Disrupting growth markets

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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

Digital Transformation
- Transforming technology and culture

Consumer and SME (Singapore, Hong Kong)
- Pre-empt disruptors

Consumer and SME (Growth Markets)
- Disrupt incumbents
- digibank | Tally

Other Businesses¹
- Digitalise for profitability
  - Audit
  - Cash Management
  - Wealth Management
  - Strategic Marketing

Showcases
- Tech and Ops | APIs
  - Use of data insights
- Bancassurance | POSB Smart Buddy
- Reimagining Audit
  - Treasury Prism
  - iWealth

¹ Corporate Bank, Private Bank, Markets, and Others
Consumer and SME (Growth Markets)

Disrupt incumbents

- Successfully launched new distribution models in India & Indonesia
- Still nascent, loss-making

- A bet on the future
- Income growth likely to be >20% CAGR
- Has potential to contribute ~10% of the bank’s income in 5 years; aspirational ROE >10%

1H17 income annualised: S$11.6bn
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
Reimagining Retail Banking

Reimagining SME Banking
The digital consumer opportunity in India

Target population of **365M** customers (32%)

- **Underbanked & Unbanked (64%)**
  - Income – S$10K – 25K
  - Income – S$25K – 52K
- **Emerging Affluent (23%)**
  - Income – S$10K – 25K
- **Affluent (9%)**
  - Income – S$25K – 52K
- **Elite (4%)**

Digital Adoption

- Digitally active – 42% digital banking penetration
- Digital adoption increasing – 25% digital banking penetration

*Income = Household Income

Source: India’s Banking Pyramid - Morgan Stanley Blue Paper – “The Next India” (Sep 2017), Indian e-commerce insights, McKinsey research
Design thinking to discover customer needs and define solutions

Discover
What problems need to be solved?

Define
How will we solve them?

- Save time, convenience
- Help achieve my goals
- • Liberate banking from branches
  • Embed banking into customer journeys
  • Flexible self service platform
- • Attractive rates
  • Meet financing needs
  • Provide investment options
  • Contextualised offers
digibank: delivering an entire bank in a smartphone

Paperless, signatureless and fully digital – eliminating the need to ever visit a branch

Front-to-back digital servicing model using AI-enabled chatbot to minimise manual processing

Leveraging data for lending and cross-selling products to build a complete proposition

Build a cool and unbank-like experience where customer can focus on meeting lifestyle needs rather than on banking

Live More, Bank Less
Go-to-market strategy

**Phase 1** (Q4’15 to Q2’16)

- Test MVP\(^1\) with liability & payment platform to build scale
  - Sharpen acquisition engine with MVP\(^1\)
  - Test launch in 2 cities
  - Rapid iterations using Agile methodology
  - digibank brand launched with Digor and Sachin Tendulkar

**Phase 2** (Q3’16 onwards)

- Build out full value proposition
  - Payment products (UPI, Bharat QR)
  - Investment and Insurance products
  - Lending products
  - Remittance products

\(^1\)MVP = Minimum value proposition
Delivery model is based on building multiple partnerships

ACQUIRE

External API Layer

Internal API Gateway

Core Banking Systems

TRANSACT

Strong control environment

ENGAGE
**Outcomes so far**

- Solving for the distribution challenge
- Cracking the low cost delivery challenge
- Seeing early results from data driven engagement
- Progressing well into Phase 2
- Replicable business model
## Creating a multi-channel digital acquisition model

<table>
<thead>
<tr>
<th>Channels</th>
<th>Acquisition drivers</th>
<th>Share</th>
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</table>
| **Open Market:** Use Digital Performance Marketing | • Advanced digital targeting tools  
• Perpetual optimisation to minimise cost per acquisition | 40% |
| **Partnerships:** Tap on networks of ecosystems | • Fast track into Customer Journey  
• Contextual offers | 30% |
| **Digital Member Get Member:** Capitalise on Social Virality | • Convert Advocacy to Acquisition  
• Ease and speed of referral | 30% |
Scaling up while reducing cost

Accelerated pace of acquisition

# in ‘000

1.5 million customers today; 450k savings accounts

Reducing cost of acquisition

Fully loaded cost per acquisition (S$)

--- 3 month moving average
Fully digital front to back processes; minimal manpower requirements

- Straight through paperless on-boarding enables high volume acquisitions
- 100% integrated platform to handle all transactions digitally
- Servicing through AI-enabled digibot

Enhanced security at a lower cost

In-built dynamic authentication
Replacing expensive hard token and cumbersome one time password (OTP)

Cost of delivery is expected to be <30% of traditional branch model
Data-driven customer life cycle management

<table>
<thead>
<tr>
<th>Time to install</th>
<th>Cost per acquisition</th>
<th>Funding modes</th>
<th>Transaction types</th>
<th>Cross-sell</th>
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<tbody>
<tr>
<td><strong>Days</strong></td>
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**Management Dashboard**

**Contextual Messaging**
Engagement driving usage

Number of transactions per month

Value of transactions per month

25X

11X

……… 3 month moving average
Balances build with vintage, recent cohorts are improving

Savings account balances by vintage

Average balances based on vintage

1.3X

Day 30

2.3X

Day 300

Savings account balances by cohorts

Average balances based on vintage

+20% as of Day 60

Day 30

Day 90

Day 300

P3M = Customer cohorts acquired from Jun–Aug 2017

Average balances are based on average savings account balances of customers acquired in each defined cohort
The full value proposition and path to profitability

**Phase 1**
- Refining the acquisition model
  - Savings a/c, Time deposits
  - Payments (IMPS, UPI & Bharat QR)

**Phase 2**
- Deepen relationship & deliver profitability
  - Mutual Fund
  - Mortgages
  - Insurance (Q4 ‘18)
  - Remittance (Q2 ‘18)
  - Unsecured Loan (Q1’18)
  - Credit Card (Q1 ‘19)
  - Payments (IMPS, UPI & Bharat QR)

To be launched
Unsecured Lending: Algorithm-based lending model

**Fully digital model**

Customer Acquisition
- Digital acquisition through ecosystem partners
- Use-case based offers

Underwriting
- Traditional data
- Transactional, behavioral and social data

Onboarding
- Digital verification and KYC
- Digital onboarding and end-to-end journey

Anchored by ecosystems and strategic partners

**Ecosystem partners**
- Experian
- creditvidya
- Perfios

**Data providers**
- Telecom
- ecommerce

Non exhaustive
Launched digibank Indonesia – Aug 2017

Replicable & Scalable: learned from digibank India

- Reduced time to market
- 70%+ solutions reused reducing build cost
- Leveraged learnings from digital onboarding and ecosystem-led acquisition
Agenda

01 Reimagining Retail Banking

02 Reimagining SME Banking
The SME opportunity in India

**Traditional approach** for Mid and Large SMEs

**Leverage digital** to target 2.5m Small SMEs

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100K

2.5M

**Mid & Large SME**
S$ 5-50mn

2.5M

**Small SME**
S$ 1-5mn
~75% of SME loan portfolio

22

**Micro**
S$ 0.1-1mn

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Our Hypothesis

- Access to bank credit challenging
- Becoming more digitally enabled (GST)
- Increasing availability of data
- Primarily online, supported by offline

Replicate learnings from digibank for digital acquisition and servicing through ecosystem partners
Leveraging Ecosystem partners
Embed through APIs for digital acquisition & transaction

Found Right Strategic Partner

Tally: Leading ERP player in SME space
- ~8m customers
- ~70% market share

Good match with our footprint

75% of Tally’s customers in DBS existing + proposed cities

Extensive product distribution channel
- >2k certified channel partners
- ~30k sales agents
Building the partnership with Tally

**Applied Customer Journey Thinking**

- Applied journey thinking, engaged stakeholders extensively to develop solution

**Stakeholder engagement**

- Tally
  - Multiple workshops
- Customers
  - Surveys and interviews
- Sales partners
  - Training, workshops and marketing events

**Willingness to co-create – primary reason for Tally choosing DBS to work on full integration**

**Our open technology stack allows us to integrate at low cost**

- Developed standardised ERP APIs that can be replicated across the region
The power of integrating ERP with banking

Democratising bespoke host-to-host solutions for SMEs at low cost

Seamless E-Payments
APIs that integrate Tally to DBS banking services in just one click – real-time tracking and automated updates in Tally

Empowered by mobile
SMEs can approve payments anywhere anytime using the DBS IDEAL Mobile app

Embedded Security
User-friendly soft token, highest encrypted security standards
Roadmap for the partnership

**Acquire customers using digital onboarding**
- Tap into Tally’s customer ecosystem: offer the integrated ERP plus banking platform
- Paperless digital onboarding process for convenience

**More value-added services**
- Incentivise SMEs to transact:
  - E-payments
  - Real time auto reconciliation
  - Cashflow projection

**Build digital loan proposition**
- Complement traditional data with non traditional and proprietary sources to drive analytics-based underwriting
  - Bureau, utility, payments data
  - Transactional data from Tally
  - Tax data from GSTN

To be launched
Early Results
Acquisition gaining momentum

- No. of acquisition

1Q17 monthly average

Oct-17

2.5x

3,600 customers
(12 months since launch)

500 accounts per month
vs 90 previously

Leveraging ‘Design For No Ops’

Same Day account opening
(vs 2 weeks)

- Leveraging Tally Channel Partner’s network to achieve scale
- Digital onboarding using iPads
Transactions gaining momentum

- **IDEAL trxn per month**: 1.9x increase.
- **S$10k average balance per customer**.
- **70% of accounts funded within 2 months**.
- **Customers funding their accounts in half the time it usually takes**.

- Embedding electronic banking services into Tally
- Integrating online FX platform
DBS integration is quicker, simpler and better.

Ashwin
Line Manager
Econship Marine Pvt. Ltd
Customer’s feedback

Good feedback from customers and Tally Channel Partners…

… constantly improving based on learnings and feedback

We have saved lots of man hours.

Upendra Deshpande
Director
Milan Laboratories India Pvt. Ltd
Customer’s feedback

The best thing about working with DBS team is their passion and consistency in approach.

Sanjeev Shivapurkar
Instacomp Office Automations Pvt Ltd., Kolhapur
Partner’s feedback

Experience with DBS bank is really great… Best thing noticed while working with DBS team is the, positive and helping attitude.

Sunil Ghadge
First Base Technologies, Mumbai
Partner’s feedback
Summary

Distribution challenge ✔ Digitalisation enables DBS to play in growth markets to overcome brick and mortar challenges

Delivery challenge ✔ Much lower cost structure versus traditional bank

Data-driven engagement ✔ Partnership-led specific data sources creates an edge

Progressing well into Phase 2 ✔ On track to broaden product solutions

Replicable business model ✔ digibank in Indonesia launched (faster, lower cost), SME partnership model launched in other countries

Building elements towards a profitable business model
Digital Distribution, Global

Asia/Pacific's Leader in Digital Financial Services – digibank

Best Digital System or Service Initiative
Disrupting growth markets

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