DBS Group Holdings Ltd

Co. Reg. no.: 199901152M

RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS RECEIVED FROM DBSH SHAREHOLDERS IN RELATION TO DBSH'S 25th ANNUAL GENERAL MEETING

22 March 2024 – DBS Group Holdings Ltd ("**DBSH**") would like to thank our shareholders for submitting their questions in advance of DBSH's 25th Annual General Meeting, which will be convened and held, in a wholly physically format, at Marina Bay Sands Expo and Convention Centre, Level 4, Roselle and Simpor Ballrooms, 10 Bayfront Avenue, Singapore 018956 on Thursday, 28 March 2024 at 2:00 pm.

Responses to substantial and relevant questions submitted by shareholders

Due to overlaps in several of the questions received up till Thursday, 14 March 2024, we will not be providing responses to each question individually. Instead, responses to substantial and relevant questions have been set out according to the following themes:

(i) Technology;
(ii) Financials;
(iii) Bonus Issue;
(iv) Wealth Management;
(v) DBS India; and
(vi) Managing risks in US and other geopolitical developments.

Please refer to our responses as set out in the **Appendix**.

Appendix

List of Shareholders' Submitted Questions

(From 6 March 2024 to 14 March 2024)

Theme	**No.**	**Questions from Shareholders**	**DBS Response**
Technology	1(a)	In relation to the enhancing the technology resiliency and governance of DBS' IT software and systems, the Annual Report cites availability as one of the key aspects. Besides availability, what other key aspects are DBS also prioritizing and why?	We started to action on our technology resiliency roadmap in May 2023, addressing deficiencies in four main areas – technology risk governance and oversight, change management, system resilience/ recovery and incident management. Since then, we have made good progress. Our assurance to customers is that they can expect greater service availability, faster full recovery of services should service issues occur, and greater transaction certainty. We are prioritising these outcomes as we live up to our commitment to deliver banking that is seamless and effortless to customers.
	1(b)	With reference to the Oct 14 disruption, does DBSH have redundancy built into the servers where there are duplicate servers for disaster recovery ("DR") elsewhere. If yes, why did the DR not take over when the primary servers went offline due to the heat load increasing from the failing of the data centre's cooling system at the primary data centre? If there is no duplicate server, why is that so?	We do have redundancy for key systems, including duplicate servers in multiple data centres. In the case of the 14 October disruption, many of our systems recovered quite speedily. There was only one set of systems where the heat caused files to be locked which impacted both the main and back-up servers. We had to seek the assistance of global support to help unlock the files, which took longer than anticipated. We have since insourced the relevant domain expertise to handle a situation of this nature, and created additional stand-in services which will kick in if the system does not recover.
Financials	2(a)	Total customer deposits rose compared to a year ago, but SGD deposits fell 10% - is such an outflow rate healthy, and what is DBS doing to stem such outflows.	There was a global surge in bank deposits in 2020-2021 as central banks embarked on quantitative easing and lowered interest rates. In the subsequent years, as interest rates rose, deposits flowed to higher yielding instruments. In Singapore, we have seen outflows into government T-bills. Thus, deposit movements should be compared to 2019 levels and since then, DBS's SGD deposits have grown 18%.

Appendix

List of Shareholders' Submitted Questions

(From 6 March 2024 to 14 March 2024)

Theme	No.	Questions from Shareholders	DBS Response
			During the same period, DBS's SGD loans grew at a slower pace, and so the SGD loan-deposit ratio fell to 85% in 2023, from 89% in 2019. If there is a need to raise deposits, pricing can be adjusted accordingly.
	2(b)	With the possible Fed Rate cuts happening sometime in the 2nd half of 2024, do you see a potential dip in profit or even possibly loss and what will you do to maintain a strong balance sheet?	Based on expected Fed rate cuts in the second half, we are expecting 2024 earnings to be around 2023 levels. Net interest income is expected to be around 2023 levels as a lower net interest margin is offset by loan growth and the full-period impact of Citi Taiwan, which was consolidated in August 2023. Fee income is expected to grow by double-digit percentage terms led by cards and wealth management. Our earnings expectations also assume allowances rise to more normalised levels in 2024, although we are not seeing any material weaknesses in our portfolio. Our balance sheet remains healthy with strong capital, allowance reserves and liquidity.
Financials - Shenzhen Rural Commercial Bank	2(c)	DBS increased its stake in Shenzhen Rural Commercial Bank (SRCB) in 2023, and DBS management mentioned in the annual report that "SRCB is a high returns bank". Are the returns from SRCB captured under : "45.2 Geographical segment reporting, Rest of Greater China: SGD 173 Million"? Please advise if otherwise.	Yes, SRCB is classified as an associate and the equity method of accounting is applied. Its contribution is captured in the Geographical Segment reporting under Rest of Greater China, and it accounts for the majority of the SGD173 million share of profits of associates and joint ventures.
Bonus Issue	3	For the 1-for-10 share bonus issue, some perceived this exercise as a form of stock split, a move which will eventually adjust	We are maintaining the nominal dividend at 54 cents per share after the 1-for-10 bonus issue. This signals our commitment to accelerating capital returns to shareholders by permanently raising the ordinary dividend and annual baseline increment by 10%, which amounts to SGD 3 billion over the

Appendix

List of Shareholders' Submitted Questions

(From 6 March 2024 to 14 March 2024)

Theme	No.	Questions from Shareholders	DBS Response
		future stock price and dividends. How do you see this perception? How much excess capital per share is the bank estimated to have, post bonus issue.	next five years. The higher dividends can be priced into long-term shareholder returns. We can increase the pace of capital returns to shareholders given the structurally higher profitability of our franchise and the strong capital buffers we have built. Our current CET 1 ratio of 14.6% is 1.6%pts above the mid-point of our target range of 12.5-13.5%, implying excess capital of SGD 5.9 billion or around SGD 2.00 per share post bonus issue (computed based on the number of issued ordinary shares, excluding treasury shares, as at end 2023). This number may increase post-Basel III reforms effective 1 July 2024. The bonus issue does not rule out the potential for us to return capital through other forms such as special dividends, share buybacks or higher ordinary dividends, and the board will evaluate the options every quarter.
Wealth Management	4	Is DBS involved in snowball derivatives? As DBS structures more products, how will risks be managed to prevent a repeat of the Lehman Brothers minibonds saga?"	DBS does not structure products with snowball derivatives like those in the China market. We have a robust framework that tailors the suitability and complexity of financial products offered to our customers, based on their risk appetite. This framework ensures that any product we offer aligns with the specific risk profiles, investment objectives, and knowledge level of our customers.
DBS India	5	During 4Q23's media briefing, DBS management indicated that India is the only country that DBS is putting new capital in. Why does DBS India require repeated infusion of capital, and is the infusion a result of taking on additional risk relating to more lending activities i.e. to balance the risk-weighted assets?	The additional infusion of capital is for the balance sheet growth we expect to see in the coming years, which was communicated during the Investor Day in May 2023. While DBS India is profitable, its capital generation is not currently sufficient to fund the expected growth.

Appendix

List of Shareholders' Submitted Questions

(From 6 March 2024 to 14 March 2024)

Theme	No.	Questions from Shareholders	DBS Response
Others – Managing risks in US and other geopolitical developments	6	According to news, a number of banks in the US may collapse due to the quagmire with commercial properties in the US etc.	
		- How does this affect DBS (if any)? What is DBS' exposure?	Our US commercial real estate exposure is about SGD 1 billion, which is to our Asian customer base. It is a small proportion of our total loan base of SGD 416 billion.
		- Will there be an adverse contagion effect that spreads to the global economy? Or will it be localised and contained largely in the US?	At his recent testimony to the US Senate Banking Committee on 7 March 2024, US Federal Reserve Chairman Jerome Powell said risks on US commercial real estate are manageable, with the issue more with small and medium banks (which are not our counterparties) rather than the large ones, and that the authorities have so far been able to stay ahead of potential contagion risks.
		-What is DBS' assessment of the current geopolitical developments?	Given that our franchise is centred in Asia, the geopolitical risks that concern us most are US-China relations. There has been no immediate impact on our portfolio from trade and investment restrictions on China by western countries. We continually keep watch on developments to pre-empt or mitigate risks to our portfolio. Beyond the risks, we see opportunities from the diversification of supply chains in the region.
		- How does DBS plan to manage and mitigate risks in view of all of the above?	We take a multi-pronged approach to managing risks, including rigorous customer selection, employing a range of early warning tools, and regular stress testing including assessing our readiness to tail-risk events. Our asset quality has remained resilient, with the non-performing loan ratio unchanged over the past year at 1.1% with new non-performing loan formation remaining low. We have prudently built-up general allowances of close to SGD 4 billion, twice the amount required by models based on historical-loss data. Our allowance coverage is at 128% and at 226% when collateral is considered.

Appendix

List of Shareholders' Submitted Questions

(From 6 March 2024 to 14 March 2024)

Theme	No.	Questions from Shareholders	DBS Response
			Our liquidity profile is healthy. It is well-diversified across a wide deposit base as well as a range of wholesale funding sources. Taking lessons from last year's bank failures, we undertook measures to strengthen our access to alternative liquidity sources when warranted. We have a strong capital base, with CET-1 of 14.6% comfortably in excess of regulatory requirements. As a matter of course, we stress test our capital ratios when deciding on the size of dividend increases. Our ability to make sizeable dividend increases in recent years reflects the structural improvements in the profitability and resilience of our franchise.