
LETTER TO SHAREHOLDERS

DBS GROUP HOLDINGS LTD

(Incorporated in the Republic of Singapore)
Company Registration Number: 199901152M

Directors:

Mr Peter Seah Lim Huat (*Chairman*)
Mr Piyush Gupta (*Chief Executive Officer*)
Dr Bart Joseph Broadman (*Non-executive Director*)
Ms Euleen Goh Yiu Kiang (*Non-executive Director*)
Mr Ho Tian Yee (*Independent Director*)
Mr Nihal Vijaya Devadas Kaviratne CBE (*Independent Director*)
Mrs Ow Foong Pheng (*Non-executive Director*)
Mr Andre Sekulic (*Independent Director*)
Mr Danny Teoh Leong Kay (*Independent Director*)
Mr Olivier Lim Tse Ghow (*Independent Director*)

Registered Office:

12 Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982

28 March 2018

To: The Shareholders of DBS Group Holdings Ltd
(the "**Company**" or "**DBSH**")

Dear Sir/Madam

1. INTRODUCTION

1.1 Background. We refer to:

- (a) the Notice of the 19th Annual General Meeting ("**AGM**") of the Company dated 28 March 2018 (the "**Notice**"), accompanying the Annual Report for the financial year ended 31 December 2017, convening the 19th AGM of the Company to be held on 25 April 2018 (the "**2018 AGM**"); and
- (b) Ordinary Resolution No. 12 relating to the proposed renewal of the Share Purchase Mandate (as defined in paragraph 2.1 below), as proposed in the Notice.

1.2 Letter to Shareholders. The purpose of this Letter is to provide shareholders of the Company ("**Shareholders**") with information relating to Ordinary Resolution No. 12 proposed in the Notice (the "**Proposal**").

1.3 SGX-ST. The Singapore Exchange Securities Trading Limited (the "**SGX-ST**") takes no responsibility for the accuracy of any statements or opinions made or reports contained in this Letter.

1.4 Advice to Shareholders. Shareholders who are in any doubt as to the course of action they should take should consult their stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

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2. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

2.1 **Background.** Shareholders had approved the renewal of a mandate (the “**Share Purchase Mandate**”) to enable the Company to purchase or otherwise acquire issued ordinary shares of the Company (“**Ordinary Shares**”) at the annual general meeting of the Company held on 27 April 2017 (the “**2017 AGM**”). The authority and limitations on the Share Purchase Mandate were set out in the Company’s Letter to Shareholders dated 29 March 2017 (the “**2017 Letter**”) and Ordinary Resolution No. 12 set out in the Notice of the 2017 AGM.

The Share Purchase Mandate was expressed to take effect on the date of the passing of Ordinary Resolution No. 12 at the 2017 AGM and will expire on the date of the forthcoming 2018 AGM to be held on 25 April 2018. Accordingly, Shareholders’ approval is being sought for the renewal of the Share Purchase Mandate at the 2018 AGM.

As at 1 March 2018 (the “**Latest Practicable Date**”), the Company had not undertaken any purchase or acquisition of its Ordinary Shares pursuant to the Share Purchase Mandate approved by Shareholders at the 2017 AGM.

2.2 **Rationale for the Share Purchase Mandate.** During the period when the Share Purchase Mandate is in force, DBSH will have the flexibility to undertake share repurchases at any time, subject to market conditions. The rationale for DBSH to undertake the purchase or acquisition of its Ordinary Shares is as follows:

- (a) The Share Purchase Mandate will provide DBSH with greater flexibility in managing its capital and maximising returns to its Shareholders. To the extent that DBSH has surplus capital and funds which are in excess of its requirements, the Share Purchase Mandate will facilitate the return of surplus cash in an expedient and cost-efficient manner.
- (b) The Share Purchase Mandate will provide DBSH with the flexibility to purchase or acquire Ordinary Shares to support the vesting of awards pursuant to its employee share plans.

The purchase or acquisition of Ordinary Shares will only be undertaken if it can benefit DBSH and Shareholders. Shareholders should note that purchases or acquisitions of Ordinary Shares pursuant to the Share Purchase Mandate may not be carried out to the full authorised limit. No purchase or acquisition of Ordinary Shares will be made in circumstances which would have or may have a material adverse effect on the liquidity and capital adequacy positions of the Company and its subsidiaries (the “**Group**”) as a whole.

2.3 **Authority and Limits of the Share Purchase Mandate.** The authority and limitations placed on purchases or acquisitions of Ordinary Shares by DBSH under the proposed Share Purchase Mandate, if renewed at the 2018 AGM, are substantially the same as were previously approved by Shareholders at the 2017 AGM, except in relation to the maximum number of Ordinary Shares which may be purchased or acquired pursuant to the Share Purchase Mandate which is proposed to be increased from 1% to 2% of the issued Ordinary Shares (excluding treasury shares and subsidiary holdings (as defined in the listing manual of the SGX-ST, including any amendments made thereto up to the Latest Practicable Date (the “**Listing Manual**”)¹) as at the date of the 2018 AGM. These are summarised below:

¹ “Subsidiary holdings” is defined in the Listing Manual to mean shares referred to in sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act, Chapter 50.

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2.3.1 *Maximum Number of Shares*

Only Ordinary Shares which are issued and fully paid-up may be purchased or acquired by DBSH. As previously approved by Shareholders at the 2017 AGM, the total number of Ordinary Shares which may be purchased or acquired by DBSH was limited to that number of Ordinary Shares representing not more than 1% of the issued Ordinary Shares as at the date of the 2017 AGM at which the renewal of the Share Purchase Mandate was then approved. Treasury shares were disregarded for purposes of computing the 1% limit.

The Directors are proposing that, in respect of the renewal of the Share Purchase Mandate at the 2018 AGM, the total number of Ordinary Shares which may be purchased or acquired by DBSH pursuant to the Share Purchase Mandate be increased to that number of Ordinary Shares representing not more than 2% of the issued Ordinary Shares as at the date of the 2018 AGM. The SGX-ST permits listed companies to seek a mandate from shareholders to purchase or acquire shares up to the maximum limit of 10% of the total number of issued shares of the company. Treasury shares and subsidiary holdings will be disregarded for purposes of computing the 2% limit.

As at the Latest Practicable Date, the Company had 65,700 treasury shares and no subsidiary holdings.

The increase in the maximum limit under the Share Purchase Mandate will give DBSH the flexibility to undertake purchases or acquisitions of Ordinary Shares up to the 2% limit as described above at any time, subject to market conditions, during the period when the Share Purchase Mandate is in force.

Purely for illustrative purposes, on the basis of 2,563,870,734 Ordinary Shares (being the 2,563,936,434 Ordinary Shares in issue as at the Latest Practicable Date, and disregarding 65,700 Ordinary Shares held in treasury as at the Latest Practicable Date) and assuming that on or prior to the 2018 AGM:

- (a) no further Ordinary Shares are issued pursuant to the vesting of awards in respect of Ordinary Shares granted under the DBSH Share Plan ("**Awards**");
- (b) no further Ordinary Shares are purchased or acquired by the Company and no Ordinary Shares purchased or acquired by the Company are held as treasury shares; and
- (c) no Ordinary Shares are held as subsidiary holdings,

not more than 51,277,414 Ordinary Shares (representing 2% of the Ordinary Shares in issue (disregarding the Ordinary Shares held in treasury) as at that date) may be purchased or acquired by DBSH pursuant to the proposed Share Purchase Mandate.

2.3.2 *Duration of Authority*

Purchases or acquisitions of Ordinary Shares may be made, at any time and from time to time, on and from the date of the 2018 AGM at which the renewal of the Share Purchase Mandate is approved, up to:

- (a) the date on which the next AGM of the Company is held or required by law to be held;
- (b) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied; or
- (c) the date on which purchases and acquisitions of Ordinary Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated,

whichever is the earliest.

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2.3.3 *Manner of Purchases or Acquisitions of Shares*

Purchases or acquisitions of Ordinary Shares may be made by way of:

- (a) on-market purchases (“**Market Purchases**”), transacted on the SGX-ST or on any other securities exchange on which the Ordinary Shares may for the time being be listed and quoted, through one or more duly licensed dealers appointed by DBSH for the purpose; and/or
- (b) off-market purchases (“**Off-Market Purchases**”), otherwise than on a securities exchange, in accordance with an equal access scheme.

The Directors of the Company for the time being (“**Directors**”) may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Manual and the Companies Act, Chapter 50 (the “**Companies Act**”) as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. An equal access scheme must, however, satisfy all the following conditions:

- (i) offers for the purchase or acquisition of Ordinary Shares shall be made to every person who holds Ordinary Shares to purchase or acquire the same percentage of their Ordinary Shares;
- (ii) all of those persons shall be given a reasonable opportunity to accept the offers made; and
- (iii) the terms of all the offers are the same (except that there shall be disregarded (1) differences in consideration attributable to the fact that offers may relate to Ordinary Shares with different accrued dividend entitlements; and (2) differences in the offers introduced solely to ensure that each person is left with a whole number of Ordinary Shares).

If DBSH wishes to make an Off-Market Purchase in accordance with an equal access scheme, it will issue an offer document containing at least the following information:

- (I) the terms and conditions of the offer;
- (II) the period and procedures for acceptances; and
- (III) the information required under Rules 883(2), (3), (4), (5) and (6) of the Listing Manual.

2.3.4 *Purchase Price*

The purchase price (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) to be paid for an Ordinary Share will be determined by the Directors. The purchase price to be paid for the Ordinary Shares as determined by the Directors, in the case of a Market Purchase and an Off-Market Purchase pursuant to an equal access scheme, must not exceed 105% of the Average Closing Price of the Ordinary Shares, in either case, excluding related expenses of the purchase or acquisition (the “**Maximum Price**”).

For the above purposes:

“**Average Closing Price**” means the average of the closing market prices of an Ordinary Share over the last five market days on which transactions in the Ordinary Shares on the SGX-ST or, as the case may be, such securities exchange on which the Ordinary Shares are listed or quoted were recorded, immediately preceding the date of the Market Purchase by the Company or, as the case may

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be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the listing rules of the SGX-ST, for any corporate action that occurs after the relevant five-day period; and

“**date of the making of the offer**” means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Ordinary Shares from holders of Ordinary Shares, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Ordinary Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

- 2.4 **Status of Purchased Ordinary Shares.** Ordinary Shares purchased or acquired by the Company are deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Ordinary Shares will expire on such cancellation) unless such Ordinary Shares are held by the Company as treasury shares. Accordingly, the total number of issued Ordinary Shares will be diminished by the number of Ordinary Shares purchased or acquired by the Company, which are cancelled and are not held as treasury shares.
- 2.5 **Treasury Shares.** Under the Companies Act, Ordinary Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below.

2.5.1 **Maximum Holdings**

The number of Ordinary Shares held as treasury shares² cannot at any time exceed 10% of the total number of issued Ordinary Shares.

2.5.2 **Voting and Other Rights**

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. A subdivision or consolidation of any treasury share is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

2.5.3 **Disposal and Cancellation**

Where Ordinary Shares are held as treasury shares, the Company may at any time but subject always to the Singapore Code on Take-overs and Mergers (the “**Take-over Code**”):

- (a) sell the treasury shares for cash;
- (b) transfer the treasury shares for the purposes of or pursuant to any share scheme, whether for employees, directors or other persons;

² For these purposes, “treasury shares” shall be read as including shares held by a subsidiary under sections 21(4B) or 21(6C) of the Companies Act, Chapter 50.

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- (c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (d) cancel the treasury shares; or
- (e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

Under Rule 704(28) of the Listing Manual, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares. Such announcement must include details such as the date of the sale, transfer, cancellation and/or use of such treasury shares, the purpose of such sale, transfer, cancellation and/or use of such treasury shares, the number of treasury shares which have been sold, transferred, cancelled and/or used, the number of treasury shares before and after such sale, transfer, cancellation and/or use, the percentage of the number of treasury shares against the total number of issued shares (of the same class as the treasury shares) which are listed on the SGX-ST before and after such sale, transfer, cancellation and/or use, and the value of the treasury shares if they are used for a sale or transfer, or cancelled.

- 2.6 **Source of Funds.** The Company may purchase or acquire its own Ordinary Shares out of capital, as well as from its profits.

DBSH intends to use its internal sources of funds to finance its purchase or acquisition of the Ordinary Shares. DBSH does not intend to obtain or incur any borrowings to finance its purchase or acquisition of the Ordinary Shares. The Directors do not propose to exercise the Share Purchase Mandate in a manner and to such extent that the liquidity and capital adequacy positions of the Group would be materially adversely affected.

- 2.7 **Financial Effects.** The financial effects on the Group and DBSH arising from purchases or acquisitions of Ordinary Shares which may be made pursuant to the Share Purchase Mandate will depend on, *inter alia*, the number of Ordinary Shares purchased or acquired and the price paid for such Ordinary Shares. The financial effects on the Group and DBSH, based on the audited consolidated financial statements of the Group and DBSH for the financial year ended 31 December 2017, are based on the assumptions set out below:

2.7.1 **Purchase or Acquisition out of Capital or Profits**

Purchases or acquisitions of Ordinary Shares by the Company may be made out of the Company's capital and/or profits so long as the Company is solvent.

Where the consideration paid by the Company for the purchase or acquisition of Ordinary Shares is made out of profits, such consideration will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Based on the consolidated financial statements of the Group for the financial year ended 31 December 2017, and having regard to:

- (a) the amount of distributable revenue reserves attributable to the Group of approximately S\$30.31 billion as at that date; and
- (b) the Maximum Price at the Latest Practicable Date, in the case of both Market Purchases and Off-Market Purchases, of S\$30.66 for one Ordinary Share,

DBSH has sufficient distributable revenue reserves to purchase Ordinary Shares representing up to 2% of its issued Ordinary Shares as at the Latest Practicable Date. The amount of distributable revenue reserves available in the year 2018 and year 2019 would, however, depend on the performance of the Group in 2018 and 2019.

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Where the consideration paid by the Company for the purchase or acquisition of Ordinary Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

In any case, no purchase or acquisition of Ordinary Shares, whether out of capital or profits, will be made in circumstances which would have or may have a material adverse effect on the liquidity and capital adequacy positions of the Group as a whole.

2.7.2 **Number of Ordinary Shares Purchased or Acquired**

Based on the number of issued and paid-up Ordinary Shares as at the Latest Practicable Date (and disregarding the Ordinary Shares held in treasury) and on the assumptions set out in paragraph 2.3.1 above, the purchase by the Company of up to the maximum limit of 2% of its issued Ordinary Shares will result in the purchase or acquisition of 51,277,414 Ordinary Shares.

2.7.3 **Maximum Price Paid for Ordinary Shares Purchased or Acquired**

Assuming that DBSH purchases or acquires 51,277,414 Ordinary Shares at the Maximum Price, in the case of both Market Purchases and Off-Market Purchases, of S\$30.66 for one Ordinary Share (being the price equivalent to 5% above the average closing prices of the Ordinary Shares traded on the SGX-ST over the last five market days on which transactions were recorded immediately preceding the Latest Practicable Date), the maximum amount of funds required is approximately S\$1.6 billion.

2.7.4 **Illustrative Financial Effects**

The financial effects on the Group and DBSH arising from purchases or acquisitions of Ordinary Shares which may be made pursuant to the proposed Share Purchase Mandate will depend on, *inter alia*, the aggregate number of Ordinary Shares purchased or acquired and the consideration paid at the relevant time.

For illustrative purposes only and on the basis of the assumptions set out in paragraphs 2.7.1, 2.7.2 and 2.7.3 above, and assuming the following:

- (a) DBSH had purchased 51,277,414 Ordinary Shares (representing 2% of the Ordinary Shares in issue as at the Latest Practicable Date, disregarding the Ordinary Shares which are held in treasury) on 1 January 2017;
- (b) the cash applied to pay the purchase consideration would otherwise have earned a return of 1.31% per annum in the inter-bank market;
- (c) a Singapore corporate income tax rate of 17%; and
- (d) DBSH will not pay any dividends with respect to the Ordinary Shares which are repurchased,

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the financial effects on the consolidated financial statements of the Group and DBSH for the financial year ended 31 December 2017 would have been as follows:

(i) Pro-forma financial effects on the Group and DBSH:

| | Group | | DBSH | |
|---|------------------------------|----------------------------|------------------------------|----------------------------|
| | As at 31 December 2017 | After Share Purchase | As at 31 December 2017 | After Share Purchase |
| Total Shareholders' funds (\$'millions) | 47,458 | 45,901 | 19,606 | 18,049 |
| Number of issued and paid-up Ordinary Shares used in the computation of the relevant financial ratios set out below ('000) | 2,557,633 | 2,506,356 | 2,557,633 | 2,506,356 |
| Weighted average number of issued and paid-up Ordinary Shares used in the computation of the relevant financial ratios set out below ('000) | 2,549,597 | 2,498,320 | 2,549,597 | 2,498,320 |
| Net profit attributable to Shareholders (excluding one-time items) (\$'millions) ⁽¹⁾⁽⁴⁾ | 4,390 | 4,373 | see Note (2) below | see Note (2) below |

(ii) Pro-forma effects on financial ratios of the Group⁽³⁾:

| | As at 31 December 2017 | After Share Purchase |
|--|---------------------------|-------------------------|
| Net asset value per Ordinary Share (\$) | 17.85 | 17.59 |
| Earnings per Ordinary Share (\$) (excluding one-time items) ⁽⁴⁾ | | |
| – Basic and diluted | 1.69 | 1.72 |
| Return On Equity (%) (excluding one-time items) ⁽⁴⁾ | 9.7 | 10.0 |
| CAR (%) ⁽⁵⁾ | | |
| – Common Equity Tier 1 | 14.3 | 13.8 |
| – Tier 1 | 15.1 | 14.6 |
| – Total | 15.9 | 15.3 |

Notes:

- (1) Net profit attributable to Shareholders is calculated net of dividends on other equity instruments.
- (2) As permitted by section 201(10)(b) of the Companies Act, the income statement of DBSH has not been included in the financial statements of DBSH and the consolidated financial statements of the Group for the financial year ended 31 December 2017.
- (3) The disclosed financial effects remain the same irrespective of whether:
- (a) the purchase of Ordinary Shares is effected out of capital or profits; or
 - (b) the purchased Ordinary Shares are held in treasury or are cancelled.
- (4) The one-time items relate to: the gain from the divestment of PWC Building in Singapore, and an equivalent amount set aside as general allowances; ANZ integration costs; and the aggregate tax impact from these items.
- (5) Capital Adequacy Ratio based on guidelines set out under the Monetary Authority of Singapore's Notice to Banks No. 637 "Notice on Risk Based Capital Adequacy Requirements for Banks incorporated in Singapore".

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Shareholders should note that the financial effects set out above, based on the respective aforementioned assumptions, are for illustration purposes only. In particular, it is important to note that the above analysis is based on historical 2017 numbers, and is not necessarily representative of future financial performance.

Although the Share Purchase Mandate would authorise DBSH to purchase or acquire up to 2% of the issued Ordinary Shares (excluding treasury shares and subsidiary holdings), DBSH may not necessarily purchase or acquire or be able to purchase or acquire the entire 2% of the issued Ordinary Shares (excluding treasury shares and subsidiary holdings). In addition, DBSH may cancel or hold in treasury all or part of the Ordinary Shares purchased or acquired.

DBSH will take into account both financial and non-financial factors (for example, share market conditions and the performance of the Ordinary Shares) in assessing the relative impact of a share purchase before execution.

- 2.8 **Tax Implications.** Shareholders who are in doubt as to their respective tax positions or the tax implications of Ordinary Share purchases by DBSH, or who may be subject to tax whether in or outside Singapore, should consult their own professional advisers.
- 2.9 **Listing Rules.** Rule 886(1) of the Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m. (a) in the case of a Market Purchase, on the market day following the day of purchase or acquisition of any of its shares and (b) in the case of an Off-Market Purchase under an equal access scheme, on the second market day after the close of acceptances of the offer. Such announcement must include, *inter alia*, details of the date of the purchase, the total number of shares purchased, the number of shares cancelled, the number of shares held as treasury shares, the purchase price per share or the highest and lowest prices paid for such shares (as applicable), the total consideration (including stamp duties and clearing charges) paid or payable for the shares, the number of shares purchased as at the date of announcement (on a cumulative basis), the number of issued shares excluding treasury shares and subsidiary holdings after the purchase, the number of treasury shares held after the purchase and the number of subsidiary holdings after the purchase.

While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the listed company would be regarded as an “insider” in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Ordinary Shares pursuant to the proposed Share Purchase Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced.

In particular, the Company will not purchase or acquire any Ordinary Shares through Market Purchases during the period of one month immediately preceding the announcement of DBSH’s full-year results and the period of two weeks before the announcement of the first quarter, half-year and third quarter results.

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The Listing Manual requires a listed company to ensure that at least 10% of the total number of issued shares (excluding treasury shares, preference shares and convertible equity securities) in a class that is listed is at all times held by public shareholders. Based on the interests of substantial Shareholders as recorded in the Register of Substantial Shareholders as at the Latest Practicable Date, Temasek Holdings (Private) Limited ("**Temasek**"), a substantial Shareholder of the Company, directly holds approximately 11.08% of the issued Ordinary Shares (excluding Ordinary Shares held in treasury) and Temasek's wholly-owned subsidiary, Maju Holdings Pte. Ltd. ("**Maju**"), directly holds approximately 17.90% of the issued Ordinary Shares (excluding Ordinary Shares held in treasury). Temasek is wholly-owned by the Minister for Finance. On that basis, as at the Latest Practicable Date, approximately 70.63% of the issued Ordinary Shares (excluding Ordinary Shares held in treasury) are held by public Shareholders. Accordingly, DBSH is of the view that there is a sufficient number of the Ordinary Shares in issue held by public Shareholders which would permit DBSH to undertake purchases or acquisitions of its Ordinary Shares through Market Purchases up to the full 2% limit pursuant to the proposed Share Purchase Mandate without affecting the listing status of the Ordinary Shares on the SGX-ST, and that the number of Ordinary Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to affect orderly trading.

2.10 **Shareholding Limits.** The Banking Act, Chapter 19 (the "**Banking Act**") provides, *inter alia*, that, on or after 18 July 2001:

- (a) no person shall become a substantial shareholder of a designated financial institution without first obtaining the approval of the Minister for Finance;
- (b) no person shall enter into any agreement or arrangement, whether oral or in writing and whether express or implied, to act together with any person with respect to the acquisition, holding or disposal of, or the exercise of rights in relation to, their interests in voting shares of an aggregate of 5% or more of the total votes attached to all voting shares in a designated financial institution (the "**5% Limit**"), without first obtaining the approval of the Minister for Finance; and
- (c) no person shall become a 12% controller or a 20% controller of a designated financial institution without first obtaining the approval of the Minister for Finance.

For the purposes of the Banking Act:

"**associate**" shall have the meaning ascribed to it in section 15B(4)(c) of the Banking Act;

"**designated financial institution**" means (i) a bank incorporated in Singapore; or (ii) a financial holding company;

"**substantial shareholder**" of a designated financial institution means a person who has a substantial shareholding in the designated financial institution. A person has a substantial shareholding in a designated financial institution if (i) he has an interest or interests in one or more voting shares in the designated financial institution; and (ii) the total votes attached to that share, or those shares, is not less than 5% of the total votes attached to all the voting shares in the designated financial institution;

"**12% controller**" means a person, not being a 20% controller, who alone or together with his associates, (i) holds not less than 12% of the total number of issued shares in the designated financial institution; or (ii) is in a position to control voting power of not less than 12% in the designated financial institution; and

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“**20% controller**” means a person who, alone or together with his associates, (i) holds not less than 20% of the total number of issued shares in the designated financial institution; or (ii) is in a position to control voting power of not less than 20% in the designated financial institution.

The shareholding percentage of a holder of Ordinary Shares (whose Ordinary Shares were not the subject of a share purchase or acquisition by DBSH) in the issued share capital of DBSH immediately following any purchase or acquisition of Ordinary Shares will increase should DBSH cancel the Ordinary Shares purchased or acquired by DBSH.

Similarly, the percentage of voting rights of a holder of Ordinary Shares (whose Ordinary Shares were not the subject of a share purchase or acquisition by DBSH) in the issued share capital of DBSH immediately following any purchase or acquisition of Ordinary Shares will increase should DBSH hold in treasury the Ordinary Shares purchased or acquired by DBSH.

DBSH wishes to draw the attention of Shareholders to the following consequences of a purchase or acquisition of Ordinary Shares by DBSH pursuant to the Share Purchase Mandate, if the renewal of the Share Purchase Mandate is approved by Shareholders:

A purchase or acquisition of Ordinary Shares by DBSH may inadvertently cause the interest in the Ordinary Shares of any person to reach or exceed the 5% Limit or cause any person to become a substantial shareholder, a 12% controller or a 20% controller.

Shareholders whose shareholdings are close to the limits set out in the Banking Act **are advised to ensure that they comply with the requirements of the Banking Act, and to seek the prior approval of the Minister for Finance** to continue to hold, on such terms as may be imposed by the Minister for Finance, the number of Ordinary Shares which they may hold in excess of any of such limits, as a consequence of a purchase or acquisition of Ordinary Shares by DBSH. Shareholders who are in any doubt as to the action that they should take should consult their professional adviser.

2.11 **Take-over Implications.** Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by DBSH of its Ordinary Shares are set out below:

2.11.1 ***Obligation to Make a Take-over Offer***

If, as a result of any purchase or acquisition by DBSH of its Ordinary Shares, a Shareholder's proportionate interest in the voting capital of DBSH increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. If such increase results in the change of effective control, or, as a result of such increase, a Shareholder or group of Shareholders acting in concert obtains or consolidates effective control of DBSH, such Shareholder or group of Shareholders acting in concert could become obliged to make a take-over offer for DBSH under Rule 14 of the Take-over Code.

2.11.2 ***Persons Acting in Concert***

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), cooperate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company.

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Unless the contrary is established, the following persons will be presumed to be acting in concert:

- (a) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts); and
- (b) a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies and companies of which such companies are associated companies, all with each other, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing companies for the purchase of voting rights. For this purpose, a company is an associated company of another company if the second company owns or controls at least 20% but not more than 50% of the voting rights of the first-mentioned company.

The circumstances under which the Shareholders (including the Directors) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Ordinary Shares by DBSH are set out in Appendix 2 of the Take-over Code.

2.11.3 ***Effect of Rule 14 and Appendix 2***

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, the Directors and persons acting in concert with them will incur an obligation to make a take-over offer for DBSH under Rule 14 if, as a result of DBSH purchasing or acquiring its Ordinary Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or if the voting rights of such Directors and their concert parties fall between 30% and 50% of DBSH's voting rights, the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six months. In calculating the percentages of voting rights of such Directors and their concert parties, treasury shares shall be excluded.

Under Appendix 2, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Ordinary Shares, the voting rights of such Shareholder in the Company would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six months. Such Shareholder need not abstain from voting in respect of the Ordinary Resolution authorising the Share Purchase Mandate.

Based on the interests of substantial Shareholders as recorded in the Register of Substantial Shareholders as at the Latest Practicable Date, none of the substantial Shareholders would become obliged to make a take-over offer for DBSH under Rule 14 of the Take-over Code as a result of the purchase by DBSH of the maximum limit of 2% of its issued Ordinary Shares (excluding treasury shares) as at the Latest Practicable Date.

Shareholders are advised to consult their professional advisers and/or the Securities Industry Council at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any share purchases by the Company.

LETTER TO SHAREHOLDERS

3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

3.1 **Directors' Interests.** The interests of the Directors in the Ordinary Shares, as extracted from the Register of Directors' Shareholdings, as at the Latest Practicable Date, are set out below:

| Directors | Direct Interest | | Deemed Interest | | Total Interest | |
|------------------------------------|------------------------|------------------|------------------------|------------------|------------------------|------------------|
| | No. of Ordinary Shares | % ⁽¹⁾ | No. of Ordinary Shares | % ⁽¹⁾ | No. of Ordinary Shares | % ⁽¹⁾ |
| Peter Seah Lim Huat | 202,218 | 0.0079 | – | – | 202,218 | 0.0079 |
| Piyush Gupta | 1,169,560 | 0.0456 | 318,000 | 0.0124 | 1,487,560 | 0.0580 |
| Bart Joseph Broadman | 112,956 | 0.0044 | – | – | 112,956 | 0.0044 |
| Euleen Goh Yiu Kiang | 50,860 | 0.0020 | – | – | 50,860 | 0.0020 |
| Ho Tian Yee | 32,013 | 0.0012 | – | – | 32,013 | 0.0012 |
| Nihal Vijaya Devadas Kaviratne CBE | 31,300 | 0.0012 | – | – | 31,300 | 0.0012 |
| Ow Foong Pheng | 25,839 | 0.0010 | – | – | 25,839 | 0.0010 |
| Andre Sekulic | 21,994 | 0.0009 | – | – | 21,994 | 0.0009 |
| Danny Teoh Leong Kay | 38,738 | 0.0015 | 19,099 | 0.0008 | 57,837 | 0.0023 |
| Olivier Lim Tse Ghow | 30,000 | 0.0012 | – | – | 30,000 | 0.0012 |

Note:

⁽¹⁾ Based on 2,563,870,734 issued Ordinary Shares (which excludes Ordinary Shares held in treasury) as at the Latest Practicable Date. Excludes interests in Ordinary Shares comprised in Awards.

The interests of the Directors in Ordinary Shares comprised in outstanding Awards as at the Latest Practicable Date are as follows:

| Directors | No. of Ordinary Shares comprised in outstanding Awards |
|------------------------------------|--|
| Peter Seah Lim Huat | – |
| Piyush Gupta | 984,022 |
| Bart Joseph Broadman | – |
| Euleen Goh Yiu Kiang | – |
| Ho Tian Yee | – |
| Nihal Vijaya Devadas Kaviratne CBE | – |
| Ow Foong Pheng | – |
| Andre Sekulic | – |
| Danny Teoh Leong Kay | – |
| Olivier Lim Tse Ghow | – |

LETTER TO SHAREHOLDERS

3.2 **Substantial Shareholders' Interests.** The interests of the substantial Shareholders in the Ordinary Shares, as extracted from the Register of Substantial Shareholders, as at the Latest Practicable Date, are set out below:

| Substantial Shareholders | Direct Interest | | Deemed Interest | | Total Interest | |
|--------------------------|------------------------|------------------|----------------------------|------------------|------------------------|------------------|
| | No. of Ordinary Shares | % ⁽¹⁾ | No. of Ordinary Shares | % ⁽¹⁾ | No. of Ordinary Shares | % ⁽¹⁾ |
| Temasek | 284,145,301 | 11.08 | 466,423,409 ⁽²⁾ | 18.19 | 750,568,710 | 29.27 |
| Maju | 458,899,869 | 17.90 | – | – | 458,899,869 | 17.90 |

Notes:

⁽¹⁾ Based on 2,563,870,734 issued Ordinary Shares (which excludes Ordinary Shares held in treasury) as at the Latest Practicable Date.

⁽²⁾ As Maju is a wholly-owned subsidiary of Temasek, Temasek is deemed to be interested in all the Ordinary Shares held by Maju. In addition, Temasek is deemed to be interested in 7,523,540 Ordinary Shares in which its other subsidiaries and associated companies have or are deemed to have an interest pursuant to section 4 of the Securities and Futures Act, Chapter 289 (including interests held by DBS Trustee Limited ("**DBST**") and Fullerton Fund Management Company Ltd. ("**FFMC**"). Pursuant to rulings of the Securities Industry Council dated 6 June 2013 and 19 April 2010, the interests in Ordinary Shares held by DBST and FFMC are not aggregated with that of Temasek and Maju for the purposes of Rule 14 of the Take-over Code.

4. DIRECTORS' RECOMMENDATION

The Directors are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Ordinary Resolution No. 12, being the Ordinary Resolution relating to the proposed renewal of the Share Purchase Mandate to be proposed at the 2018 AGM.

5. INSPECTION OF DOCUMENTS

The following documents are available for inspection at the registered office of the Company at 12 Marina Boulevard, Marina Bay Financial Centre Tower 3, Singapore 018982 during normal business hours from the date of this Letter up to the date of the 2018 AGM:

- (a) the consolidated financial statements of the Group for the financial year ended 31 December 2017;
- (b) the Constitution of the Company; and
- (c) the 2017 Letter.

The consolidated financial statements of the Group for the financial year ended 31 December 2017 and the 2017 Letter may also be accessed at the URLs <https://www.dbs.com/investor/group-annual-reports.html> and <https://www.dbs.com/investor/other-materials.html> respectively.

LETTER TO SHAREHOLDERS

6. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the Proposal, and the Company and its subsidiaries which are relevant to the Proposal, and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading.

Yours faithfully
for and on behalf of
the Board of Directors of
DBS GROUP HOLDINGS LTD

PETER SEAH LIM HUAT
CHAIRMAN

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