

DBS Group Holdings Ltd

Co. Reg. no.: 199901152M

RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS RECEIVED FROM DBSH SHAREHOLDERS, IN RELATION TO DBSH'S 24th ANNUAL GENERAL MEETING

29 March 2023 – DBS Group Holdings Ltd (“**DBSH**”) would like to thank our shareholders for submitting their questions in advance of DBSH's 24th 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 Friday, 31 March 2023 at 2:00 pm.

Responses to substantial and relevant questions submitted by shareholders

Due to overlaps in several of the questions received up till Friday, 17 March 2023, including questions from the Securities Investors Association (Singapore) (SIAS), 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) Business Outlook;
- (ii) Geopolitics and Economics;
- (iii) External Board Appointments;
- (iv) Financials;
- (v) Annual General Meeting Format; and
- (vi) Eagle Hospitality Trust.

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

**Appendix -
List of Questions from Shareholders for AGM 2023
(From 9 March 2023 to 17 March 2023 (deadline for submission of questions))**

Theme		Questions from Shareholders	DBS Response
Business Outlook	1.	<p>During the FY2022 results briefing, management hinted at the possibility of a \$10B net profit. Now that interest rates seem to be staying higher for longer, would hitting the target:</p> <p>a. require DBS to take on more risky loans; or</p> <p>b. will it be achieved through more 'bolt-on' acquisitions?</p>	<p>Our net profit increased from \$3.6 billion in first-half 2022 to \$4.6 billion in second-half 2022 as interest rates progressively rose. The possibility of a net profit of around \$10 billion takes the annualised second-half 2022 net profit as a base and adds the impact of mid-single-digit percentage loan growth and double-digit fee income growth as guided. We are also integrating Citigroup Taiwan's consumer banking business by end 2023. It does not require us to take on more risky loans nor does it assume more bolt-on acquisitions.</p>
	2.	<p>There were reports of DBS weighing the idea of increasing its investment into Shenzhen Rural Commercial Bank over the next few years - what was the play there and what did management see?</p> <p>Will this complement DBS Hong Kong's businesses?</p>	<p>We acquired a 13% stake in Shenzhen Rural Commercial Bank (SZRCB) in 2021 to accelerate DBS's expansion and growth in the Greater Bay Area, and create mutually beneficial collaboration between SZRCB and DBS's Hong Kong and China franchises, as well as the rest of DBS's regional network.</p> <p>We indicated an interest to increase our stake as China further liberalises its financial services sector. SZRCB has contributed meaningfully to our bottom line, and we welcome opportunities to increase our stake should existing shareholders wish to exit or if SZRCB needs additional capital for further growth.</p>
Geopolitics and Economics	3.	<p>With the challenging geopolitical and economic environment such as the conflict in Ukraine, the rising tension between US and China, the development of a multi-polar world, the US dollar losing its hegemonic status and potential fallout from collapse of Silicon Valley Bank (SVB); How does the Board:</p> <p>a. Assess the evolving risks and uncertainties;</p>	<p>The Board Risk Management Committee (BRMC) convenes regularly to review and monitor the Bank's key risk areas and profiles against risk thresholds, and risk strategy in accordance with approved risk appetite and/or guidelines.</p> <p>Global political and economic events that have material impact on our business are closely monitored. The BRMC deliberates on the findings and impact assessment arising from scenario analyses and portfolio reviews and is kept informed on the measures taken to mitigate the risks/uncertainties.</p> <p>Risks and opportunities arising from such events are carefully considered and</p>

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		<p>b. Protect shareholder value whilst navigating for desired outcomes; and</p> <p>c. Does DBS have insurance policies in place to manage the said risks? Kindly elaborate as appropriate.</p>	<p>evaluated. A balanced approach between risk and opportunities would be taken to protect shareholder interests/value.</p> <p>The bank has insurance policies relating to crime and professional indemnity, directors and officers liability, cyber security risk, property damage and business interruption, general liability, and terrorism.</p>
External Board Appointments	4.	<p>Ms Tan Su Shan, DBS' Group Head of Institutional Banking, was appointed late last year to Weybourne Holdings, Dyson's holding company.</p> <p>Is this appropriate given that she is an employee of the Bank?</p> <p>Would there be a conflict of interest if Dyson is the Bank's customer, and if so, how does the Bank intend to manage this?</p>	<p>Ms Tan is a non-executive director of Weybourne Group. As non-executive director, she plays no role in the day-to-day operations of its subsidiary companies.</p> <p>Her appointment was subject to DBS' strict compliance framework governing external board appointments. The bank also has stringent protocols in place to manage potential conflicts of interest, which employees are required to adhere to. For example, Ms Tan would recuse herself from any DBS deliberations related to the Weybourne Group.</p>
Financials	5. (a)	<p>In the annual report, under note 37.2 Hedging derivatives - the underlying notional total derivatives held for hedging increased from \$70B to \$100B in 2022.</p> <p>What are the relevant points to note for this increase and should there be cause for concern?</p>	<p>The Group enters into hedging transactions as part of normal business operations and in accordance with our risk management strategy. These comprise:</p> <ol style="list-style-type: none"> 1. Hedges of capital in overseas subsidiaries and investments: The non-trading FX exposures arising from our overseas investments are managed with the primary aim of protecting our capital ratios from FX fluctuations. In doing so, we may, taking hedging costs into consideration, fully, partially or not hedge these exposures. These hedges are shown under 'Net investment hedges'. 2. Hedges of foreign currency mismatches: We enter into short-dated FX swap contracts, where deposits in one currency are swapped to deploy into loans and other assets in another currency, due to the different preferences of depositors and borrowers. These hedges are shown under 'Cash flow hedges - FX contracts'.

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			<p>3. Hedges of interest rate risk: The Group enters into either fair value or cash flow hedges to manage interest rate risk in its assets and liabilities. For example:</p> <ul style="list-style-type: none"> • Fair value hedges: The Group holds a markets portfolio of fixed rate bonds. To hedge the duration risk, we use interest rate swaps to pay away the fixed yield and receive variable payments in exchange. These hedges are shown under 'Fair value hedges – Interest rate swaps'. • Cash flow hedges: The Group hedges a portion of our floating rate loans to fixed rate to reduce the variability of net interest income. These amount to 6% of our commercial book interest-bearing assets, and are reflected under 'Cash flow hedges – Interest rate swaps'. <p>As these hedging transactions serve to mitigate our risk exposure, you should not have any cause for concern.</p>
	(b)	<p>On page 189 "5-year summary" of the annual report:</p> <p>a. Please advise why was the net asset per share of \$21.17 in 2022 about the same as \$21.47 in 2021 even though the dividend payout is about 60% of 2022 earnings.</p> <p>In relation to note 35.1 on page 158 of the annual report:</p> <p>a. What is the nature of the various unfavourable movement in Other Reserves; and</p>	<p>1. The relatively constant net asset per share is attributable to 2022's earnings being offset by dividends paid and movements in the Other Reserves (cash flow hedge reserves, FVOCI reserves and foreign currency translation reserves). Note 35 of our annual report contains further details on the movements in Other Reserves.</p> <p>2. These largely relate to movements in the FVOCI revaluation reserves and cash flow hedge reserves, as a result of the higher interest rate environment. These reserves would reverse favourably over the tenor of the debt securities and hedges, and as interest rates decline. We have seen a partial reversal in 1Q'2023.</p>

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		b. what is the probability of a favourable reversal in the future.	
Annual General Meeting Format	6.	<p>I appreciate the in-person AGM this year but hope management will make avail shareholders the option to participate in the AGM virtually as it saves shareholders time and not having to apply leave from work.</p> <p>Is the interactive AGM done for good?</p>	<p>As the COVID-19 stabilises in Singapore and the DORSCON level has been lowered to Green, it is an opportune time to transition back to a wholly physical annual general meeting (“AGM”). Relative to a hybrid AGM, our view is that a wholly physical format would allow shareholders and other stakeholders to engage more effectively with the Board and Management.</p>
Eagle Hospitality Trust ("EHT")	7.	<p>a. Given that “in March 2020, DBS held 37 million EHT stapled securities”, and the number of EHT stapled securities as at 31 March 2020 was 872,750,118, DBS owned 4.239% of EHT at the time of its voluntary trading suspension. At the time of EHT listing, what is the shareholding interest of DBS in EHT?</p> <p>b. For DBS’ equity exposure to EHT, what was the amount (in USD) of ‘accumulated impairment’ booked so far?</p> <p>c. What did the Audit Committee do in FY2022 to recover its equity exposure to EHT?</p>	<p>DBS held 26 million EHT stapled securities at the point of listing and added a further 11 million for its proprietary investment portfolio.</p> <p>As we indicated in our response posed for the 2022 AGM, the associated cost in aggregate was SGD34 million.</p> <p>DBS has since written off its investment in the EHT stapled securities as the stapled security holders are not expected to receive any distributions from the liquidating trusts interests.</p>