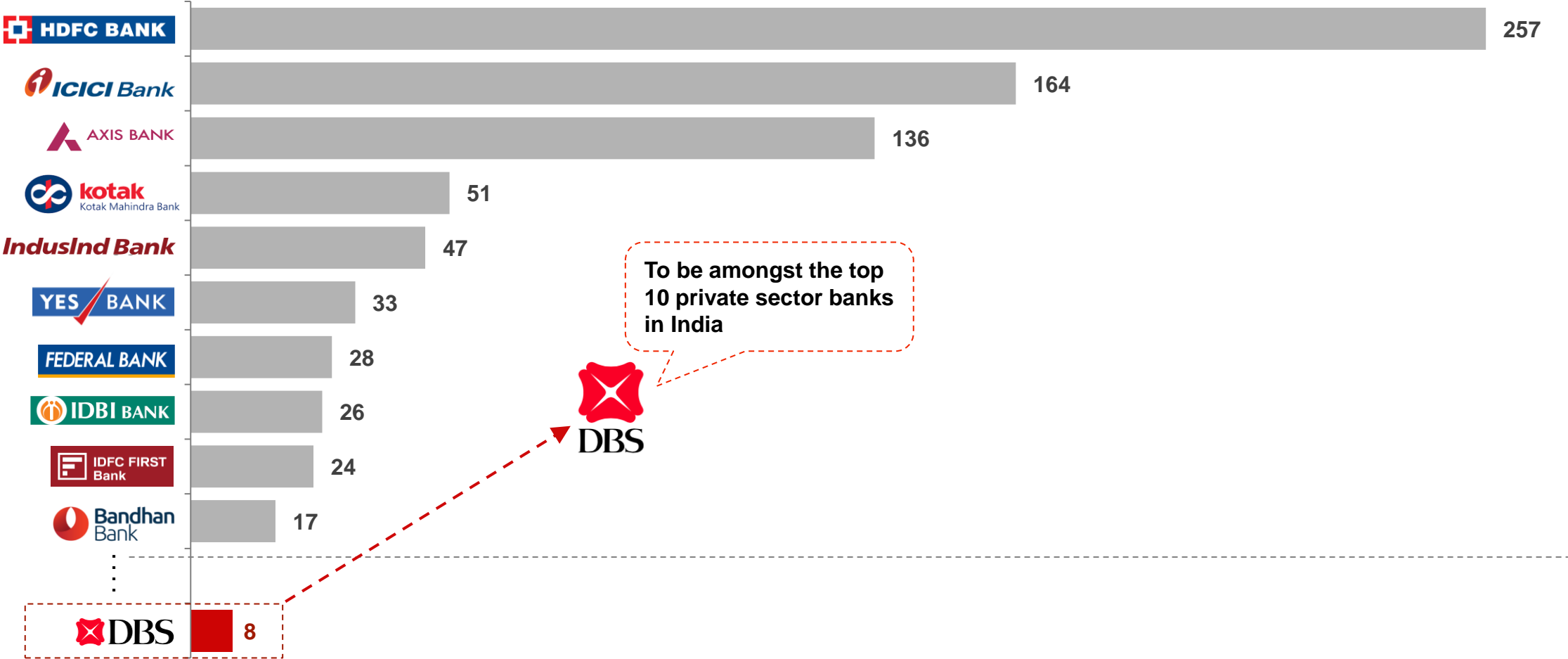


## By 2026:

- Total income projected to grow **2.5X**
- Net profit projected to grow **3X**
- Cost-income ratio to improve from 78% to **57%**
- ROE to increase from 5% to **8%**

# Aspiration for the franchise: scale profitably to be a leading bank in India

Mar'23 loan book (S\$b)



**Thank you**



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