



Creating shareholder value from digitalisation

Chng Sok Hui
Chief Financial Officer

17 November 2017

The presentations contain future-oriented statements, including statements regarding the Group's vision and growth strategy in the light of anticipated trends as well as economic and market conditions. Such statements necessarily involve risks and uncertainties, which may cause actual performance in future periods to differ from projections.

Agenda for the day

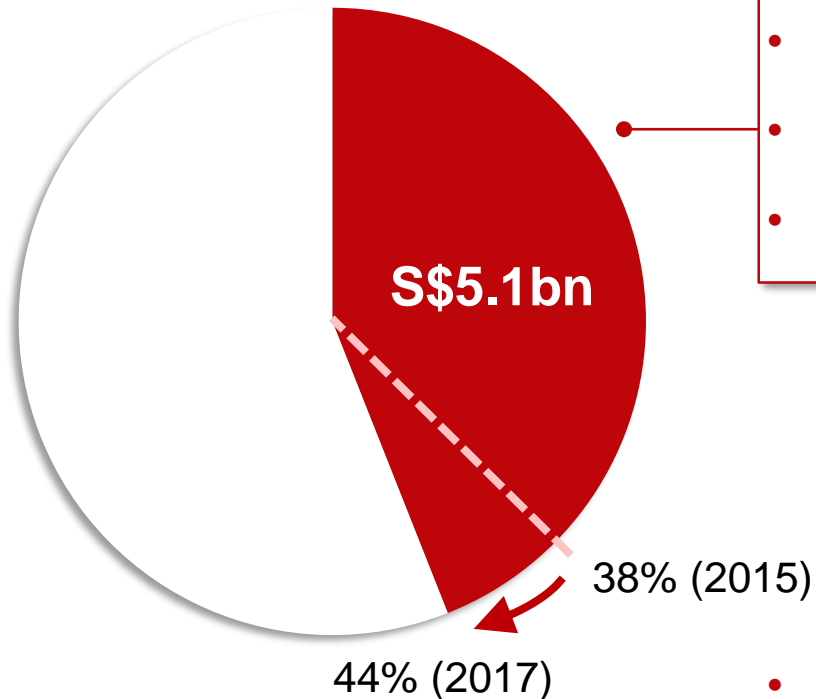
| | Presentations | Showcases |
|--|---|--|
| Digital Transformation | Transforming technology and culture | Tech and Ops APIs Use of data insights |
| Consumer and SME (Singapore, Hong Kong) | Pre-empt disruptors | Bancassurance POSB Smart Buddy |
| Consumer and SME (Growth Markets) | Disrupt incumbents | digibank Tally |
| Other Businesses¹ | Digitalise for profitability <ul style="list-style-type: none">• Audit• Cash Management• Wealth Management• Strategic Marketing | Reimagining Audit Treasury Prism iWealth |

¹ Corporate Bank, Private Bank, Markets, and Others

44% of the bank: High performing and rapidly digitalising business

Consumer and SME (Singapore, Hong Kong)

2017 income: S\$11.6bn



Pre-empt disruptors

- Rapidly transforming to digital
- Gaining market share, creating new income streams
- #1 in Singapore in mortgage, auto loans, cards, banca today¹

Income
11%
CAGR²
vs Group: 4%

Cost-income ratio
49% → **43%**
2015 → 2017

ROE
22% → **24%**
2015 → 2017

- Jewel in the crown
- Likely to grow income at double-digit
- Has potential to contribute ~50% of the bank's income in 5 years

2017 figures annualised based on 1H17, where applicable

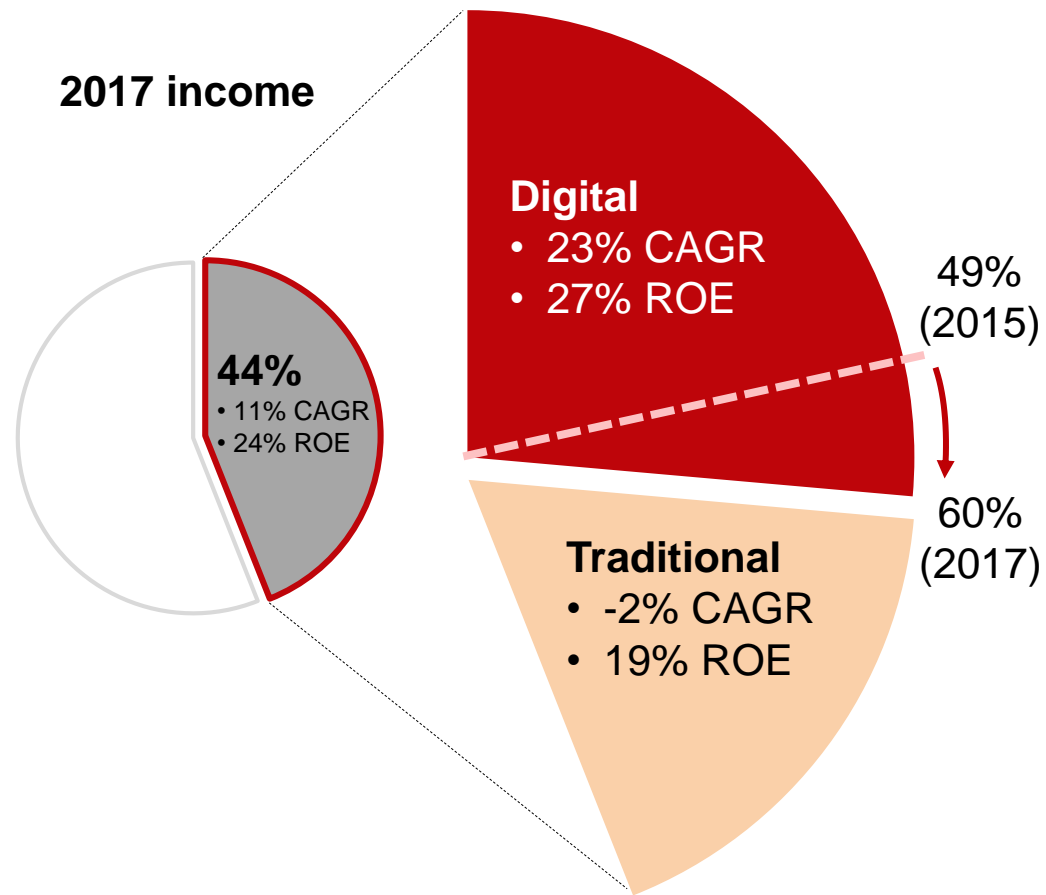
¹ Ranking for mortgage, auto loans, cards based on balances (source: Credit Bureau Singapore, Sep 17);

Ranking for bancassurance based on new business weighted premiums (source: Life Insurance Association, 9M17)

² 2015-2017

First bank to develop methodology to measure digital value creation

Consumer and SME (Singapore, Hong Kong)



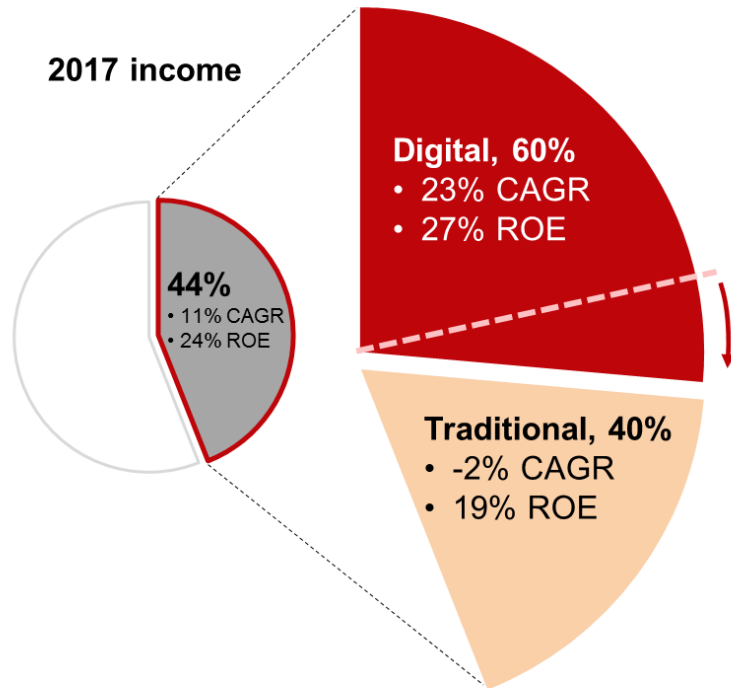
Two distinct segments based on customer behaviour

- Digital (D): predominantly **online / mobile interactions**
- Traditional (T): predominantly **offline interactions**

We have been **progressively helping our customers** adopt Digital behaviours

The Digital segment is **growing faster, with superior ROE**

Agenda



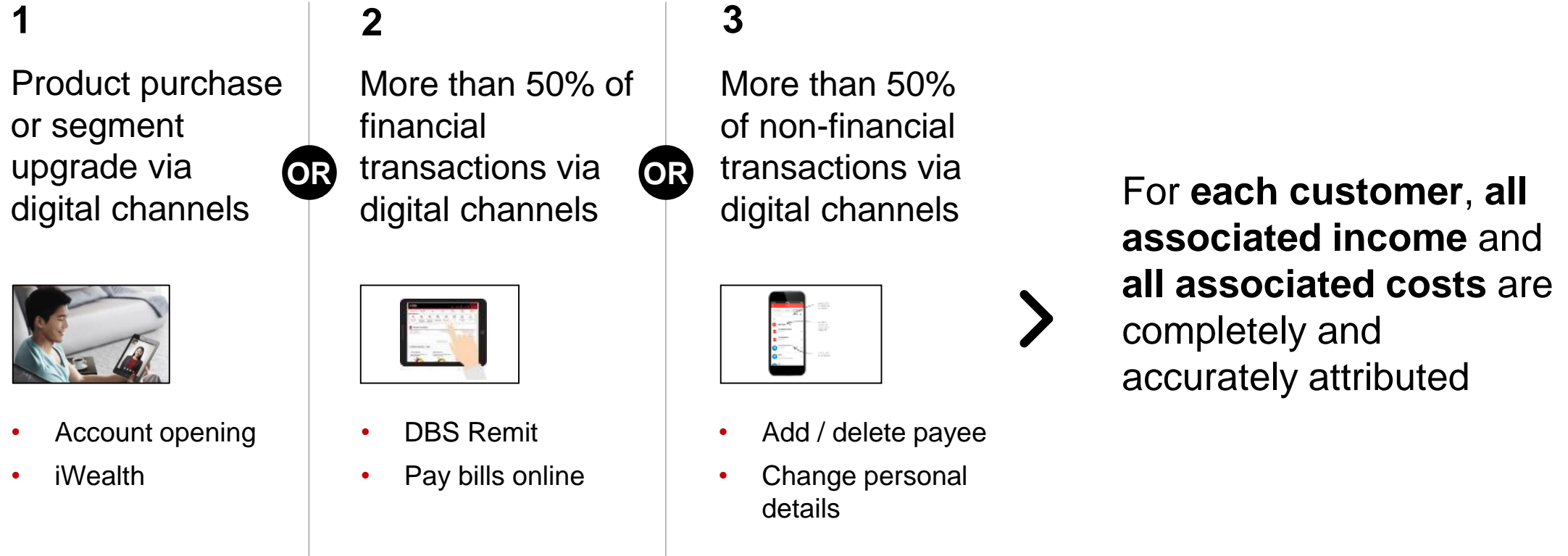
01 Robust and well-tested methodology to measure digital value creation

02 Digital segment demonstrates clearly superior financial and operating metrics

03 Rigorous business planning to drive digital adoption and progressively reduce cost-income ratio (CIR)

Robust, well-tested methodology based on customer behaviour

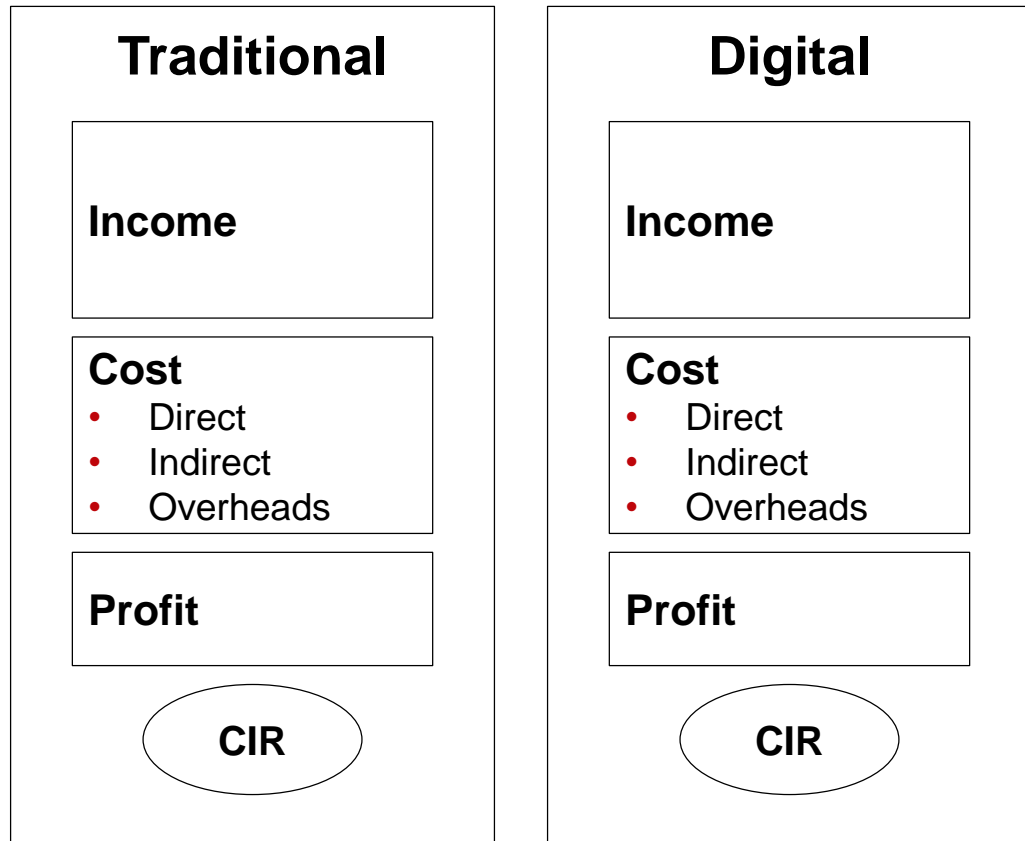
Three behavioural criteria for “Digital customers”



Customers must re-qualify on a rolling 12-month basis

P&L for Digital and Traditional segments based on customer view

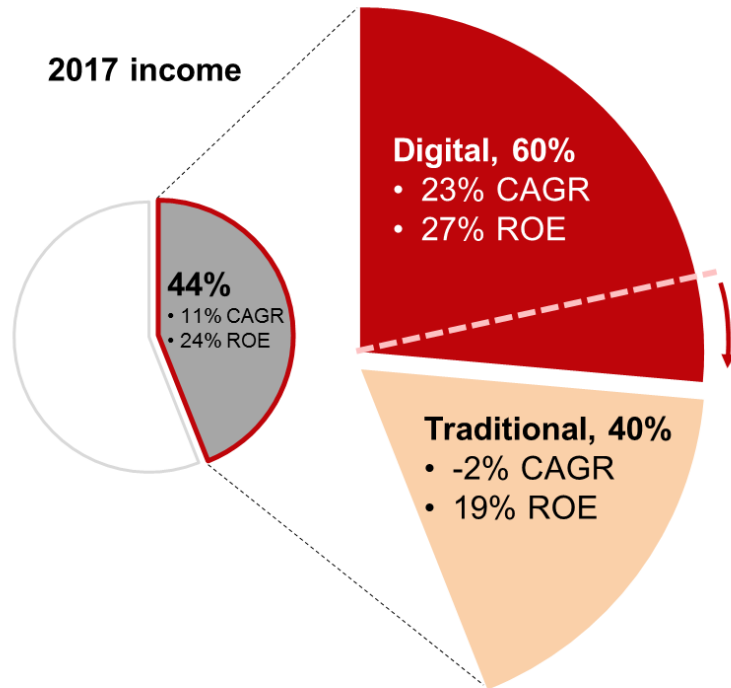
Consumer and SME (Singapore, Hong Kong)



End-to-end P&L constructed following a set of principles

- **Digital and Traditional customers identified** based on banking behaviour
- **Complete attribution** of all income streams and costs
- **Full reconciliation** to Group financial statements
- **Granular data** to ensure methodology rigour
- **Time-tested** over three years

Agenda



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Superior returns from Digital segment

| 2017 profit and loss (S\$bn) | Total | T | D | Digital is material |
|------------------------------|-------|-----|------------|--|
| Customers (m) | 5.9 | 3.6 | 2.3 | 39% of customers contribute 60% of income and 68% of profit before allowances |
| Income | 5.1 | 2.0 | 3.1 | |
| Costs | 2.2 | 1.1 | 1.1 | |
| Profit before allowances | 2.9 | 0.9 | 2.0 | |

Key indicators

| | | | | Digital is more valuable |
|-------------------------------|-----|-----|------------|---------------------------------|
| Income per customer (S\$'000) | 0.9 | 0.6 | 1.3 | 2X income per customer |
| Cost-income ratio (%) | 43 | 55 | 34 | 20pp lower CIR |
| Return on equity (%) | 24 | 19 | 27 | 9pp higher ROE |

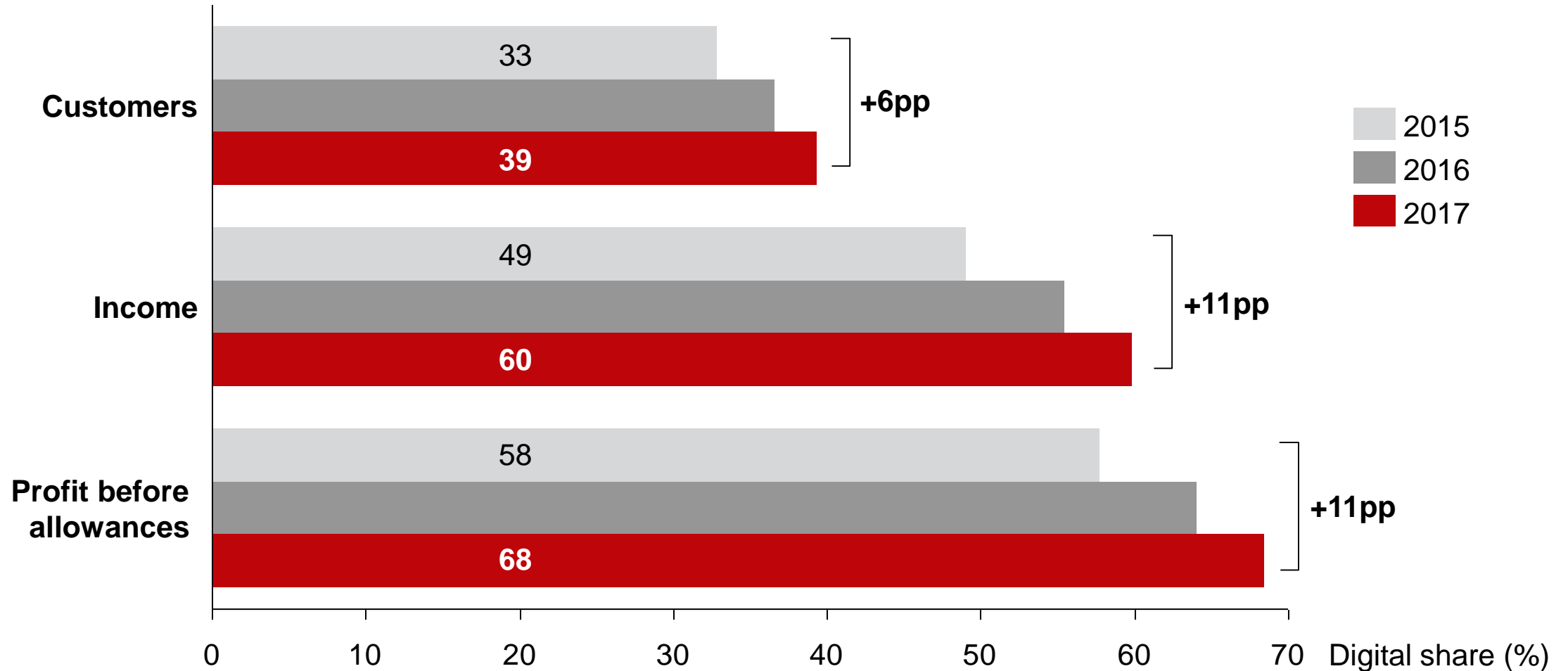
Consistently superior returns from Digital segment over time

| Profit and loss (S\$bn) | 2015 | 2017 | 2015 | 2017 | Digital increasingly material |
|-------------------------------|------|------|----------------------------|-------|--|
| | D | D | Share of total (%) | | |
| Customers (m) | 1.9 | 2.3 | 33 | 39 | Strong growth momentum – driven by customer migration and uplift in income per customer |
| Income | 2.0 | 3.1 | 49 | 60 | |
| Costs | 0.8 | 1.1 | 40 | 48 | |
| Profit before allowances | 1.2 | 2.0 | 58 | 68 | |
| Key indicators | | | Differential over T | | Digital increasingly valuable |
| Income per customer (S\$'000) | 1.1 | 1.3 | 2X | 2X | Higher income per customer |
| Cost-income ratio (%) | 40 | 34 | -18pp | -20pp | Lower CIR |
| Return on equity (%) | 25 | 27 | +8pp | +9pp | Higher ROE |

Customer base as of Jun 2017; other 2017 figures annualised based on 1H17, where applicable; numbers have slight rounding differences

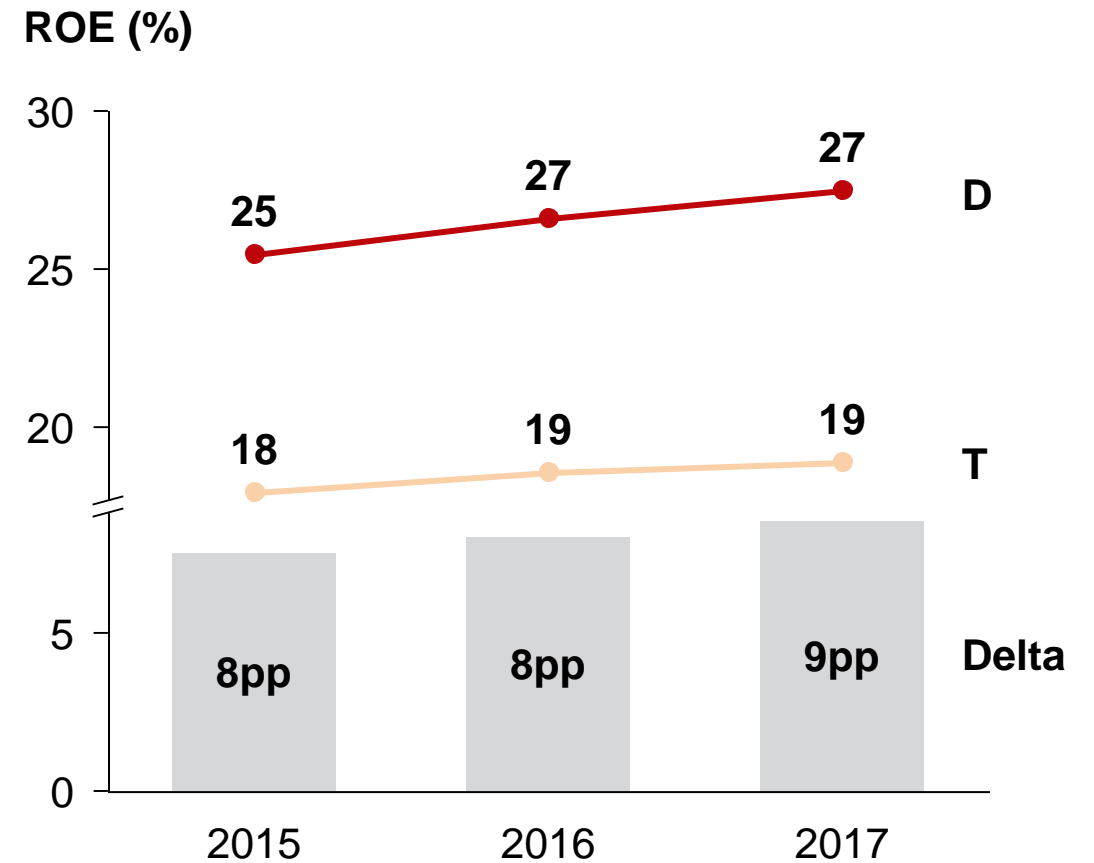
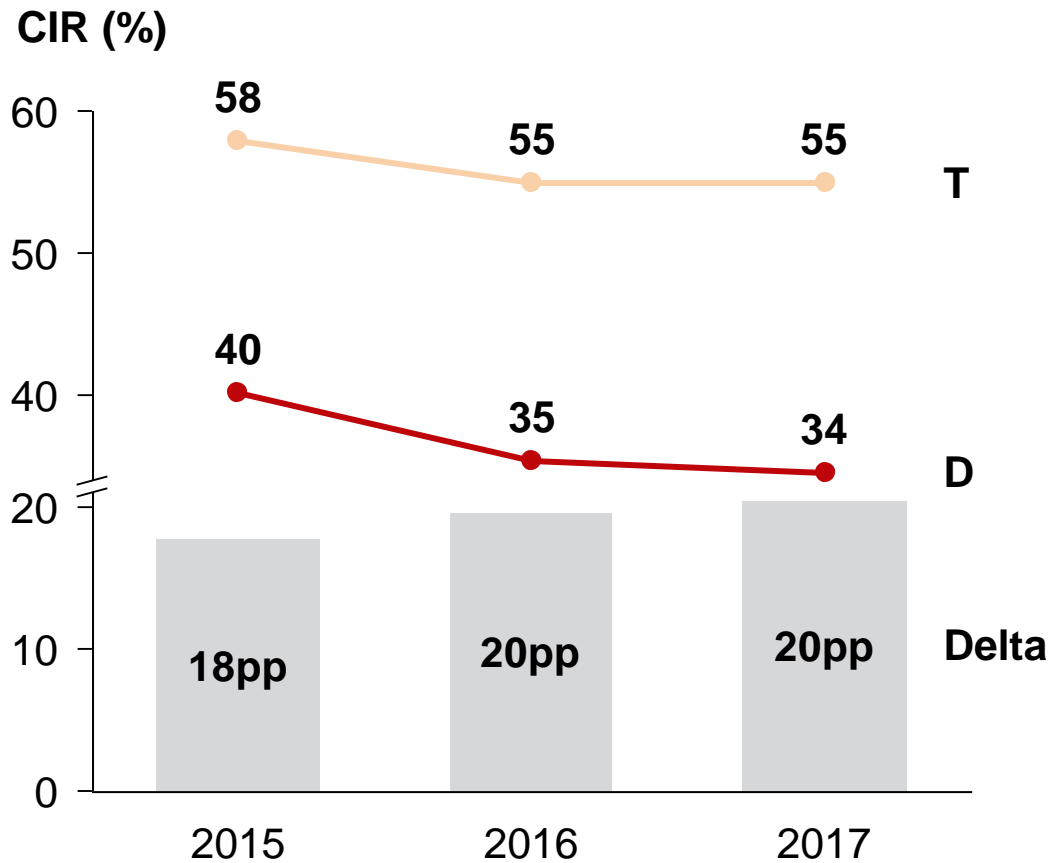
39% of customers contribute 68% of profit before allowances

Digital share of customers, income and profit before allowances



Customer base as of Jun 2017; other 2017 figures annualised based on 1H17, where applicable; numbers have slight rounding differences

Digital customers have consistently lower CIR and higher ROE



2017 figures annualised based on 1H17, where applicable; numbers have slight rounding differences

Digital customers' superior CIR and ROE driven by four key factors

- **Lower cost-to-acquire**

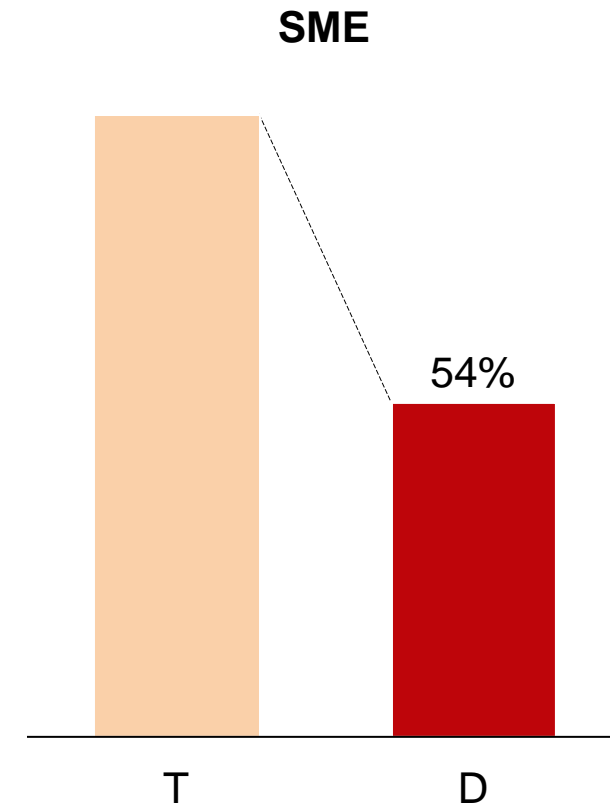
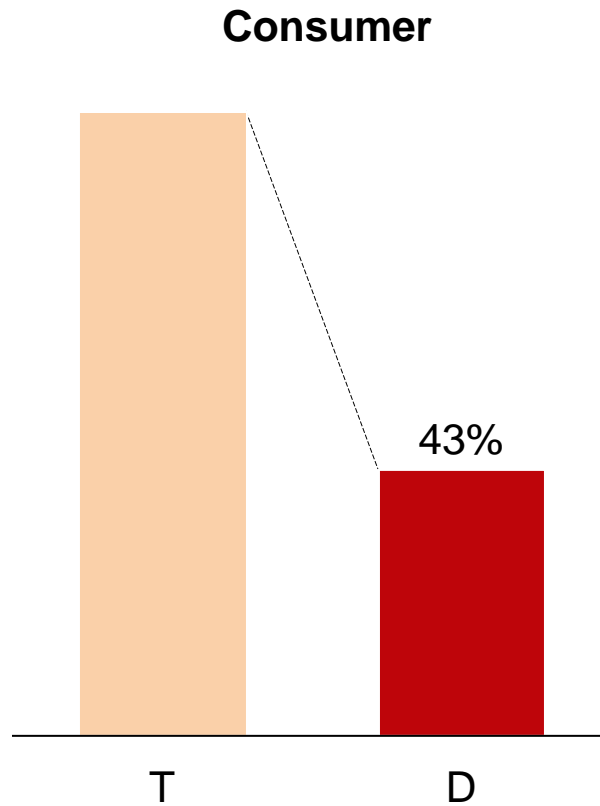
- **Lower unit cost-to-serve**

- **Higher income per customer year on year**

- **Consistently faster growth in income per customer**

Digital customers: Lower cost-to-acquire

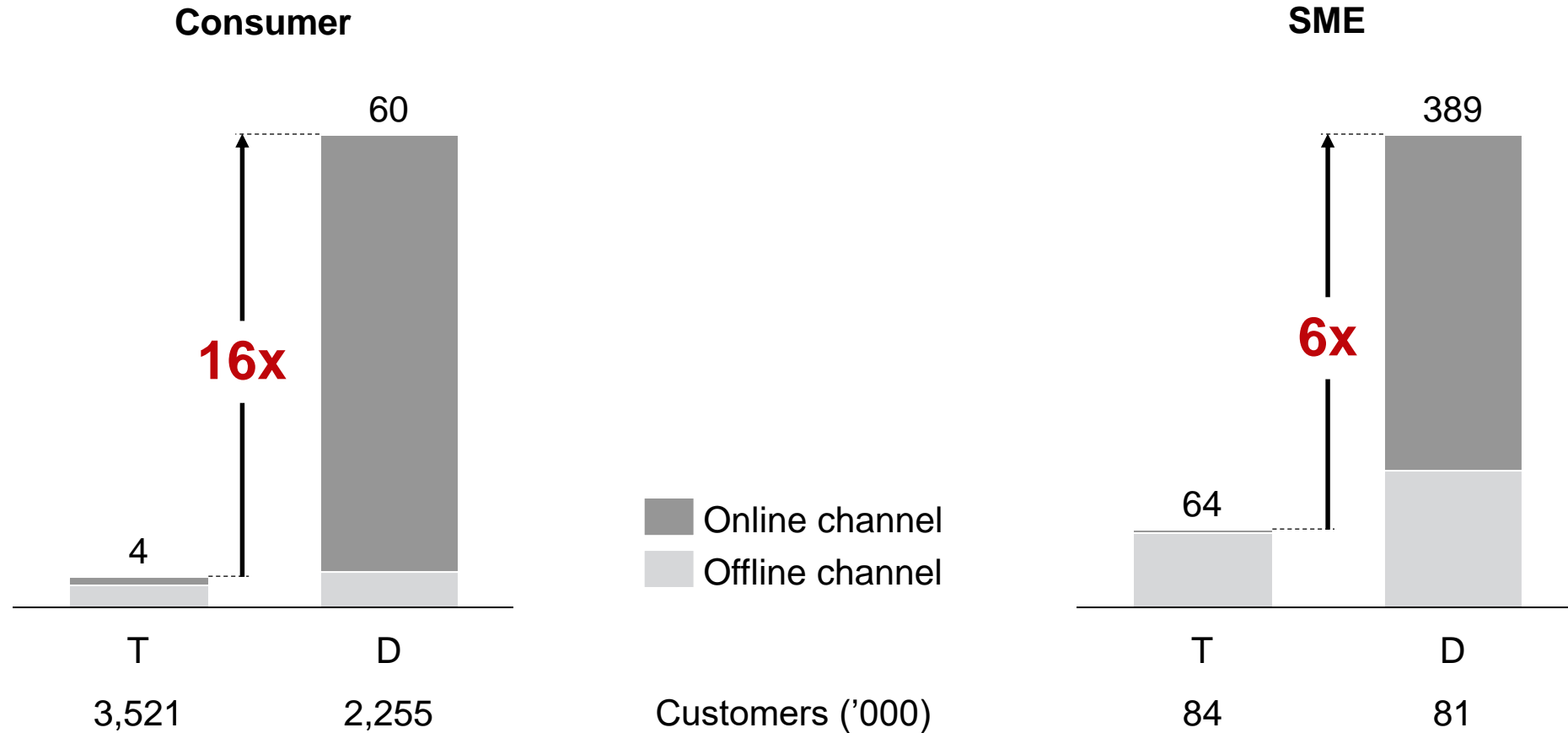
Front office cost-to-acquire per account, 2017



2017 figures annualised based on 1H17, where applicable

Digital customers: Highly engaged; multiple times more transactions...

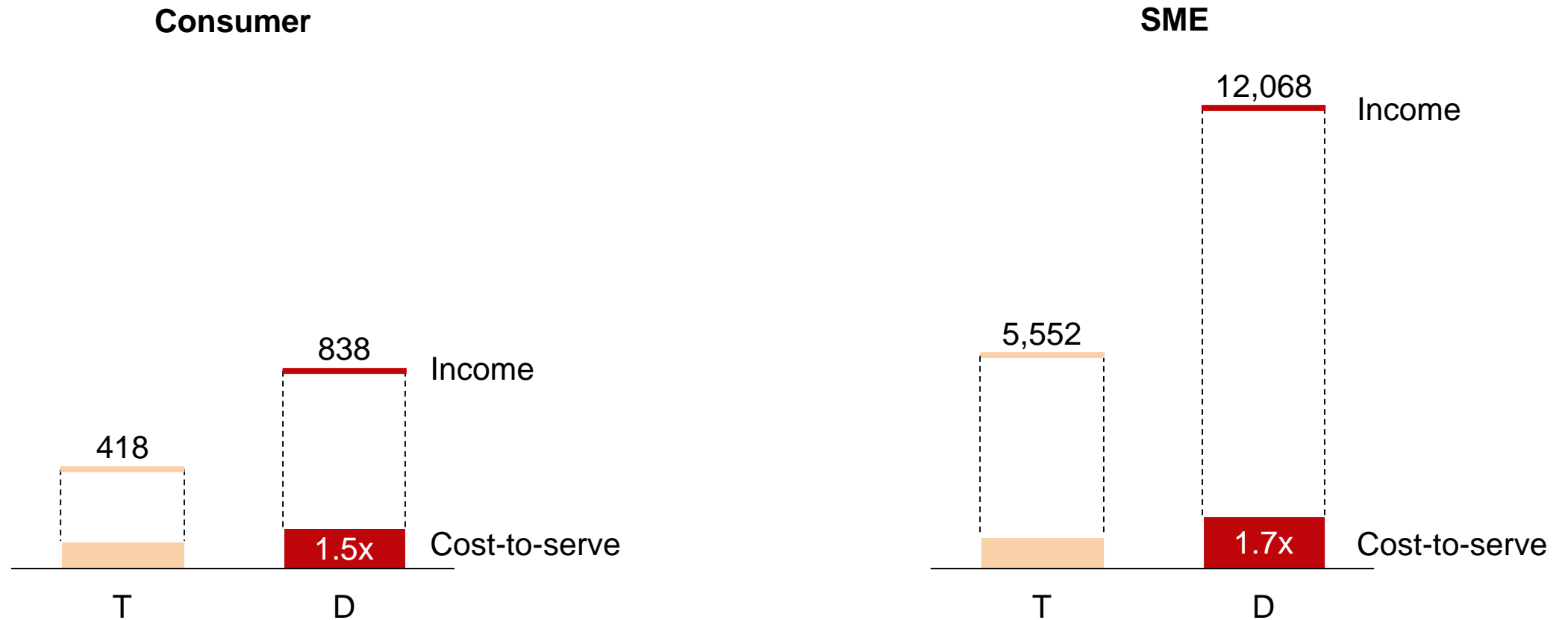
Customer-initiated transactions per customer, 2017



Customer base as of Jun 2017; other 2017 figures annualised based on 1H17, where applicable; numbers have slight rounding differences

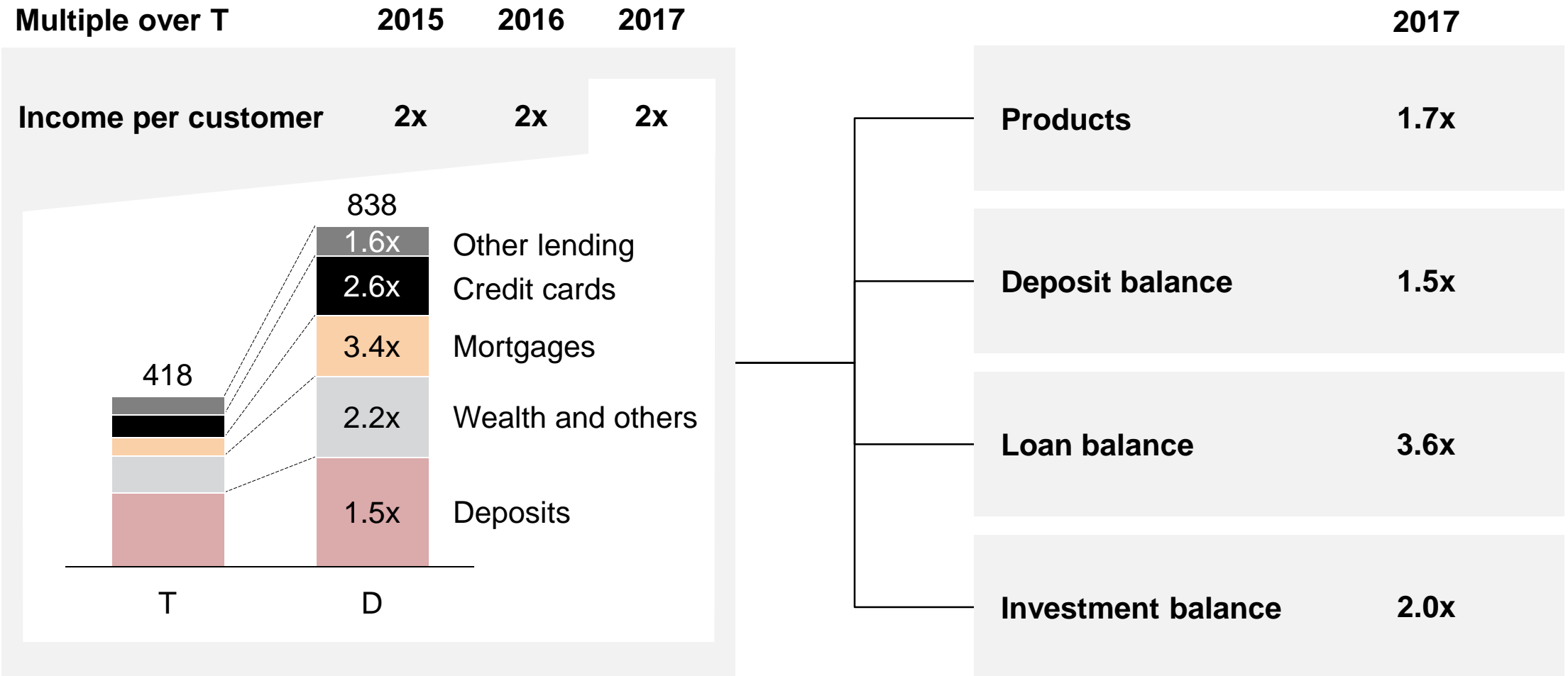
...so higher absolute cost-to-serve, but lower cost-to-serve as a percentage of income

Income and cost-to-serve per customer, 2017



2017 figures annualised based on 1H17, where applicable; income per customer excludes lump-sum income not tracked at customer level

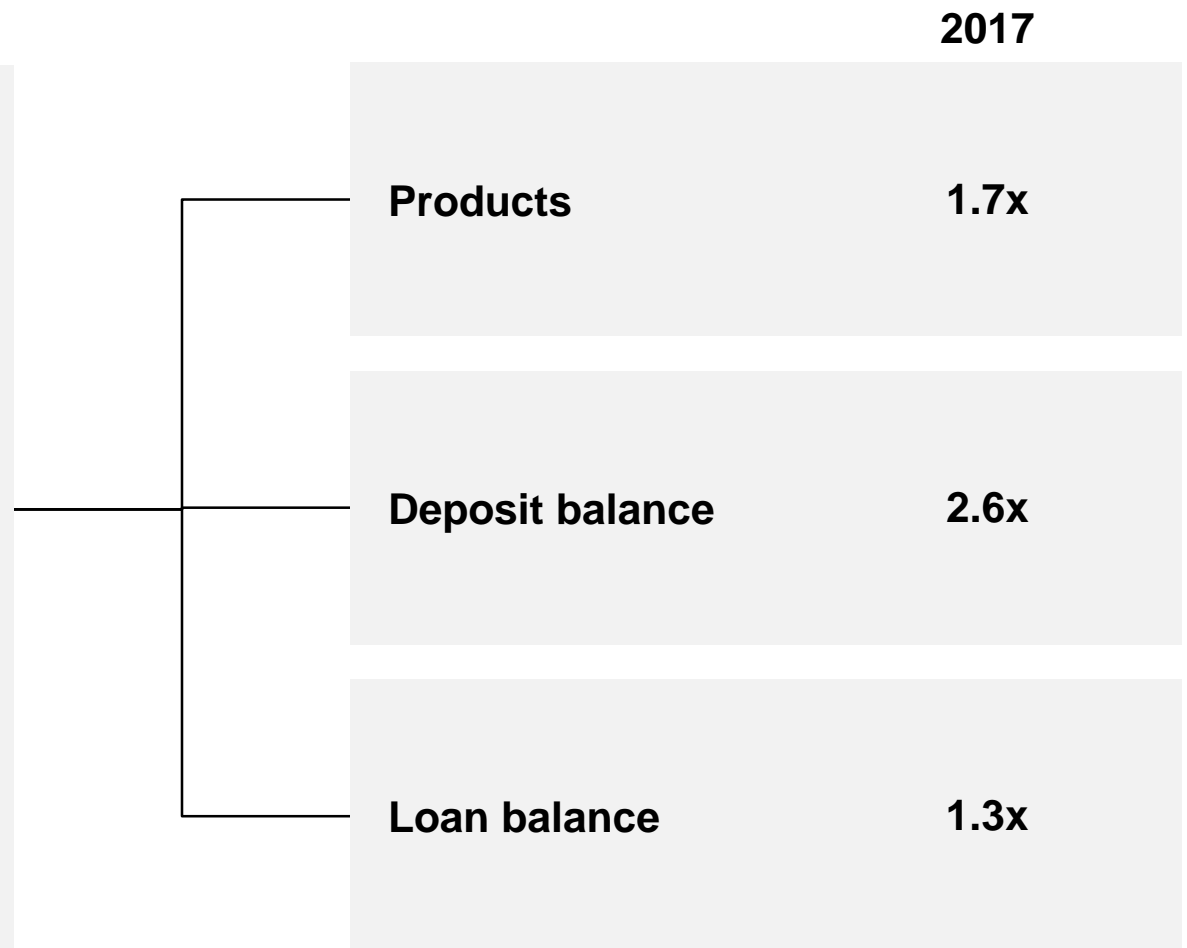
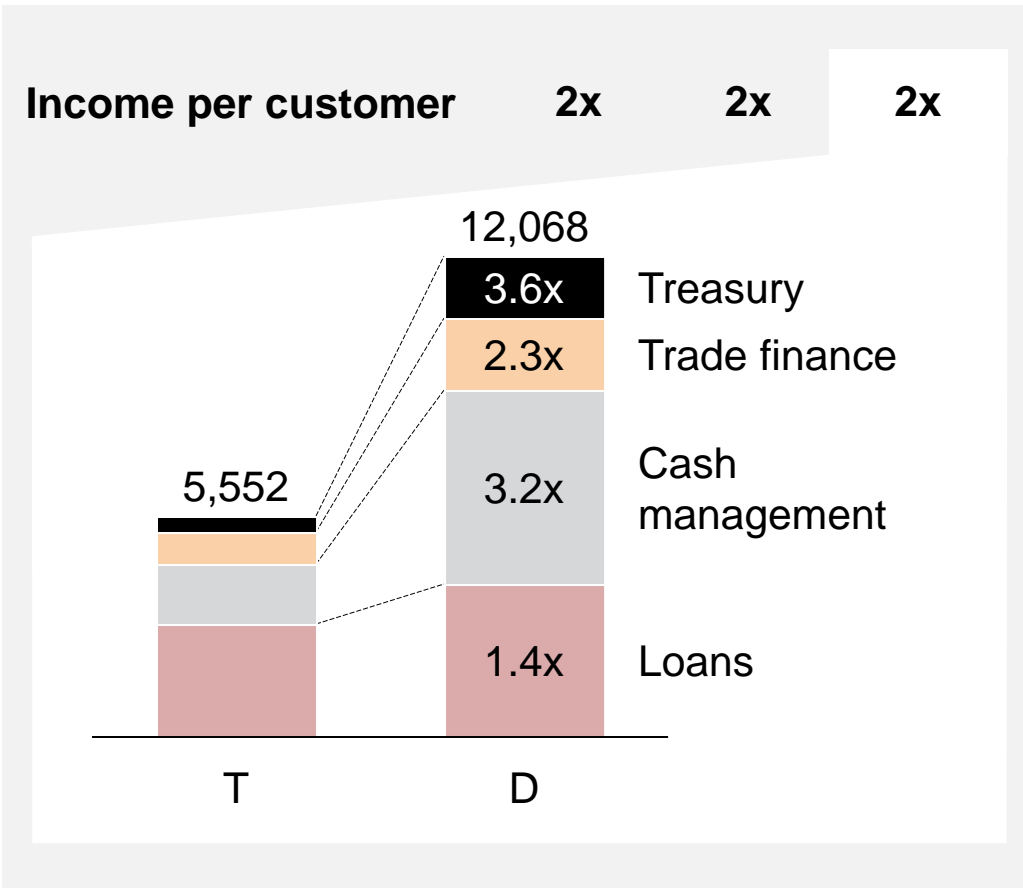
Consumer: Consistently higher income from broad-based engagement



2017 figures annualised based on 1H17, where applicable; income per customer excludes lump-sum income not tracked at customer level

SME: Consistently higher income from broad-based engagement

Multiple over T 2015 2016 2017

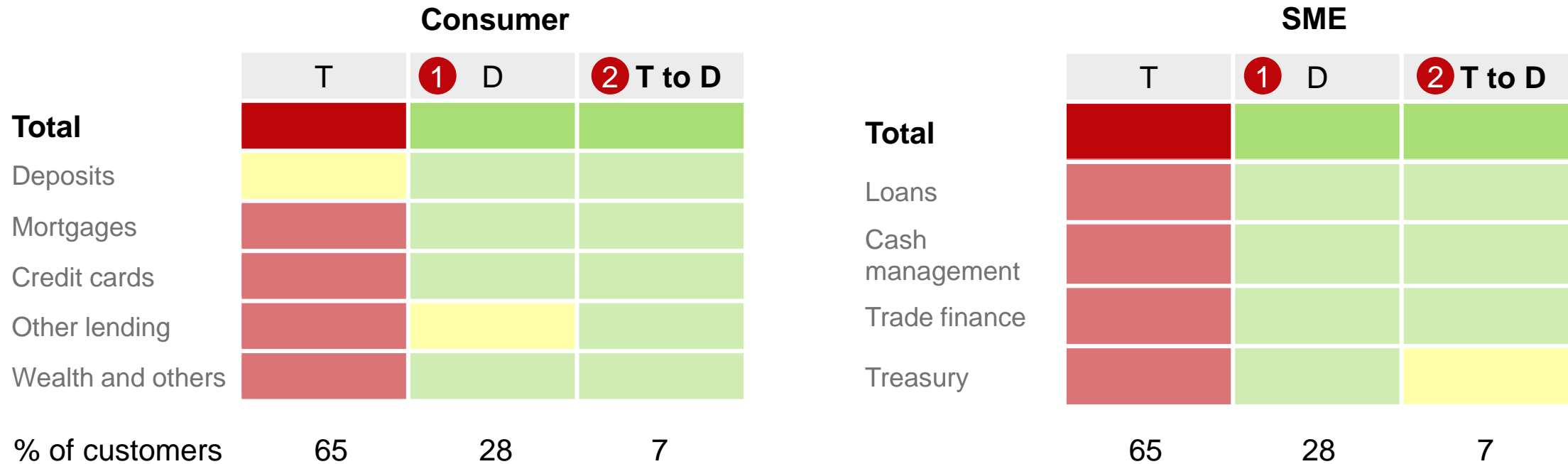


2017 figures annualised based on 1H17, where applicable; income per customer excludes lump-sum income not tracked at customer level

Digital customers: Consistently faster growth in income per customer

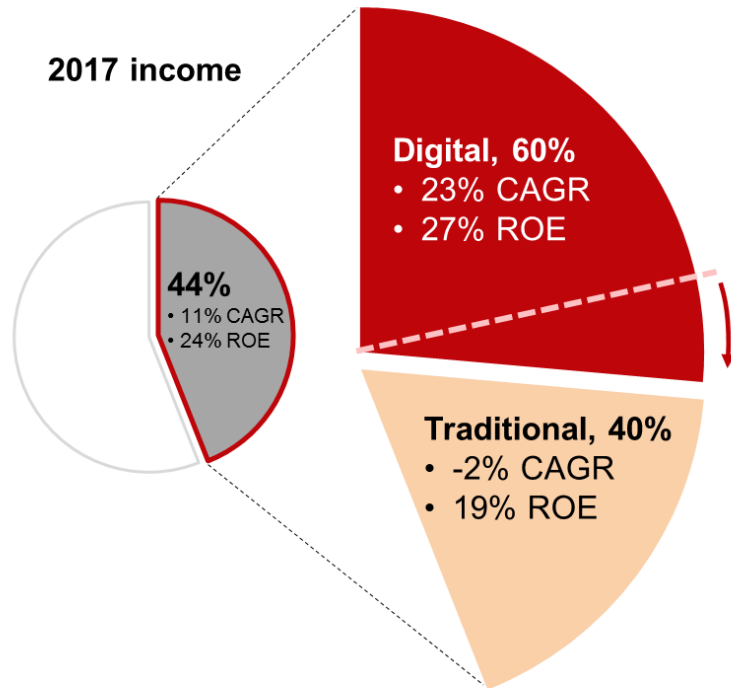
Relative income growth for same customer cohort, 2016 v 2015

■ Slower than overall
 ■ Moderately slower than overall
 ■ Faster than overall



- ① Existing Digital customers (D): Faster income growth
- ② Newly migrated Digital customers (T to D): Also show faster income growth

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We have changed the way we run our business

Acquire

- Increase customer acquisition through wider distribution
 - Lower acquisition cost
-

Transact

- Eliminate paper, create instant fulfilment
 - Decrease cost
-

Engage

- Drive 'sticky' customer behaviours, cross-sell through contextual marketing
- Increase income per customer

We have changed the way we run our business

| | <u>From</u> | | <u>To</u> |
|-----------------|---|---|---|
| Acquire | <ul style="list-style-type: none">• Branch-led• Feet-on-street | > | <ul style="list-style-type: none">• Ecosystem strategy for wider outreach• Data-driven digital marketing and search engine optimisation• Digital onboarding |
| Transact | <ul style="list-style-type: none">• Paper-heavy• Brick and mortar channels | > | <ul style="list-style-type: none">• Paper-less, straight-through processing (“Design For No Operations”)• Seamless, omni-channel |
| Engage | <ul style="list-style-type: none">• Product-focused• Generic engagement approach | > | <ul style="list-style-type: none">• Embedding ourselves in the customer journey – driving ‘sticky’ customer behaviours• Contextualised research and marketing for cross-sell |

Acquire: KPIs set and tracked across products to drive results

KPIs

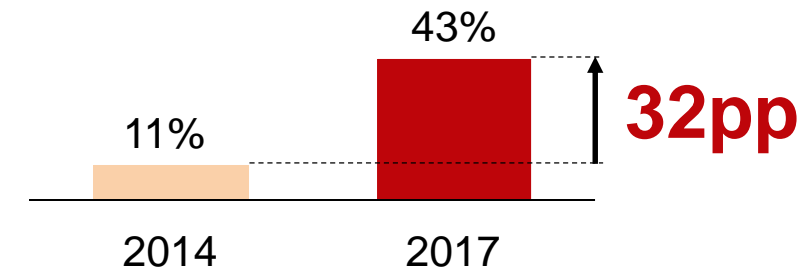
Examples

Consumer Increase digital acquisition share:

- Deposits
- Cards
- Loans
- Equity
- Unit trusts
- General insurance

Online deposit account opening

Digital share of deposits onboarding



SME Increase digital share of:

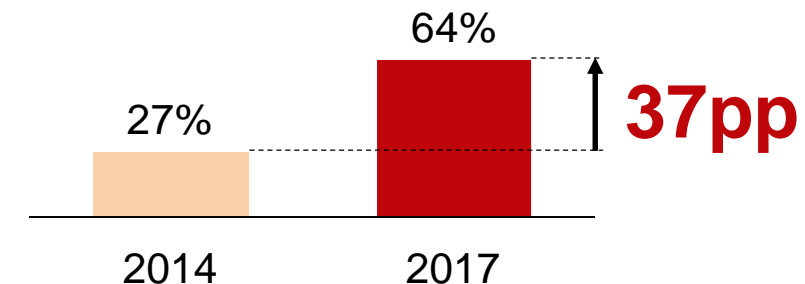
- New account opening
- Banker's guarantee
- Loans

Increase subscriptions:

- IDEAL – online banking platform

Online deposit account opening

Digital share of deposits onboarding



Transact: KPIs set and tracked to drive results

KPIs

Consumer Migrate transactions to digital:

- Deposits
- Remittance
- Loans
- Equity
- Unit trusts

SME Migrate transactions to digital:

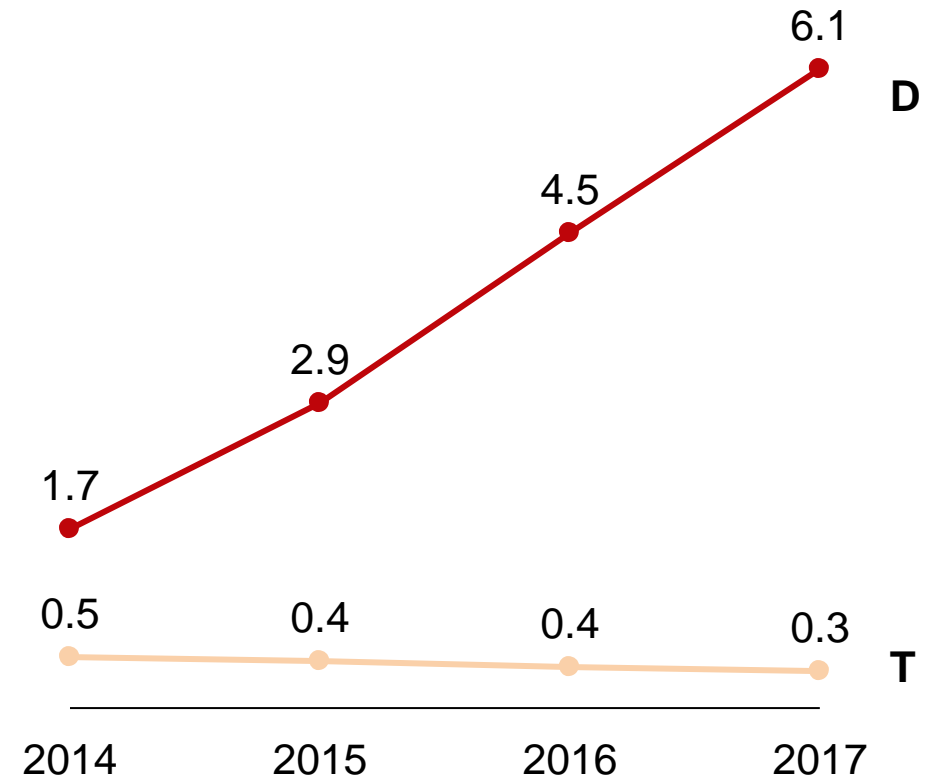
- Cash
- Trade
- FX

Design for “no-ops”:

- Cash and trade processing
- Loan creation, disbursements and servicing
- Account opening and maintenance

Example

Cross-border payments: Customer-initiated
Volume of transactions (m)



Engage: KPIs set and tracked to drive results

KPIs

Consumer

Increase number of:

- Digitally engaged customers
- 30-day, 90-day active customers

Improve customer satisfaction:

- Internet banking
- Mobile banking

Examples to drive 'stickiness'

Omni: Instant points redemption, budget tracking, etc.



2.5x
Average spend
per Omni user

SME

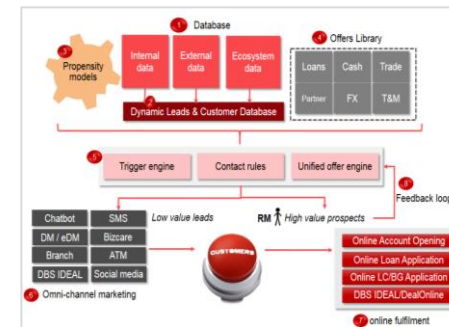
Increase number of:

- Digitally engaged customers
- BusinessClass members and activities
- Visits to DBS websites

Increase share of:

- Internet banking login frequency
- Mobile banking usage

Contextual marketing: Drive cross-sell and up-sell

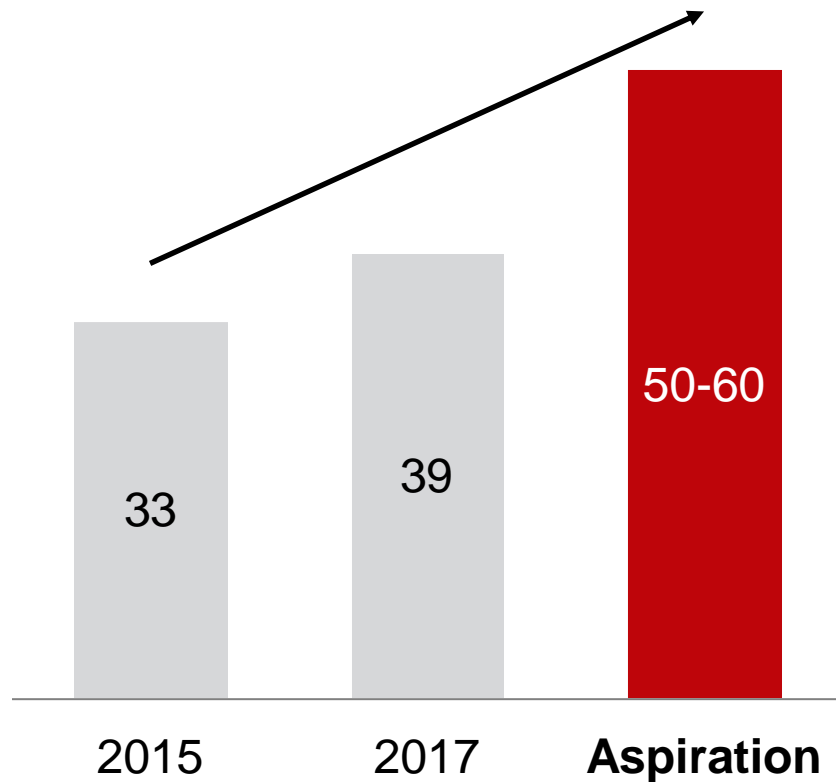


30
Campaigns
~\$1bn
Incremental deposits

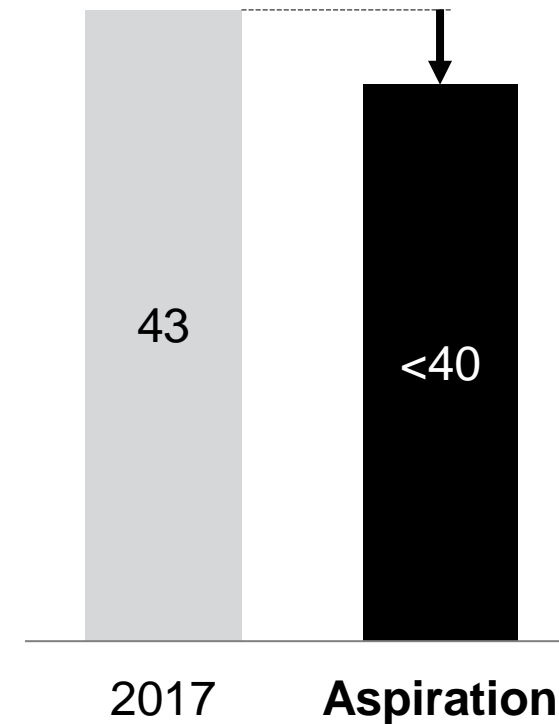
Upside in Digital customer base to drive progressively lower CIR

Consumer and SME (Singapore, Hong Kong)

Digital share of customers (%)

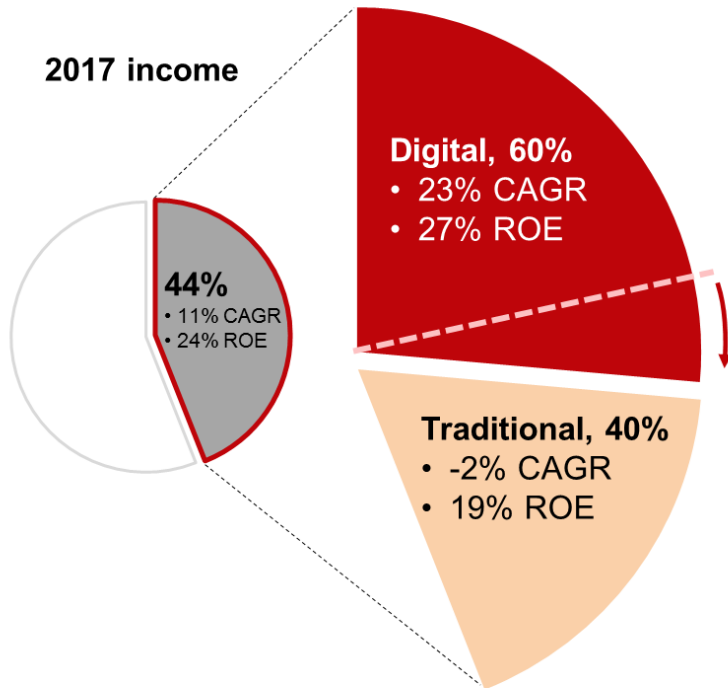


Cost-income ratio (%)



Customer base as of Jun 2017; other 2017 figures annualised based on 1H17, where applicable

Summary: Digitalisation driving significant value creation



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APPENDIX

2015-2017 Profit and loss

| Consumer and SME (Singapore, Hong Kong) | 2015 | | | 2016 | | | 2017 | | |
|--|-------|-----|--------------|-------|-----|--------------|-------|-----|--------------|
| | Total | T | D | Total | T | D | Total | T | D |
| Profit and loss (S\$bn) | | | | | | | | | |
| Customers (m) | 5.9 | 3.9 | 1.9 | 5.9 | 3.8 | 2.2 | 5.9 | 3.6 | 2.3 |
| Income | 4.1 | 2.1 | 2.0 | 4.9 | 2.2 | 2.7 | 5.1 | 2.0 | 3.1 |
| Costs | 2.0 | 1.2 | 0.8 | 2.2 | 1.2 | 1.0 | 2.2 | 1.1 | 1.1 |
| Profit before allowances | 2.1 | 0.9 | 1.2 | 2.7 | 1.0 | 1.8 | 2.9 | 0.9 | 2.0 |
| Key indicators | | | | | | | | | |
| Income per customer (S\$) | 708 | 537 | 1,056 | 821 | 578 | 1,244 | 858 | 568 | 1,306 |
| Cost-income ratio (%) | 49 | 58 | 40 | 44 | 55 | 35 | 43 | 55 | 34 |
| Return on equity (%) | 22 | 18 | 25 | 23 | 19 | 27 | 24 | 19 | 27 |

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