

Letter

from the Chairman and CEO

The global economy continued to run at a below-average pace in 2014. Five years since the launch of quantitative easing, the US economy finally showed some signs of life, though growth of 2.4% was still weak. Europe fared worse, with GDP growth of 0.9% amid fears that it might fall into recession for the third time since 2008.

China, which is in a structural downshift, saw growth easing to 7.4% from 7.7% previously. This had some spillover effect on the rest of Asia. Singapore's GDP growth eased to 2.9% from 4.4% in 2013, and Hong Kong's growth slipped to 2.3% from 2.9% the year before.

Commodity prices saw large swings, with oil prices collapsing to USD 50 per barrel towards the end of the year, the lowest since the 2009 global financial crisis. While lower oil prices are a boon for oil-importing countries including our two biggest markets, Singapore and Hong Kong, the sharpness of the drop created uncertainty in global markets.

EARNINGS AND INCOME AT RECORD HIGHS; MARKET CAPITALISATION HIT SGD 50 BILLION

Five years ago, we unveiled our strategic priorities, with the aim of becoming a leading Asian bank. Through disciplined execution of strategy, DBS is a markedly different bank today.

The bank continued to deliver record top-and bottom-lines. Notably, since 2009, DBS' full-year income has grown by some 50% while net profit has doubled to SGD 4.05 billion. The structural improvements we have made to our franchise over the past five years continue to pay off. We have entrenched our market leadership in Singapore, re-positioned ourselves in Hong Kong and extended our regional businesses. Our balance sheet is healthy, with capital, liquidity and asset quality remaining strong.

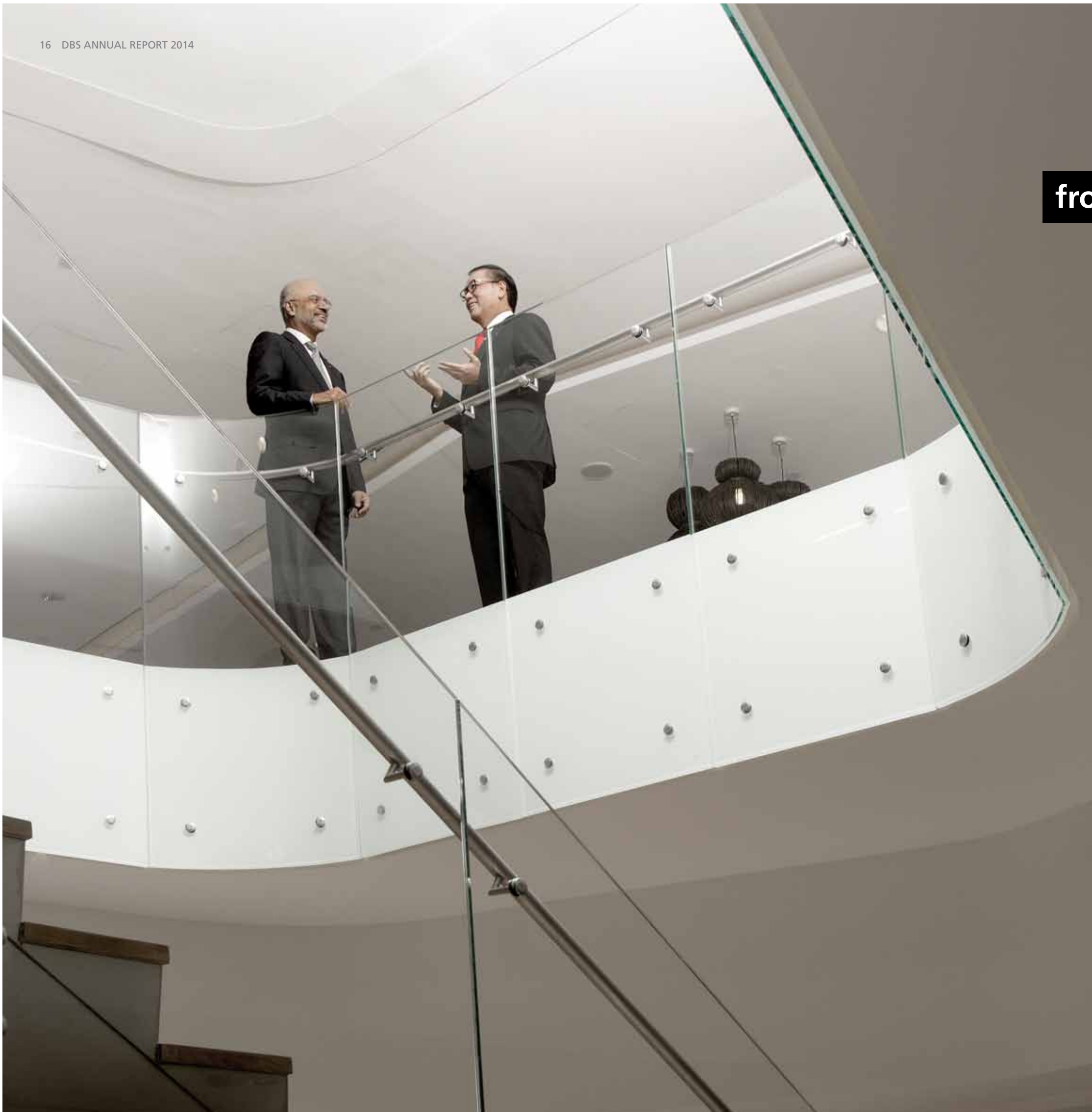
The market recognises that the bank is now operating on a higher plane, as evidenced by a steadily rising share price in the course of the year. In December, even amid concerns that free-falling oil prices might have a contagion effect in Asia, DBS' share price reached a seven-year high, and our market capitalisation crossed SGD 50 billion, making us the 44th largest bank in the world, up from 55th in 2008. DBS' total shareholder return over a three-year period was 94%.

A STRONG, RESILIENT FRANCHISE

2014 was not an easy year with interest rates remaining low. In Singapore, housing has been hit by property cooling measures, and tighter system liquidity resulted in more intense competition for deposits. The regional slowdown also impacted loan growth. In addition, there was continued market volatility. Confidence in the integrity of commodity financing was shaken during the second quarter when fraudulent transactions were discovered at Qingdao port in China's Shandong province.

That DBS was able to navigate these challenges is testament to the resilience of the franchise, and the strong governance and risk management processes we have put in place to undergird our business. Despite slower loan growth – loans grew 9% in constant currency terms – we were able to grow net interest income by 14% as we improved margins. Our strong domestic deposit base, together with our growing cash management, Western MNC and institutional investor franchise, enabled us to attract funding in Singapore dollars, US dollars and other currencies. This proved to be a source of strength, providing us with a cost-effective funding base, and obviating the need to pay up for deposits.

Fee income rose 8% to SGD 2.03 billion as multiple engines of growth, including wealth management, investment banking and credit cards, were firing at the same time.



#customerfirst



#shapingthefuture

Over the course of the year, we successfully completed the acquisition of the Asian private banking business of Societe Generale in Singapore and Hong Kong, as well as selected parts of its trust business. This USD 220 million acquisition not only represents a good deal from a pricing point of view, it also brings accelerated growth opportunities, capacity and scale to our wealth management business. Our assets under management for all wealth customers now top SGD 134 billion, of which SGD 92 billion relate to high net worth customers. This further boosts our position among the top 10 private banks in Asia.

In addition, during the year, we managed to navigate RMB volatility and choppy markets, including the price swings in commodities, rates and credit markets. Despite the difficult market environment, DBS' Treasury franchise outperformed global banks', with income up 8% over the year.

While our India mid-cap book saw some challenges with the sub-par growth in the country, overall, the bank's asset portfolio remains healthy, and our non-performing loan (NPL) ratio is low at 0.9%. This is testament to our focus on managing risks. For example, we came out of the Qingdao port scandal unscathed as the bank had not provided any financing against physical collateral held there. Despite the slowdown in the Singapore property market, we also saw no housing NPL issues as the bulk of our housing loans are for owner occupation.

Our achievements have been recognised. In 2014, DBS was named "Best Bank in Asia-Pacific" by Global Finance,

a New York-based magazine. This marked the first time an Asian bank has won this prestigious award since the inception of the accolade 21 years ago. We continued to be named "Safest Bank in Asia" by the same publication for the sixth straight year. In recognition of the bank's strong management, performance and high standards of corporate governance, DBS also picked up the Gold award for Best Managed Board for large-cap companies at the Singapore Corporate Awards 2014.

EMBRACING THE DIGITAL ECONOMY

DBS has been pursuing a strong innovation agenda, driven by a desire to shape the future of banking. We recognise that with changing customer behaviours, rising smart device and social media usage as well as the encroachment into the payments space by non-bank players, the way banking is done is fast changing.

In 2014, we announced plans to invest SGD 200 million over three years to better harness digital technologies. This is on top of the SGD 1 billion we have invested in strategic technology initiatives.

Among our cutting edge initiatives is a partnership with IBM that makes us among the first in the world to use artificial intelligence to provide contextualised and customised wealth advice to high net worth clients. This is currently being piloted in the bank for rollout in 2015. A partnership with Singapore research agency A*STAR to explore emerging technologies that will simplify the lives of customers is also progressing well.

In May 2014, we launched DBS PayLah!. This app allows our customers to transfer funds to others via their mobile phone with a few simple taps, just by knowing the payee's mobile number. Since its launch, we now have more than 200,000 registered users, helping to facilitate over 60,000 payment transactions every month.

To make it easy for owners of small and medium enterprises (SMEs) to open business accounts with the bank, we launched a first-of-its-kind capability that would allow them to do this online. This significantly cuts down the time needed to start a relationship with DBS. During the year, we also rolled out DBS BusinessClass, an app which offers start-ups and SMEs valuable resources, including a unique platform through which they can consult and connect with industry experts, investors and fellow entrepreneurs.

Our mobile banking apps strategy was ranked #1 in the world by Swiss research firm MyPrivateBanking for the second year running.

BUILDING A SUSTAINABLE ORGANISATION

To commemorate Singapore's 50th year in 2015, DBS has committed over SGD 100 million in recognition of our heritage and role in shaping the Singapore story. Reflecting our commitment to being a good corporate citizen, our initiatives will see us giving back to customers, employees and the community. They include the establishment of a SGD 50 million DBS Foundation to strengthen our corporate social responsibility efforts especially in the area of social entrepreneurship. We have gifted SGD 25 million to the National

Gallery Singapore, an institution dedicated to telling the history of Singapore and Southeast Asia through visual arts. In addition, DBS has committed SGD 3.5 million to sponsor the 28th Southeast Asian Games and its dragon boat and sailing races. As the largest bank in Singapore, DBS will help to boost community participation in the biennial Games, making it a truly inclusive event for all in Singapore. We also gave a one-time appreciation award to the majority of our employees in recognition of their hard work and commitment, which have transformed the bank.

DIVIDENDS

The Board has proposed a final dividend of SGD 30 cents per share for approval at the forthcoming annual general meeting. This is unchanged from 2013, and keeps the full-year payout at SGD 58 cents per share.

IGNITING POSSIBILITIES, SPARKING JOY

DBS has come a long way. A decade ago, we first laid claim on ambitions to become a leading Asian bank with our "Living, Breathing Asia" positioning. Since then, our growth and successes have won us numerous accolades, affirming us as a regional banking leader.

We want to be known for igniting possibilities, sparking joy, creating an impact beyond banking and changing lives for the better. As the bank continues to grow from strength to strength, we firmly believe that we have a responsibility to play a purposeful, positive role in the communities we are present in, and to shape the future of banking.

#recordhigh

Peter Seah Lim Huat
Chairman
DBS Group Holdings

Piyush Gupta
CEO
DBS Group Holdings

"We want to be known for igniting possibilities, sparking joy, creating an impact beyond banking and **changing lives** for the better."

– Chairman Peter Seah