



Live more,
Bank less

CEO Observations

30 Apr 2021



Business Outlook

- **Business momentum accelerated in 1Q**

- Broad-based loan growth
- Sustained Casa inflows
- Fee income at record from broad based growth
 - Wealth management and transaction services at new high
 - Cards continuing recovery towards pre-pandemic levels
 - Investment banking up with higher debt and equity market activities
- Treasury Markets income and Treasury customer flows also at new highs
- Total income down 4% due to lower NIM, would have been up 9% if NIM stable

Business Outlook

- **Latest economic data confirm strengthening of global economic rebound, consensus forecasts upgraded**
- **Business momentum expected to remain strong**
 - Upgrading full-year loan growth to mid-to-high single digit
 - Full-year fee income growth at double digits
 - Structural improvements in certain fee activities and in Treasury Markets also contributing to growth
- **Full-year expenses to be around 3-4% higher than 2019 levels**
 - Lakshmi Vilas Bank to add 2%pt
 - 1-2% higher costs to support growing business activities

Credit Outlook

- **Asset quality trends encouraging**
 - Delinquencies remain low despite tapering of loan moratoriums
 - New NPA formation below pre-pandemic levels
 - Overall portfolio quality improved
- **Full-year total allowances likely to be below \$1bn**

Emerging stronger from the pandemic

- **Inorganic Growth**

- Lakshmi Vilas Bank
- Shenzhen Rural Commercial Bank (SZRCB)

- **New businesses**

- Digital Exchange
- Partior

- **Acceleration**

- Securities Joint Venture (SJV)
- Retail Wealth
- Supply Chain

Lakshmi Vilas Bank

- **Integration proceeding well**
- **Key business metrics promising**
 - Deposits: Casa up 14%, overall cost of deposits fell 40bps
 - Loans: Gold loans up 4%, MSME loan renewals/enhancements on course
- **Asset quality in line with expectations**
 - Legacy NPA portfolio of \$212m has reduced to \$186m due to recoveries
 - Additional SP of \$26m made against identified weak portfolio which has slipped to NPA
 - Additional SP adequately covered by GP of \$183m taken in 4Q20

Shenzhen Rural Commercial Bank

Investment Terms

- **Stake acquired:** 13% stake (new shares)
- **Consideration:** RMB 5.3bn (\$1.1bn), representing 1.01x FY20 P/B on a book value per share basis
- **Governance:** DBS will become the single largest shareholder in SZRCB with board representation, and SZRCB will be accounted for as an associate
- **Completion:** Expected after approval from China Securities Regulatory Commission¹

Overview of SZRCB

- Commercial bank operating since 2005, primarily in Shenzhen where >96% of its 217 outlets are located
- Professionally managed, privately owned and fragmented shareholding base, with only 3 major shareholders owning over 5% stake each
- Unique niche serving local communities which have grown in wealth given Shenzhen's rapid growth and urbanisation
- >5m active retail customers, of which c.8% are High Net Worth or mass affluent, c.40% of total loans
- >170k active corporate customers (mostly SMEs), well-diversified across various sectors, c.60% of total loans

Key financials (\$)	FY20	FY15-FY20 CAGR
Net profit after tax	976m	11.0%
Gross loans	50bn	20.4%
Deposits	82bn	19.9%
Key ratios	FY20	FY15-20 Average
NPL	1.13%	1.18%
ROE	13.61%	17.55%
Total CAR	14.4%	14.2%

The impact of this transaction to DBS Group's capital ratios is less than 0.2 percentage points, and is expected to be immediately accretive to earnings and ROE. On a pro-forma basis assuming DBS had owned a 13% stake in SZRCB since the start of 2020, this would translate to approximately SGD 113 million² of associate income to DBS.



¹ Approvals already received from China Banking and Insurance Regulatory Commission, Shenzhen Office and Monetary Authority of Singapore

² Adjusted for non-controlling interests in SZRCB
RMB to SGD exchange rate of 4.90 to 1 used

Shenzhen Rural Commercial Bank

- **Attractive economic investment**
 - Well-managed franchise that is consistently delivering high ROE
 - Efficient capital treatment makes it even more attractive
 - Potential upside if IPO in the future
- **Partnership to create more value for SZRCB and DBS**
 - Accelerate SZRCB's growth and transformation through DBS' regional presence and digital capabilities
 - Leverage on SZRCB's local network and know-how to deepen DBS' GBA strategy
- **Opportunity for DBS to increase its stake in SZRCB given liberalisation of the financial services sector in China**

Digital Exchange

- **Business building up steadily** for the trading of cryptocurrencies:
 - Daily trading value has increased >10x since launch
 - Steady momentum in growth of investor base with close to 120 investors
 - Digital assets under custody more than \$80m
- **Expect further scaling of business in subsequent quarters through:**
 - Issuance of Security Tokens
 - Extended trading hours to 24x7

Partior

New Blockchain Based Platform Orchestrated By Partior

- Open Industry Platform that encourages broad participation by banks globally, target to launch by 3Q21¹
- Through digitising fiat money and leveraging Blockchain technology, the Partior network seeks to reduce the current frictions and latency of the “hub and spoke” model, enabling value transfer for participating banks and their clients in real-time
- In the near term, Partior aims to provide 24/7 infrastructure to support use cases such as FX Payment Versus Payment (PVP), Delivery Versus Payment (DVP), Peer-to-Peer escrows and even complementary services for Central Bank Digital Currencies (CBDCs)

What it means to DBS

Value creation from pioneering new financial infrastructure

Allows DBS to harness the potential of co-creating a market infrastructure for the accelerated digital economy

Enhanced customer value proposition

DBS Transaction Banking Customers (NFIs, Corporates) can look forward to greater speed, certainty, & transparency in blockchain based payments & clearing services

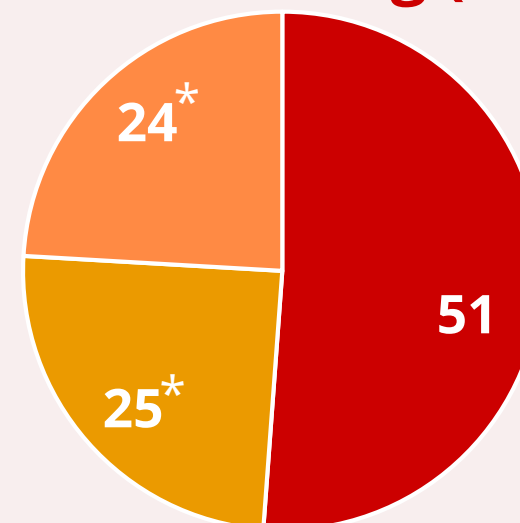
Commercialising proprietary technology

DBS to license its proprietary technologies via commercial agreements, earning new source of IP-based revenues

Securities Joint Venture

- Approval obtained in September 2020
- Legal incorporation in January 2021
- Onsite inspection completed in March 2021
- Infrastructure and resourcing completed including 100 staff
- Business license anticipated shortly

DBS Securities (China) Co., Ltd Shareholding (%)



- DBS Bank
- SOE controlled by Shanghai SASAC¹
- SOEs controlled by Shanghai Huangpu District

*DBS has option to purchase after three years

¹ State-owned Assets Supervision and Administration Commission

Thank You