DBS Group Holdings Ltd
Co. Reg. no.: 199901152M

ANNUAL GENERAL MEETING TO BE HELD ON 31 MARCH 2022 RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS RECEIVED FROM SHAREHOLDERS

28 March 2022 – DBS Group Holdings Ltd ("**DBSH**") would like to thank DBSH's shareholders for submitting their questions in advance of DBSH's 23rd Annual General Meeting which will be convened and held by electronic means on Thursday, 31 March 2022 at 2:00pm ("**2022 AGM**").

Responses to questions submitted by shareholders which are relevant to the resolutions tabled for approval at the 2022 AGM

We have set out in the Appendix our responses to most of the questions received up till **Friday, 25 March 2022** according to the following themes:

(i) Financials;
(ii) Capital management and Dividends;
(iii) Business strategy/outlook;
(iv) 2-day digital disruption incident in November 2021;
(v) Digital scams;
(vi) Sustainability; and
(vii) Succession Planning

For those substantial and relevant questions which are not addressed here, we will either (i) update this document to include our written responses to these additional questions and publish the updated document on our corporate website[1] and SGXnet before the 2022 AGM, or (ii) we will address these additional questions during the 2022 AGM.

Presentation by CEO at AGM

Our CEO, Mr Piyush Gupta, will elaborate on some of these themes during his presentation at the 2022 AGM on 31 March 2022.

[1] https://www.dbs.com/investors/agm-and-egm/default.page

APPENDIX

RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS RECEIVED FROM SHAREHOLDERS

Financials:

1. What is causing DBS' steep net interest margin (NIM) compression vs peers? What is management's strategy to fix this?

Our current and savings (Casa) deposit base is the largest in Singapore, being twice the size of the other local banks. The Casa deposits provide a cost-efficient and stable source of funding. As such they deliver long-term benefits as well as better through-the-cycle shareholder returns. While the considerable Casa deposits benefit NIM when interest rates are high, NIM is also most impacted when interest rates are low.

Our Casa base grew 60% or SGD 143bn over 2020-21, significantly faster than loan growth. The surplus deposits were placed in low-risk assets. While they generated additional earnings and were ROE accretive, they also contributed to a NIM erosion of seven basis points. Adjusting for these surplus deposits, the gap to the peers' NIM is minimal.

Structural improvements to our balance sheet in recent years have reduced the impact of low interest rates on our NIM. In 2012, when interest rates were at similar levels as now, our NIM was as much as 20 basis points lower than peers.

We expect our NIM to benefit more than peers' as central banks raise interest rates in response to inflationary pressures.

Capital Management/Dividend:

2. What is DBS' dividend policy? Will DBS be issuing a special dividend or conducting share buybacks to reward shareholders, or will DBS further invest to increase revenues/profits to 2 digits (10% and above) in order to boost up its share price?

Our dividend policy is to pay sustainable dividends that grow progressively with earnings.

Our preference is to raise the ordinary dividend in line with earnings growth, rather than paying special dividends. We currently carry out share buybacks to fund our employee share plans and prevent share dilution.

Like other companies, we calibrate the amount of dividend to ensure that there are sufficient retained earnings for growth opportunities.

3. Will DBS consider a stock split?

We have no plans for a stock split.

Business strategy/outlook:

4. **(a) How is DBS going to grow internationally, specifically in China and India?**

(b) What are your views on Taiwan and Greater China prospects, particularly after the recent acquisition?

DBS is well positioned for growth as we look out into the next decade.

Our strategy in China is anchored on three thrusts. First, we bank large companies, particularly potential world-beaters with regional growth ambitions. In 2021, we added an investment banking capability through a securities joint venture to support these companies' capital markets activities. Second, in the Greater Bay Area (GBA), we want to go deeper, including banking SMEs down the supply chain. The 13% stake we acquired in Shenzhen Rural Commercial Bank in 2021 accelerates this strategy. Third, we are keen to expand into the consumer finance space through ecosystem partners.

DBS has been in Taiwan since 1983, and while the franchise is a meaningful contributor to the Group today, the acquisition of Citigroup's consumer banking business in Taiwan (Citi Consumer Taiwan) is game-changing for a number of reasons. The transaction will accelerate DBS Taiwan's growth by at least 10 years, making it Taiwan's largest foreign bank by assets. The combined entity will have the largest credit cards balance, investment AUM, loan book and deposit base amongst foreign banks in Taiwan. This will provide synergies from economies of scale, including reduction of global and regional overheads. Citi Consumer Taiwan's strong low-cost deposit base will also support the expansion of DBS Taiwan's institutional and SME banking business.

The amalgamation of Lakshmi Vilas Bank (LVB) has transformed our franchise in India, especially in the SME and retail segments. LVB has a deep presence in the five southern Indian states, a part of the country with strong economic characteristics and historical connectivity to Singapore. It gives us a presence in 42 of India's top 60 cities to overlay our digital offering, improves our funding base through retail deposits, and helps broaden our product range with gold loans and loans secured by property. The performance in the first year since the merger has been good, and we are confident that we have a platform for rapid growth in the coming years.

5. **(a) I noted the recent inorganic acquisitions in India and Taiwan, as two examples. Can I find out if there are additional expansion plans in the Southeast Asian region over the next 5 years?**

(b) With DBS recently concluding its acquisition in Taiwan, does DBS have any plans to make more acquisitions in 2022 and in the future? What are the criteria for such acquisitions and how much is DBS setting aside for M&A deals?

Our preference is for organic growth. We are open to bolt-on transactions that are in line with our strategy and are earnings accretive within a few years.

6. **Please shed more light on the lawsuits after your acquisition of Lakshmi Vilas Bank. Were these lawsuits taken into consideration before your acquisition? Why are we investing in a struggling bank? Why put ourselves in such risks for seemingly low benefits?**

Lakshmi Vilas Bank (LVB) was amalgamated with DBS Bank India Limited (DBIL), the wholly owned subsidiary of DBS Group Holdings Ltd. Under the special powers of the Government of India and Reserve Bank of India under Section 45 of the Banking Regulation Act, 1949, India. The primary respondents for the lawsuits are therefore the Government of India and the Reserve Bank of India, which drafted and approved the Scheme of Amalgamation under which the LVB transaction took place. DBS is not a primary defendant in these lawsuits. In similar lawsuits in the past, the courts have ruled in favour of the transactions.

We have made suitable provisions for legal liabilities that may arise in the normal course of business.

We have always believed that in the long term, DBS needed to be more deeply embedded in one or more of our four key markets outside of Singapore and Hong Kong. Even as we rely on digital expansion in these markets, our experience has shown that a digital-only strategy has been difficult to monetise adequately and a "phygital" (digital coupled with appropriate physical scale) approach results in better customer selection and path of profitability.

India continues to be a very attractive banking market, especially in the SME and retail segments. We found LVB attractive because of its deep presence in the five South Indian states, a part of the country that has attractive economic characteristics and historical connectivity to Singapore. At the same time, it gives us a presence in 42 of India's top 60 cities, improves our funding base through retail deposits, and helps us broaden our product platform through offerings like gold loans and Loans against Property. We now have an enlarged network and customer base to accelerate the execution of our digital strategy and better achieve economies of scale.

The performance in the first-year post-merger has been good, and we are confident that we now have a platform that will allow us rapid growth in the coming years.

7. **(a) How will the war between Russia and Ukraine affect DBS? Will it impact DBS' bottom line in the next 5 years?**

(b) Given the current sanctions imposed on Russia (as a result of its invasion of Ukraine), does DBS have any business exposures in Russia? Also, do any of DBS' business customers have business dealings in Russia - if so, to what extent will DBS be impacted?

Our direct exposures to Russia and Ukraine are minimal. From a business perspective, DBS will comply with all applicable sanctions.

Further details on the impact of the war between Russia and Ukraine will be provided during the CEO's presentation at the 2022 AGM on 31 March 2022.

8. How will DBS's business be affected by the trade war between China and the US, as well as China's increased regulation of the tech sector?

Global trade volumes have grown despite the trade war. This growth has benefitted DBS. In the medium term, regional shifts in the supply chain could also create financing opportunities.

Our business has not suffered from China's increased regulation of the technology sector. There has also been little impact from a credit standpoint as technology companies are generally cash rich and are not large users of loans.

9. Does DBS have plans to list DBS Remit on SGX in the near future?

We are weighing the benefits of placing DBS Remit (which is a platform for international money transfers) into a separate entity and potentially listing it, but have not fully formed our thoughts yet. The payment space is a significant opportunity, and we see a lot of interest to white label the platform. Three partner banks have already gone live and there are another two in discussion to join.

10. Please elaborate on various growth initiatives as mentioned by CEO, in term of gestation periods and profitability potentials.

This question will be addressed during the CEO's presentation at the 2022 AGM on 31 March 2022.

11. How will this ongoing pandemic lasting for 2 years and may be more, affect the growth and net profit of DBS?

Business volumes continued to grow strongly through 2020-21, with loan and deposit volumes, fee income and treasury markets trading and customer income all at record levels. Since 2019, loans have grown 12% or SGD 50 billion and deposits have increased 23% or SGD 94 billion. Fee income for 2021 was 15% higher than 2019. These factors, as well as our prudent risk management, more than offset the impact of lower interest rates, enabling us to deliver record net profit of $6.80 billion in 2021, which was 6% higher than the previous record in 2019. We expect business volumes to continue to grow in the coming year, subject to the geopolitical and macro-economic environment. We will also benefit from rising interest rates in the coming quarters.

During the past two years, we also took the opportunity to acquire new platforms to structurally enhance our growth prospects. By 2024, we expect these initiatives to add approximately SGD 1.3 billion to revenue and SGD 500 million to net profit.

The CEO's presentation at the 2022 AGM will discuss the growth platforms and outlook in more detail.

12. What percentage of business does DBS derive from "digital banking"?

The percentage of business we derive from digital banking is very hard to quantify because all of banking today is digital. From Group Transaction Services to Treasury and Markets and Private Banking, digital banking is pervasive.

In our more granular businesses like consumer and SME Banking, we have come up with a methodology called the Digital Value Capture (DVC) to quantify the value in which digital customers bring in.

For the last five years, customers in these businesses have been demarcated into two segments – digital and traditional – based on how they interact with us. For the digital segment, customers need to have performed at least 75% of their financial or non-financial transactions using digital channels in the last 12 months.

Based on that methodology, in these segments, the proportion of digital continues to increase and the latest results show that income from the digital segment grew 9 percentage points to 81% compared with 2019.

We believe that the digital segment will continue to grow.

13. What are the winning strategies of DBS Group in the age of "digital banking"? What challenges/risks do you see?

Competition is always a challenge and we take it seriously. In particular, digital banks that already have a large customer base, ecosystems and technology infrastructure in place can be formidable competitors.

That said, we have also been girding our loins to ensure that we can hold our own against these new competitors.

Specifically, we have built up a competitive and world-class product suite – across payments, remittances, wealth management, investments and SME services on our digital platforms, all delivered with a very good customer journey in mind

In some of our main markets, such as Singapore, the market is already well penetrated with few unserved segments. Even in niche segments such as micro-SMEs and migrant workers, we have already built up our presence, offering our merchant services, extending collateral-free loans, digital transformation solutions and banking most of the migrant workers here.

We continue to focus on leveraging emerging technologies to come up with differentiated offerings to meet the needs of our customers. The only way to compete is through exceptional customer journeys and experiences – for us that means banking that is simple, intelligent and intuitive. At the same time, we must not take our eye off the fundamental need to remain sustainable. Some of the new entrants may choose to compete on rates, but that is not sustainable for the long run.

We have and will continue to press ahead with meaningful partnerships and establish ecosystems with different kinds of players. We are also dialling up the usage of Artificial Intelligence to predict what customers are going to do, and from there how to give them the right advice and transaction suggestions.

We are reasonably confident that we have what it takes to compete meaningfully, and our track record of being recognised as the World's Best Digital Bank and the World's Best Bank on a few occasions is testimony to the fact that our customer experience, customer products and capacity to use data, digital are fairly well developed.

2-day digital disruption incident in November 2021:

14. Have the system issues in this incident been fully addressed? Any other penalty from MAS apart from the addition capital requirements?

The digital disruption was due to an issue with one of our access control servers. Two reviews have been conducted by experts but they have not been able to replicate the server malfunction. Our learnings are principally around our incident management and recovery process. We have also engaged an independent external expert to validate our systems architecture, the fault tolerance of our system make-up and overall protocols and processes.

MAS has imposed an additional capital charge, which will have a 0.4% point impact on DBS Group's capital adequacy ratio. We expect remedial actions to be completed in the next few quarters. The regulator has not imposed any other penalty.

Digital scams:

15. What are the steps taken to avoid scams like the recent OCBC one?

Scams typically occur in the following way:

- Customers unknowingly divulge their personal credentials and banking details via phishing websites;
- Customers' details are then changed when a scammer is able to log in and gain access to the victims' bank account;
- Money is transferred out of the bank account, while the scammer keeps customers engaged on the phishing website.

To disrupt the scammers' plans and minimise the risk of our customers falling for scams, we take a multi-layered approach to safeguard their accounts with us through:

- Fraud surveillance - Constantly looking for and swiftly taking down phishing websites that abuse our brand. We also have strong surveillance mechanisms that leverage AI and data analytics to pick up anomalous transactions, and have processes in place to block payments to and from suspicious sources.

- Enhanced customer safeguards - Introducing friction, via a 12-hour cooling period, for significant transactions since end-2020. We have also removed all clickable links from our SMSes and email notifications since February 2022. In addition, we stopped sending non-essential SMSes to our retail and wealth customers. Essential SMSes, which include security and trade notifications, and OTP authentication, have no clickable links.

- Service assistance and recovery – Fast-tracking service assistance and recovery via our 24/7 dedicated anti-fraud SOP, for customers who report to us that they have fallen prey to a scam. We immediately freeze or suspend their accounts, cards and/or e-wallets to prevent further fund outflows. We will also work with the Singapore Police Force to attempt to recover lost funds.

- Ecosystem collaborations – Having a full-time staff located in the police anti-scam centre to assist with scam reporting and investigations, the first bank in Singapore to do so. In addition, we have anti-SMS spoofing measures in our fraud and scam hunting mechanisms, being the first bank in Singapore to sign up for the SMS sender ID registry when it was launched by the Infocomm Media Development Authority last August.

- Public Education – Running ongoing anti-scam education campaigns, which help to remind our customers to stay vigilant and be aware of the latest scam tactics and scenarios.

The fight against scams is a shared responsibility. All of us, including banks, telcos, SMS aggregators and customers, need to do our part.

Sustainability:

16. What are the initiatives done by DBS in the Environmental, Social and Governance space?

This question will be addressed during the CEO's presentation at the 2022 AGM on 31 March 2022.

In the meantime, please refer to our 2021 Sustainability Report (which can be accessed at URL: https://www.dbs.com/sustainability/reporting/sustainability-report) for more information on our sustainability approach.

Succession Planning:

17. How is the eventual CEO succession being viewed and planned for?

At DBS, we are committed to grooming talent from within. Succession planning is done for key senior management roles and this includes the Group CEO role. Succession plans are reviewed on an annual basis to ensure they are kept current.