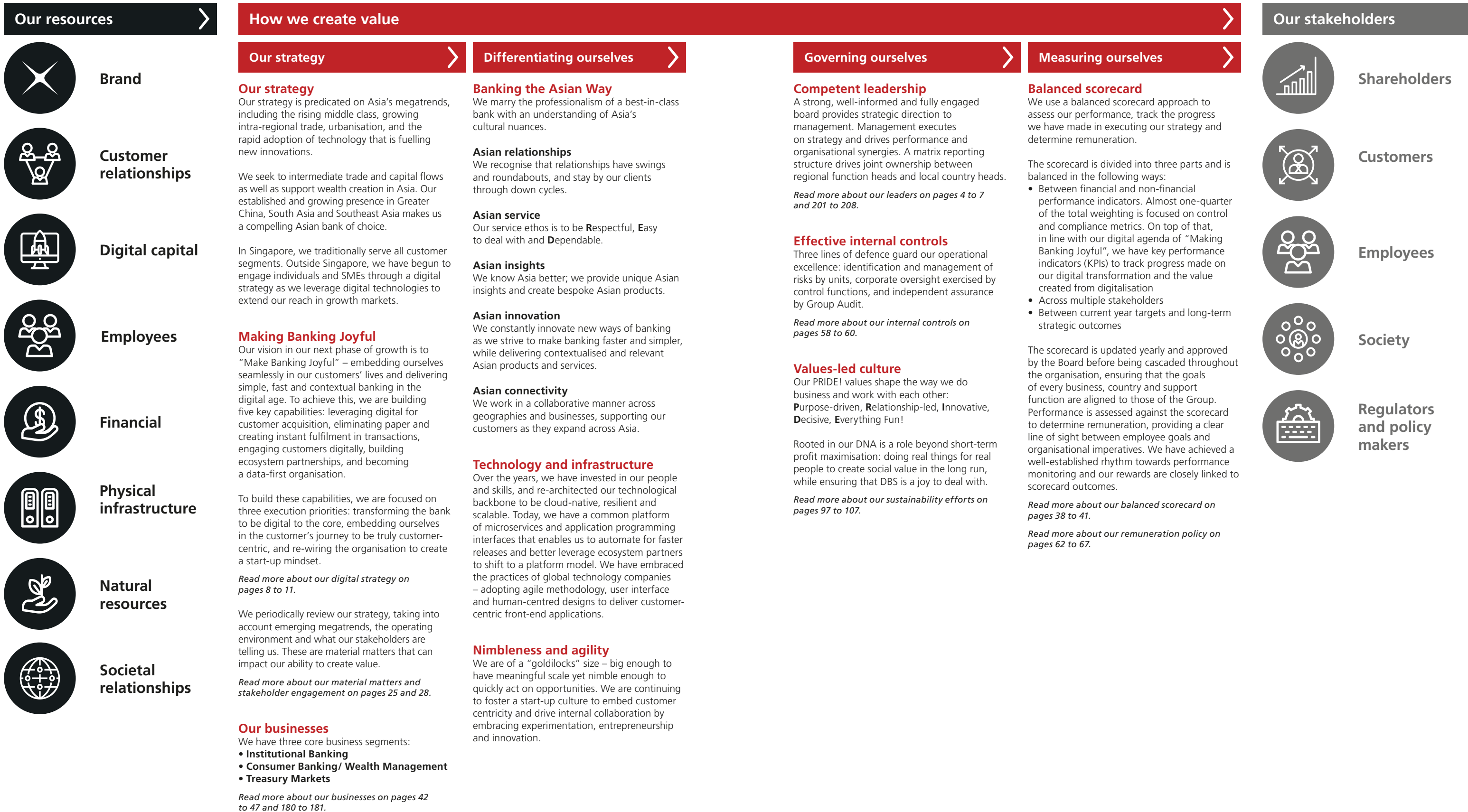


How we create value – our business model

Our business model seeks to create value for stakeholders in a sustainable way.

Our strategy is clear and simple. It defines the businesses that we will do and will not do. We use our resources to build competitive advantages. We have put in place a governance framework to ensure effective execution and risk management. Further,

we have a balanced scorecard to measure our performance and align compensation to desired behaviours. *Read more about how we use our resources on pages 22 to 23.*



Our resources

- Brand**
- Customer relationships**
- Digital capital**
- Employees**
- Financial**
- Physical infrastructure**
- Natural resources**
- Societal relationships**

How we create value

Our strategy

Our strategy
Our strategy is predicated on Asia's megatrends, including the rising middle class, growing intra-regional trade, urbanisation, and the rapid adoption of technology that is fuelling new innovations.

We seek to intermediate trade and capital flows as well as support wealth creation in Asia. Our established and growing presence in Greater China, South Asia and Southeast Asia makes us a compelling Asian bank of choice.

In Singapore, we traditionally serve all customer segments. Outside Singapore, we have begun to engage individuals and SMEs through a digital strategy as we leverage digital technologies to extend our reach in growth markets.

Making Banking Joyful
Our vision in our next phase of growth is to "Make Banking Joyful" – embedding ourselves seamlessly in our customers' lives and delivering simple, fast and contextual banking in the digital age. To achieve this, we are building five key capabilities: leveraging digital for customer acquisition, eliminating paper and creating instant fulfilment in transactions, engaging customers digitally, building ecosystem partnerships, and becoming a data-first organisation.

To build these capabilities, we are focused on three execution priorities: transforming the bank to be digital to the core, embedding ourselves in the customer's journey to be truly customer-centric, and re-wiring the organisation to create a start-up mindset.

Read more about our digital strategy on pages 8 to 11.

We periodically review our strategy, taking into account emerging megatrends, the operating environment and what our stakeholders are telling us. These are material matters that can impact our ability to create value.

Read more about our material matters and stakeholder engagement on pages 25 and 28.

Our businesses
We have three core business segments:

- Institutional Banking
- Consumer Banking/ Wealth Management
- Treasury Markets

Read more about our businesses on pages 42 to 47 and 180 to 181.

Differentiating ourselves

Banking the Asian Way
We marry the professionalism of a best-in-class bank with an understanding of Asia's cultural nuances.

Asian relationships
We recognise that relationships have swings and roundabouts, and stay by our clients through down cycles.

Asian service
Our service ethos is to be **Respectful, Easy** to deal with and **Dependable**.

Asian insights
We know Asia better; we provide unique Asian insights and create bespoke Asian products.

Asian innovation
We constantly innovate new ways of banking as we strive to make banking faster and simpler, while delivering contextualised and relevant Asian products and services.

Asian connectivity
We work in a collaborative manner across geographies and businesses, supporting our customers as they expand across Asia.

Technology and infrastructure
Over the years, we have invested in our people and skills, and re-architected our technological backbone to be cloud-native, resilient and scalable. Today, we have a common platform of microservices and application programming interfaces that enables us to automate for faster releases and better leverage ecosystem partners to shift to a platform model. We have embraced the practices of global technology companies – adopting agile methodology, user interface and human-centred designs to deliver customer-centric front-end applications.

Nimbleness and agility
We are of a "goldilocks" size – big enough to have meaningful scale yet nimble enough to quickly act on opportunities. We are continuing to foster a start-up culture to embed customer centricity and drive internal collaboration by embracing experimentation, entrepreneurship and innovation.

Governing ourselves

Competent leadership
A strong, well-informed and fully engaged board provides strategic direction to management. Management executes on strategy and drives performance and organisational synergies. A matrix reporting structure drives joint ownership between regional function heads and local country heads.

Read more about our leaders on pages 4 to 7 and 201 to 208.

Effective internal controls
Three lines of defence guard our operational excellence: identification and management of risks by units, corporate oversight exercised by control functions, and independent assurance by Group Audit.

Read more about our internal controls on pages 58 to 60.

Values-led culture
Our PRIDE! values shape the way we do business and work with each other: **Purpose-driven, Relationship-led, Innovative, Decisive, Everything Fun!**

Rooted in our DNA is a role beyond short-term profit maximisation: doing real things for real people to create social value in the long run, while ensuring that DBS is a joy to deal with.

Read more about our sustainability efforts on pages 97 to 107.

Measuring ourselves

Balanced scorecard
We use a balanced scorecard approach to assess our performance, track the progress we have made in executing our strategy and determine remuneration.

The scorecard is divided into three parts and is balanced in the following ways:

- Between financial and non-financial performance indicators. Almost one-quarter of the total weighting is focused on control and compliance metrics. On top of that, in line with our digital agenda of "Making Banking Joyful", we have key performance indicators (KPIs) to track progress made on our digital transformation and the value created from digitalisation
- Across multiple stakeholders
- Between current year targets and long-term strategic outcomes

The scorecard is updated yearly and approved by the Board before being cascaded throughout the organisation, ensuring that the goals of every business, country and support function are aligned to those of the Group. Performance is assessed against the scorecard to determine remuneration, providing a clear line of sight between employee goals and organisational imperatives. We have achieved a well-established rhythm towards performance monitoring and our rewards are closely linked to scorecard outcomes.

Read more about our balanced scorecard on pages 38 to 41.





Read more about our remuneration policy on pages 62 to 67.





Our stakeholders

- Shareholders**
- Customers**
- Employees**
- Society**
- Regulators and policy makers**

How we use our resources

We utilise or enhance our resources to differentiate ourselves and maximise value creation for our stakeholders in the long run. Read more about how we distribute the value created to our stakeholders on page 24.

Resources	Indicators	2016	2017	Key initiatives driving outcomes in 2017
 <p>Brand A strong brand is an important business driver and allows us to compete not just locally, but also regionally.</p>	Brand value according to "Brand Finance Banking 500" report	USD 5.4 bn <i>as at Feb 17</i>	USD 6.5 bn <i>as at Feb 18</i>	<p>DBS was the most valuable bank brand in ASEAN for the sixth consecutive year, and the first ASEAN bank to make it to the top 40 in the global banks ranking.</p> <p>Our strong and growing brand value reflects our efforts to make banking simple, effortless and seamlessly integrated into our customers' digital lifestyles.</p> <p><i>Read more about this on pages 42 to 47.</i></p>
 <p>Customer relationships Putting customers at the heart of what we do helps differentiate ourselves in an industry as commoditised as banking, enabling us to build lasting relationships and deepen wallet share.</p>	<p>Customers</p> <ul style="list-style-type: none"> – Institutional Banking – Consumer Banking/Wealth Management <p>Customer engagement measures⁽¹⁾ (1=worst, 5=best)</p> <ul style="list-style-type: none"> – Wealth Management – Consumer Banking – SME Banking – Large corporates market penetration ranking 	<p>> 200,000 > 6.9 m</p> <p>4.17 4.09 4.10 4th</p>	<p>> 200,000 > 8.8 m</p> <p>4.22 4.12 4.07 4th</p>	<p>We continued to grow our customer base with digibank in India and Indonesia, the successful integration of ANZ wealth management and retail business across five markets, and through our continued efforts to enhance our "Live more, Bank less" value proposition to customers.</p> <p>We maintained satisfactory customer scores across segments through our relentless focus on customer journeys and digital innovations.</p> <p><i>Read more about this on pages 42 to 47.</i></p>
 <p>Digital capital Our digital transformation is pervasive and encompasses technology, customer journey thinking and a start-up culture.</p>	<p>Digital customers⁽²⁾</p> <p>Contribution to total income from digital customers</p> <p>Cost-income ratio from digital customers (vs. traditional customers)</p> <p>Return on equity (ROE) from digital customers (vs. traditional customers)</p>	<p>2.2 m</p> <p>55%</p> <p>35% (vs. 55%)</p> <p>27% (vs. 19%)</p>	<p>2.5 m</p> <p>63%</p> <p>36% (vs. 58%)</p> <p>27% (vs. 18%)</p>	<p>Our digital transformation has enabled us to gain market share through delivering superior customer experience, and to create new markets through ecosystems.</p> <p><i>Refer to "Deeper. Broader. Smarter." on pages 12 to 17, and "CFO statement" on pages 36 to 37.</i></p>
 <p>Employees An agile and engaged workforce enables us to be nimble and react quickly to opportunities.</p>	<p>Employees</p> <p>Employee engagement score</p> <p>Voluntary attrition rate</p> <p>Training hours per employee</p>	<p>22,194</p> <p>81%</p> <p>12%</p> <p>36.4</p>	<p>24,174</p> <p>82%</p> <p>13%</p> <p>31.5</p>	<p>One of our priorities is to future-proof our people and equip them with the necessary skills and tools to stay ahead of the curve.</p> <p>In 2017, we launched DigiFY – a platform where our employees can acquire digital skills and knowledge.</p> <p><i>Read more about this on page 106.</i></p>

Resources	Indicators	2016	2017	Key initiatives driving outcomes in 2017
 <p>Financial Our strong capital base and diversified funding sources allow us to support our customers through good and bad times, and enable us to provide banking solutions competitively.</p>	<p>Shareholders' funds</p> <p>Customer deposits</p> <p>Wholesale funding</p>	<p>SGD 45 bn</p> <p>SGD 347 bn</p> <p>SGD 28 bn</p>	<p>SGD 47 bn</p> <p>SGD 374 bn</p> <p>SGD 41 bn</p>	<p>We continued to build up shareholders' funds by retaining a portion of our record net profits. We also grew our customer deposits and continued to widen our investor base as well as diversify wholesale funding sources.</p> <p><i>Read more about this on page 30 and page 85.</i></p>
 <p>Physical infrastructure Our best-in-class technology and physical infrastructure allow us to be nimble and resilient.</p>	<p>Cumulative expenditure in technology – rolling four years</p> <p><i>Of which relating to building for digital⁽³⁾</i></p> <p>Branches</p>	<p>SGD 3.9 bn</p> <p>SGD 1.4 bn</p> <p>>280</p>	<p>SGD 4.3 bn</p> <p>SGD 1.7 bn</p> <p>>280</p>	<p>Over the past years, we have invested in our technology platforms to become digital to the core.</p> <p><i>Read more about this on pages 12 to 17.</i></p>
 <p>Natural resources We impact the natural environment directly in our operations, as well as indirectly through our customers and suppliers.</p>	<p>Carbon emissions from purchased electricity (tCO₂e)</p> <p>Energy consumption (MWh)</p> <p>Peak capacity of solar panels installed on premises</p>	<p>45,307</p> <p>77,612</p> <p>–</p>	<p>41,189</p> <p>68,006</p> <p>386 kW</p>	<p>We recognise the impact of climate change and are committed to reducing our environmental footprint as well as influencing our customers and suppliers towards more sustainable operations.</p> <p><i>Refer to "Sustainability" on page 97.</i></p>
 <p>Societal relationships We recognise that not all returns can be found in the financial statements and our licence to operate comes from society at large.</p>	<p>Customers under Social Enterprise Package</p> <p>Number of social enterprises awarded grants</p> <p>Volunteer hours</p>	<p>459</p> <p>12</p> <p>37,000</p>	<p>490</p> <p>14</p> <p>53,000</p>	<p>We rolled out our enhanced responsible financing policies and processes in 2017 and undertook various sustainable finance initiatives, contributing to the Sustainable Development Goals.</p> <p>Through DBS Foundation, we continue to nurture social enterprises across the region to enable them to scale and enhance their social impact through innovative and sustainable businesses.</p> <p><i>Refer to "Sustainability" on page 97.</i></p>

Through the enhancement of our resources, value is created. We distribute this value to our stakeholders in several ways. Read more on page 24.

(1) Based on Ipsos Customer Satisfaction Survey (CSS) for Wealth Management, Scorpio Partnership CSS for Consumer Banking, and Nielsen SME Survey. Large corporates market penetration ranking from Greenwich.

(2) This relates to the consumer and SME businesses in Singapore and Hong Kong.

(3) This relates to technology spend on specific IT initiatives and enhancements, depreciation and new licence costs.

How we distribute value created

We distribute value to our stakeholders in several ways. Some manifest themselves in financial value while others bring about intangible benefits.

We define distributable financial value as net profit before discretionary bonus, taxes (direct and indirect) and community investments. In 2017, the distributable financial value amounted to SGD 5.92 billion (2016: SGD 5.80 billion).

In addition, we distribute non-financial value to our stakeholders in the following ways.



Customers

Delivering suitable products in an innovative, easily accessible and responsible way.

Read more about this on pages 42 to 47.



Employees

Training, enhanced learning experiences as well as health and other benefits for our employees.

Read more about this on pages 106 to 107.



Society

Supporting social enterprises, promoting financial inclusion, investing in and implementing environmentally-friendly practices.

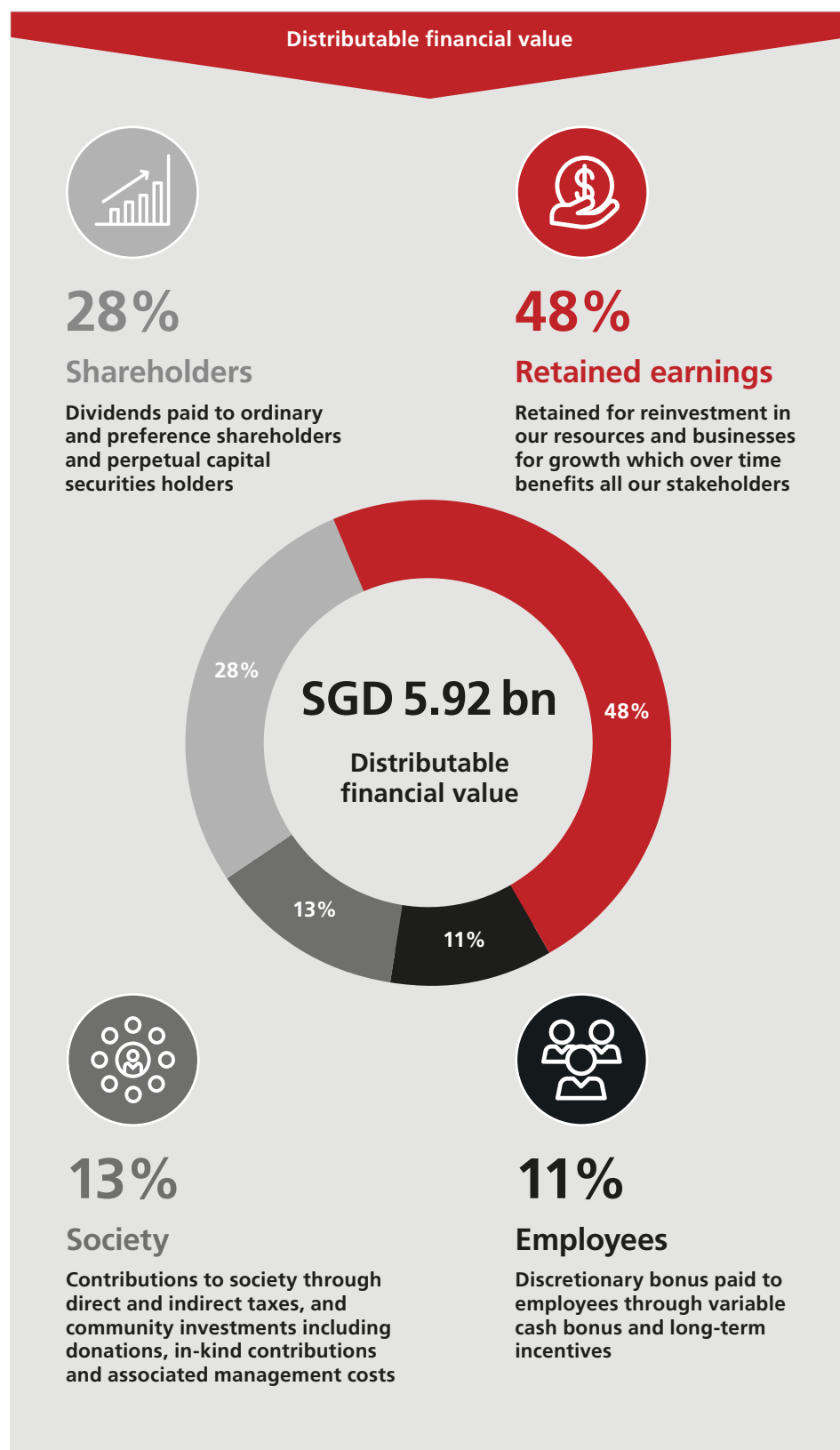
Read more about this on pages 98 to 99.



Regulators

Active engagement with local and global regulators and policy makers on reforms and new initiatives that help to maintain the integrity of the banking industry.

Read more about this on page 29.



Material matters



Identify

We identify matters that may impact the execution of our strategy. This is a group-wide effort taking into account input from all business and support units, and incorporating feedback from stakeholders.

Read more about our stakeholder engagement on pages 28 to 29.



Prioritise

From the list of identified matters, we prioritise those that most significantly impact our ability to successfully execute our strategy and deliver long-term value to our stakeholders.



Integrate

Those matters that are material to value creation are integrated into our balanced scorecard, which is used to set objectives, drive behaviours and measure performance and determine the remuneration of our people. Important matters are managed as part of our business and operational processes.

Read more about our balanced scorecard on page 38.

Material matters have the most impact on our ability to create long-term value. These matters influence how the Board and senior management steer the bank.

Material environmental and social matters are denoted with the symbols **E** and **S** respectively, and are further discussed in "Sustainability" on page 97. Governance matters are discussed in "Corporate Governance" on page 48.

DBS Materiality Matrix

