



Live more,  
Bank less

# **DBS Group Holdings Ltd**

## **Fixed Income Investor Presentation**

*1H 2020 Financial Results*

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# Agenda

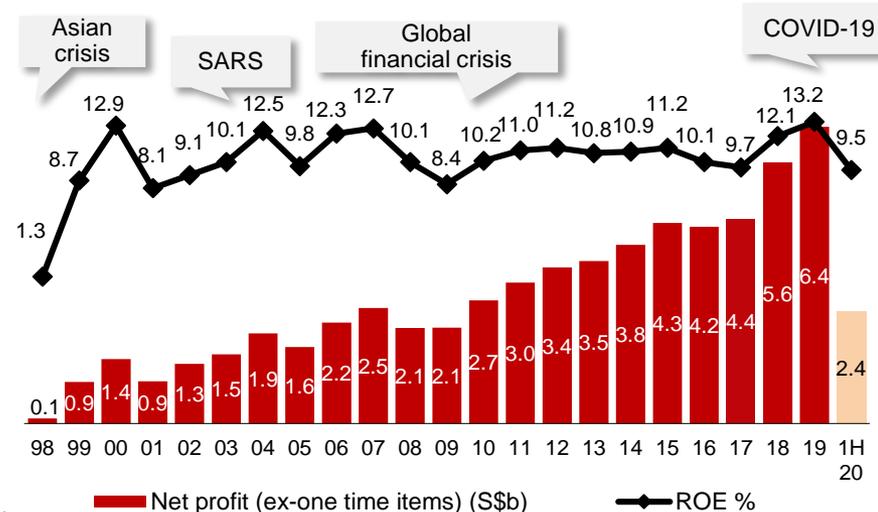
- Franchise highlights**
- Balance sheet and capital adequacy**
- Wholesale funding**
- Appendices**

# DBS – leading Asian banking group

## Franchise

- ▶ **Aa1 / AA- / AA-<sup>1/</sup>, largest banking group in Southeast Asia by assets**  
S\$648b (US\$490b) as at 30 Jun 20
- ▶ **Listed and headquartered in Singapore**  
only AAA/Aaa-rated sovereign in region
- ▶ **Temasek<sup>2/</sup> the largest shareholder**  
29.3% stake as at 30 Jun 20
- ▶ **Proven earnings track record, focused on sustainable growth in Asia**  
1H20 net profit<sup>3/</sup> of S\$2.4b (US\$1.7b)  
ROE<sup>3/</sup> of 9.5%
- ▶ **Accolades**
  - World’s Best Bank (*Euromoney* 2019)
  - Global Bank of the Year (*The Banker* 2018)
  - Best Bank in the World (*Global Finance* 2018)
  - World’s Best Digital Bank (*Euromoney* 2018)

Proven earnings track record



## Balance sheet strengths

Among the strongest banks regionally in terms of funding, liquidity and capital:

- ▶ **Leading market share of low cost and stable SGD retail deposits**
- ▶ **LCR of 134%, NSFR of 121%<sup>4/</sup>**
- ▶ **CET1 CAR of 13.7%**
- ▶ **Leverage ratio of 6.8%**

1/ Ratings for DBS Bank Ltd.

2/ Temasek Holdings is wholly owned by the Singapore Minister for Finance. The Minister for Finance is a body corporate under the Singapore Minister for Finance (Incorporation) Act (Chapter 183)

3/ Net profit attributable to shareholders and excludes one-time items

4/ LCR and NSFR are reported for DBS Bank Group pursuant to regulatory requirements. In addition, LCR is the average all-currency liquidity coverage ratio for 1H20

# Committed to building an Asia-centric commercial bank

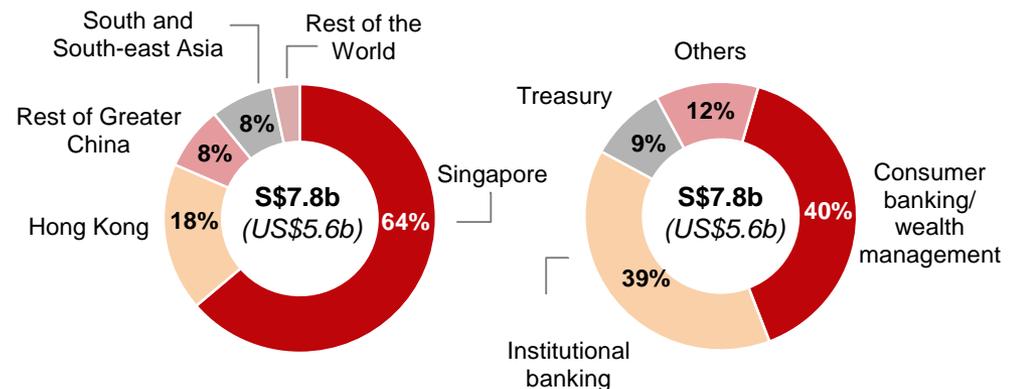
## Unique pan-Asia footprint

- ▶ 82% of total income from Singapore and Hong Kong, the two highest-rated jurisdictions in Asia
- ▶ Growing presence in rest of Greater China, India and Indonesia
- ▶ Focused on intermediating trade and investment flows between Asia's key axes of growth – Greater China, South Asia and SEA

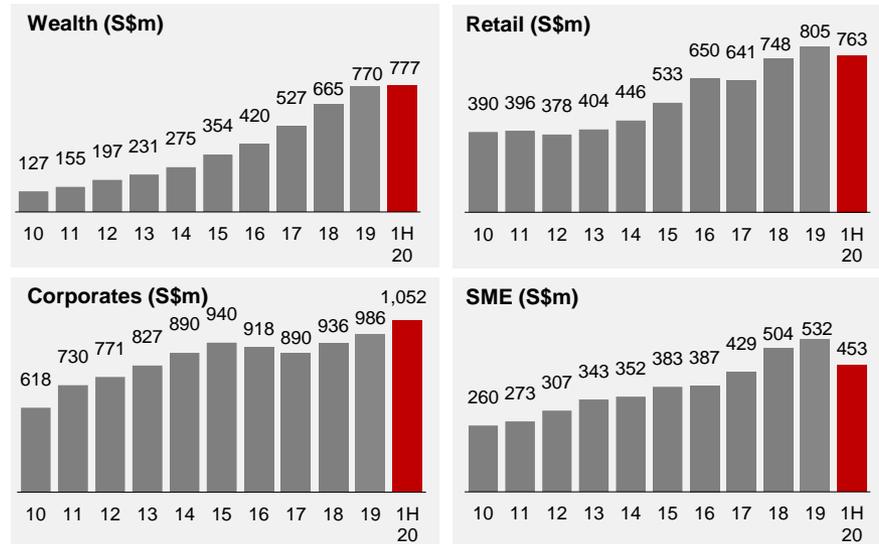
## Strategy delivering growth in targeted segments

- ▶ Retail / Wealth and Institutional Banking contribute 79% of total income
- ▶ In Singapore, DBS is a universal bank serving all customer segments
- ▶ In other markets, DBS seeks to build regional franchises in specific segments

Total income mix 1H20

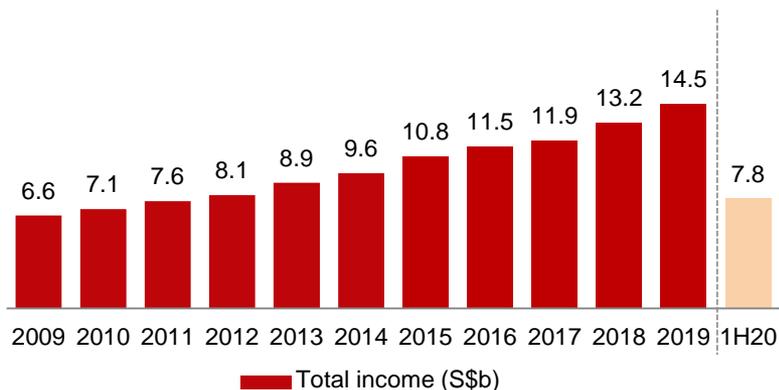


Average quarterly income of selected segments

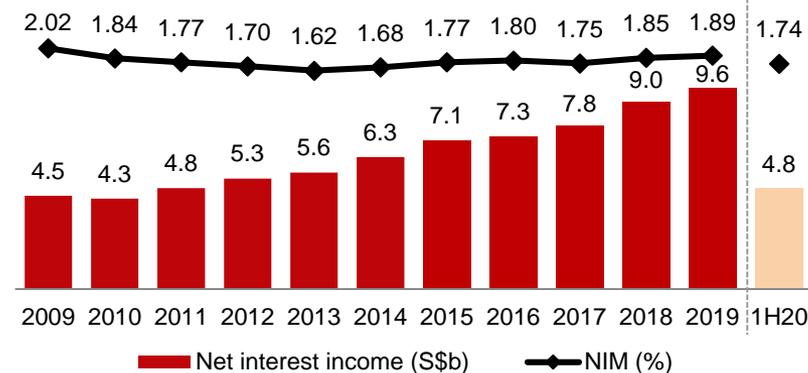


# Consistent financial performance reflecting successful execution of strategic priorities and strength of franchise

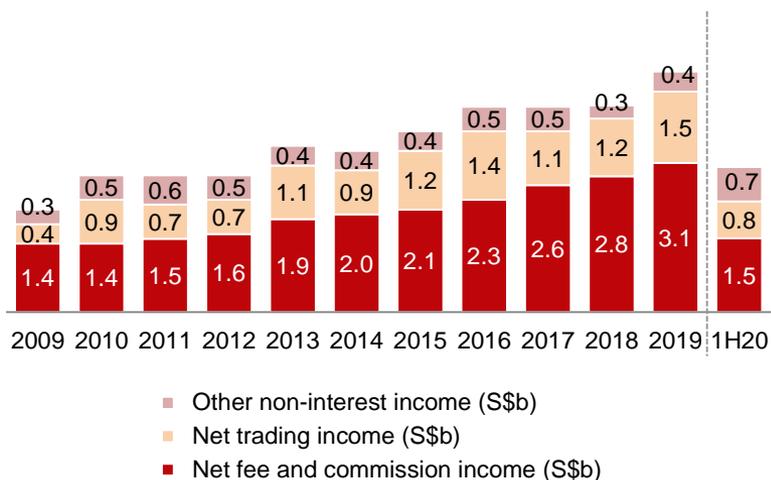
## Total income



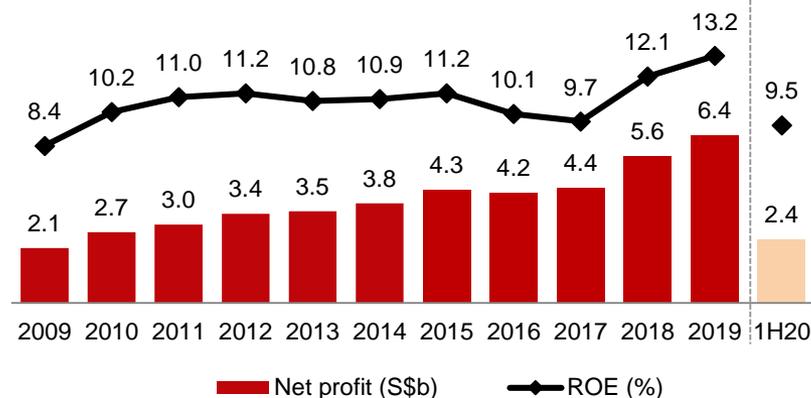
## Net interest income



## Non-interest income



## Net profit <sup>1/</sup>



<sup>1/</sup> Net profit attributable to shareholders and excludes one-time items

# Approach to sustainability

Find out more at [go.dbs.com/sustainability](https://go.dbs.com/sustainability)

## UN Sustainable Development Goals (“SDGs”)

- ▶ As a member of the United Nations Global Compact, we are committed to driving progress towards achieving SDGs
- ▶ We have chosen to focus on six SDGs



## Strong ESG ratings <sup>1/</sup>

	<b>B</b> (Jan 2020)
 In Collaboration with RobecoSAM	<b>Included in DJSI Asia Pacific</b> (Sep 2019)
	<b>AA</b> (Oct 2019)
	<b>25.1<sup>2/</sup></b> (Jul 2020)

## Sustainability approach organised around three pillars:

- ▶ Our approach to sustainability is based on three pillars – (i) **Responsible banking**, (ii) **Responsible business practices** and (iii) **Creating social impact** which include Environmental (E), Social (S) and Governance (G) matters

Environment (E)	Social (S)	Governance (G)
<ul style="list-style-type: none"> <li>✓ ESG integration in credit risk policy, lending decisions</li> <li>✓ Specific sector lending policies (palm oil, oil and gas, power, chemicals, infrastructure etc.)</li> <li>✓ ESG-related prohibited transactions</li> <li>✓ Active contributor of green loans, sustainability linked loans and renewable energy financing (SGD 5bn in 2019), and green/social bonds</li> <li>✓ First bank in Southeast Asia to sign up to the Equator Principles</li> <li>✓ Launched world's first Sustainable and Transition Finance Framework and Taxonomy by a bank</li> <li>✓ Commitment to 100% renewable energy use in Singapore operations by 2030</li> <li>✓ Founding member of Singapore's first industry workgroup promoting sustainable procurement</li> </ul>	<ul style="list-style-type: none"> <li>✓ Supporting SMEs: SGD 37.2bn financing in 2019</li> <li>✓ Established SGD 10.5m “Stronger Together” fund for meals and medical equipment to Covid-19 affected communities in DBS key markets</li> <li>✓ Subsidised banking services for the young, seniors, national servicemen, migrant workers and those under public assistance schemes</li> <li>✓ Employee diversity – (board diversity policy, included in Bloomberg Gender-Equality Index)</li> <li>✓ Employee talent management and retention programme built around digitalisation (Kincentric Best Employer in Singapore and Regional Best Employer in Asia Pacific 2019)</li> <li>✓ DBS Foundation: Championing social entrepreneurship across Asia</li> </ul>	<ul style="list-style-type: none"> <li>✓ High standards of corporate governance (anchored on competent leadership, effective internal controls, strong risk culture and accountability to shareholders)</li> <li>✓ 1st company in Singapore to have won Best Managed Board, Best CEO, Best CFO, Best Annual Report and Best Investor Relations at the Singapore Corporate Awards</li> <li>✓ Robust cyber security &amp; financial crime prevention policies (no material instances of customer data loss and non-compliance with laws and regulations in financial crime)</li> </ul>

<sup>1/</sup> DBS' sustainability approach has been recognised by numerous awards and indices including: Bloomberg Gender-Equality Index, FTSE4Good Index, Euromoney Region's Best Bank for CSR 2020, Social Enterprise Champion of the Year award at the President's Challenge Social Enterprise Awards, Securities Investors Association (Singapore) Sustainability Award, Singapore Environmental Achievement Awards and SGX ESG Indices “Leaders Index and Transparency Index”

<sup>2/</sup> Total ESG risk score: the lower the score is, the better the organisation's management of ESG risk.

# Agenda

Franchise highlights

Balance sheet and capital adequacy

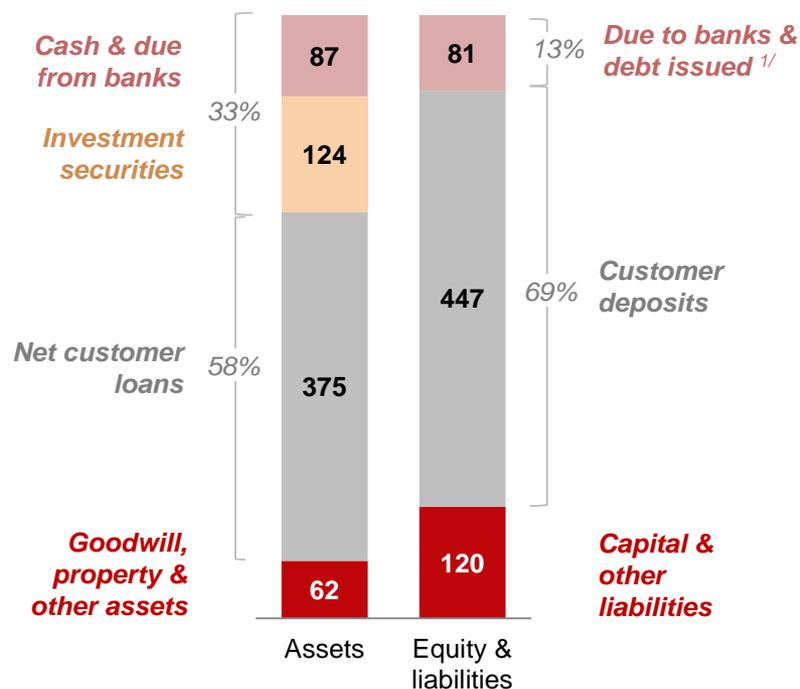
Wholesale funding

Appendices

# Strong liquidity position supported by leading market share in stable low-cost SGD retail deposits

30 Jun 20

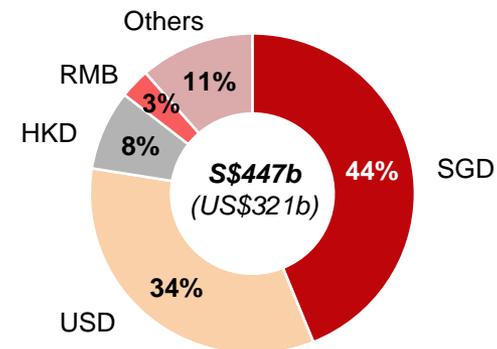
**Balance sheet (S\$b)**



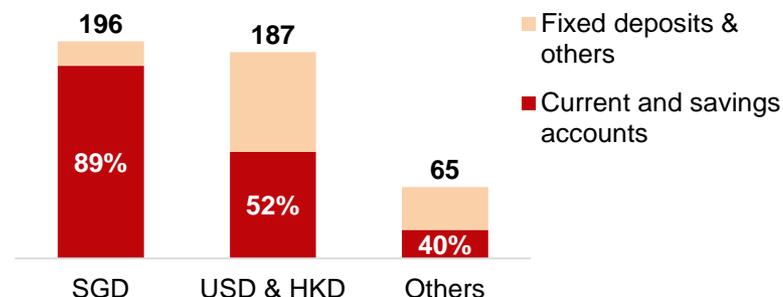
**Ratios (%)**

LDR	84
LCR	134 <sup>2/</sup>
NSFR	121

**Customer deposits by currency**



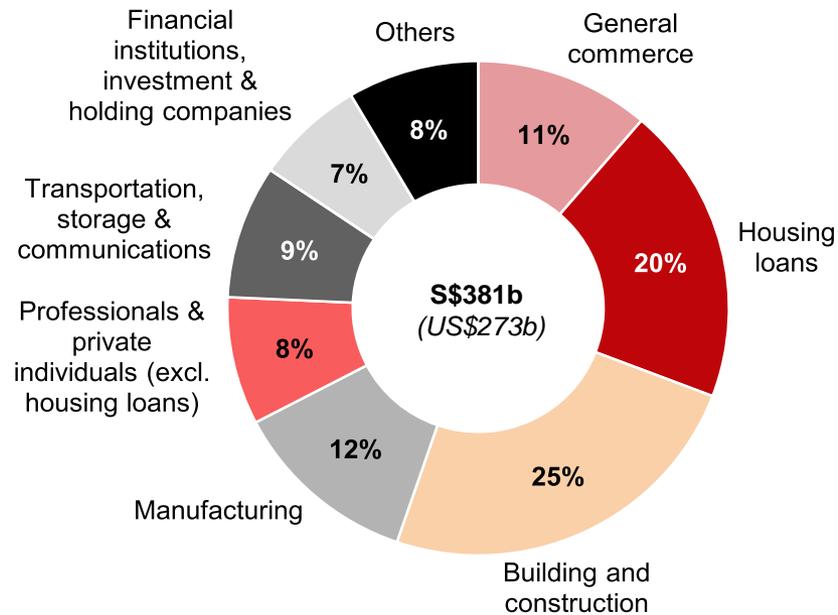
**Customer deposits (S\$b) – 66% current and savings accounts**



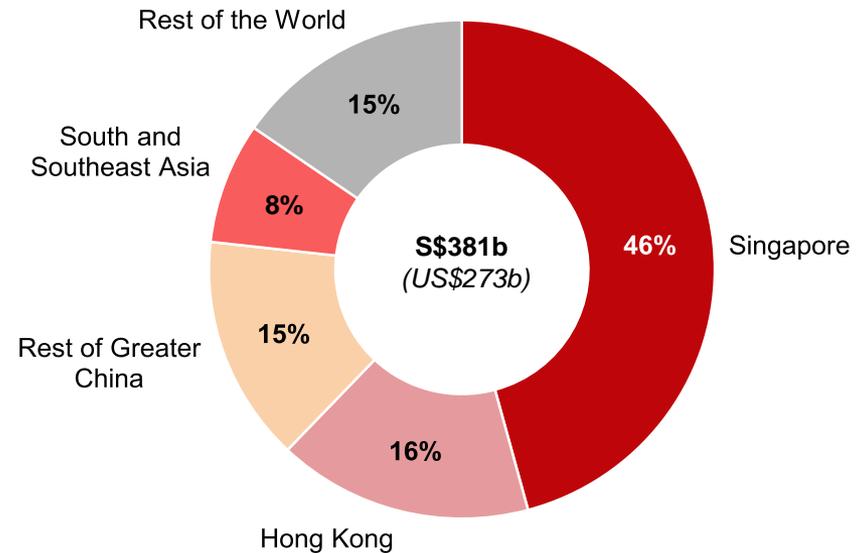
<sup>1/</sup> Debt issued includes medium term notes, commercial papers, certificates of deposit and other debt securities, and excludes subordinated debt  
<sup>2/</sup> Average all-currency liquidity coverage ratio for 1H20

# Well-diversified loan portfolio

Loan mix by industry



Loan mix by geography <sup>1/</sup>



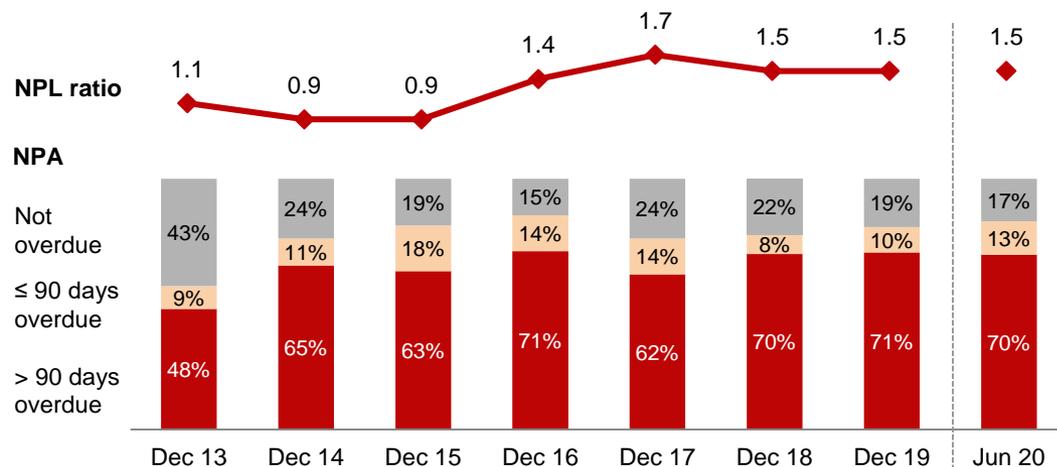
Gross customer loans  
30 Jun 20



<sup>1/</sup> Classified according to the country of incorporation of the borrower, or the issuing bank in the case of bank-backed export financing

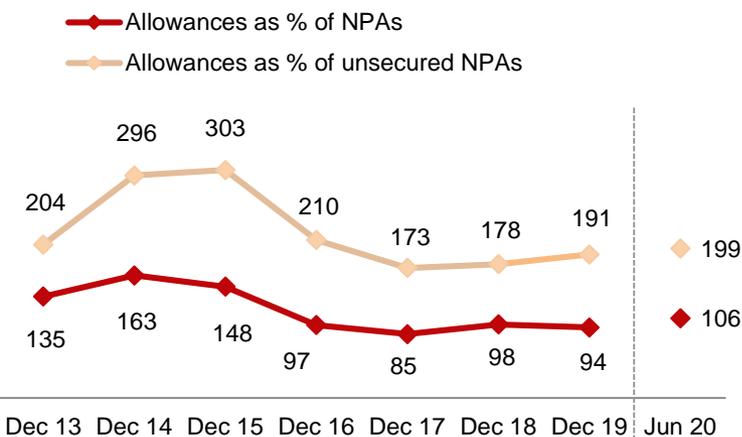
# Asset quality remains stable, allowances increased to fortify balance sheet

NPL ratio (%)

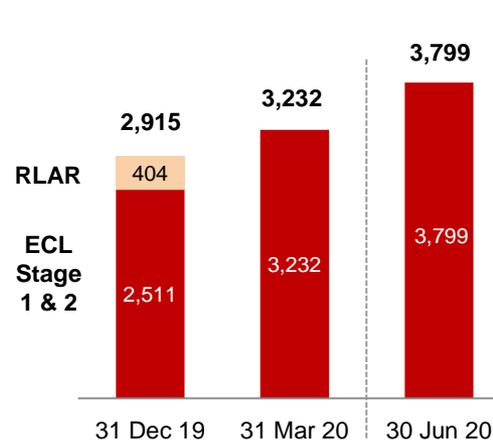


- ▶ NPL ratio increased from 0.9% as of end-2015 to 1.7% as of end-2017
  - Increase was due to NPLs from the oil and gas support services sector
  - In 3Q 2017, all residual weak cases in the oil and gas support services sector were recognised as NPLs
  - If the oil and gas support services sector was omitted, the NPL rate in 2017 would have been at 0.9%
- ▶ For 1H 2020, ECL Stage 3 (SP) charges was 30 basis points <sup>1/</sup> of loans, an increase of 9 basis points from 2H 2019

NPA coverage <sup>2/</sup> (%)



Expected Credit Loss (\$m)



- ▶ For Singapore D-SIBs:
  - Expected Credit Loss (“ECL”) requirement
  - MAS requirement for non-credit impaired exposures: 1% of exposures net of collaterals
- ▶ Difference between ECL and MAS requirement is transferred to a non-distributable regulatory loss allowance reserve (“RLAR”)



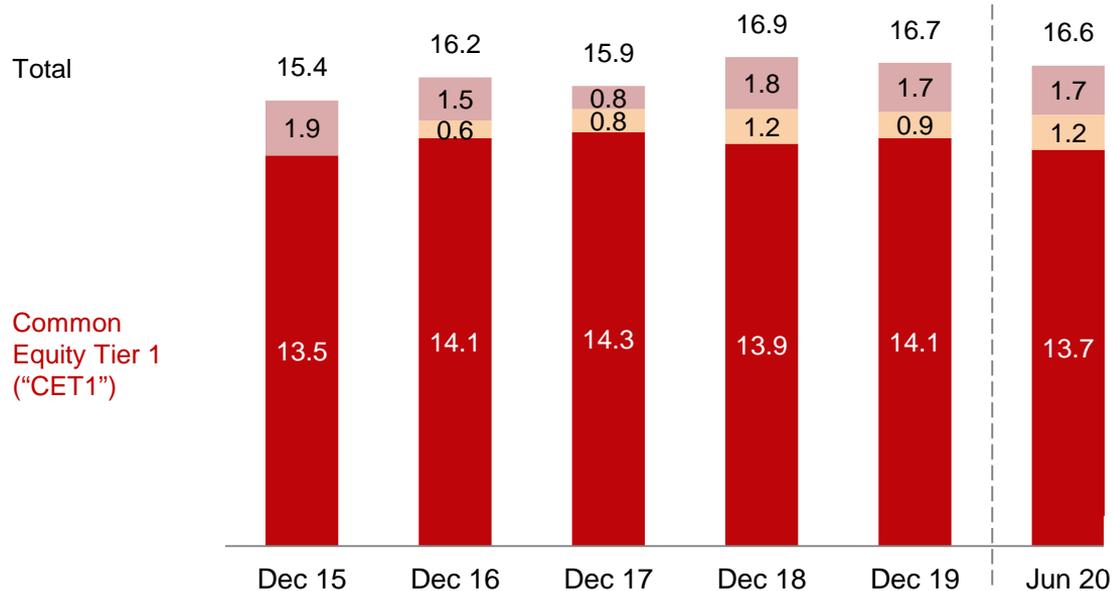
<sup>1/</sup> ECL Stage 3 (SP) for loans / average loans

<sup>2/</sup> Computations from 1 Jan 2018 onwards include RLAR as part of allowances

# Strong capital adequacy

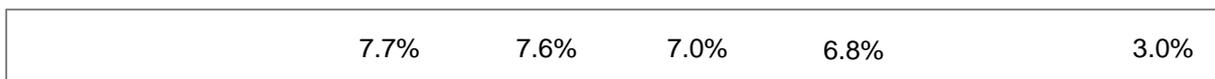
## Regulatory ratios (%)

### Capital adequacy ratios



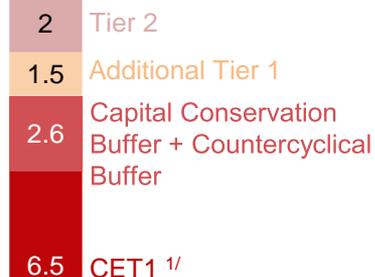
Common Equity Tier 1 ("CET1")

### Leverage ratio



## Regulatory minima (%)

12.6 Total



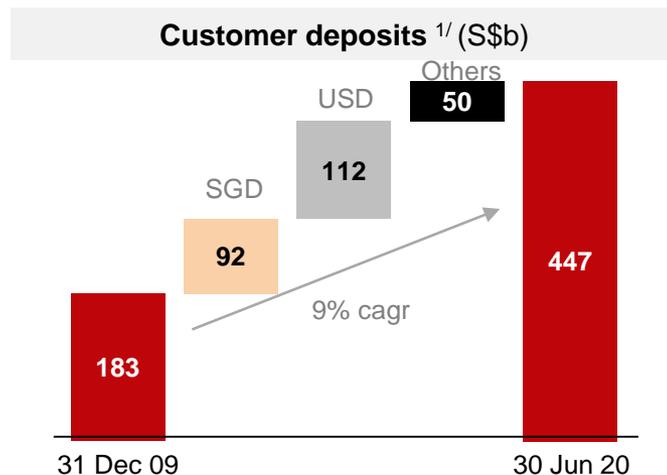
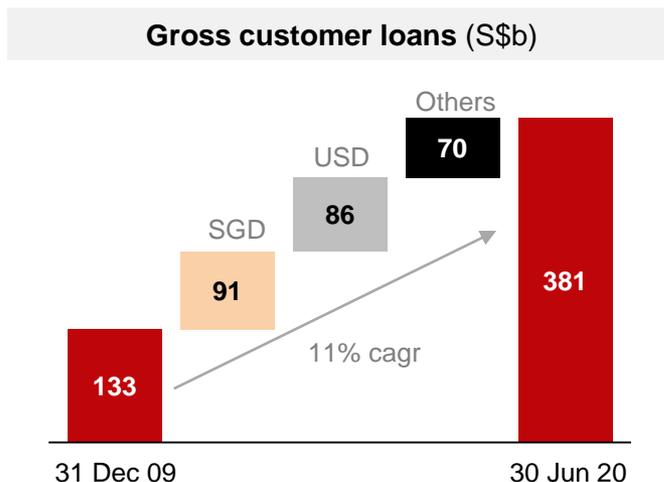
<sup>1/</sup> Includes 2% higher loss absorbency requirement as DBS Bank is a domestic systemically important bank. Singapore Pillar 2 requirements are undisclosed and must be met with CET1 capital. MAS has not indicated any further loss absorption requirements

# Agenda

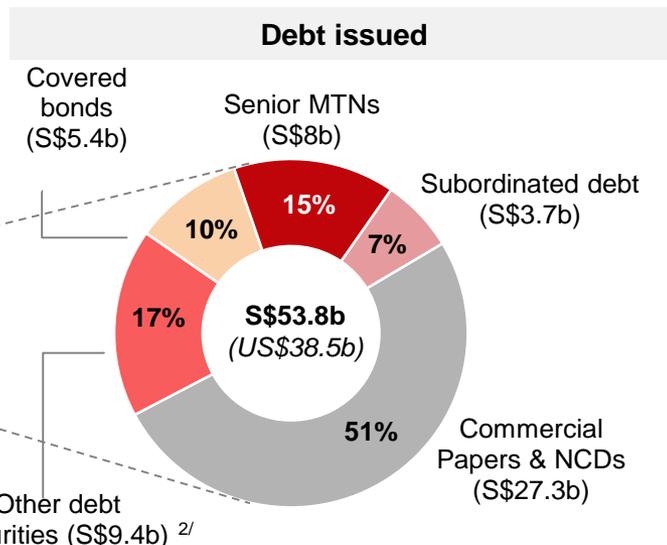
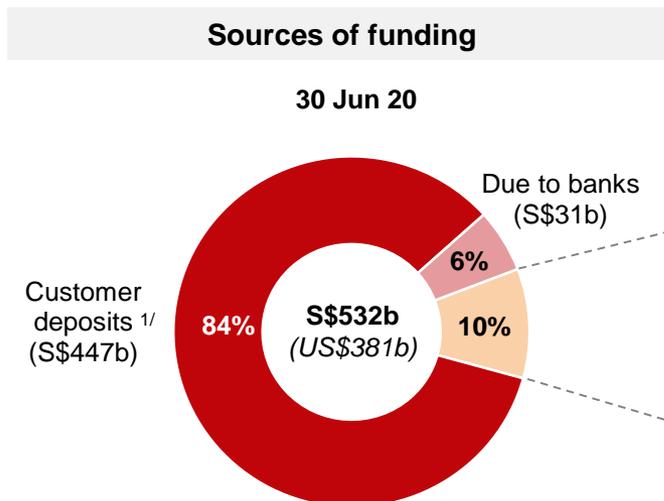
- ❑ Franchise highlights
- ❑ Balance sheet and capital adequacy
- ❑ Wholesale funding
- ❑ Appendices

# Wholesale funding: Diversifying for business stability

- ▶ Well-funded in SGD due to SGD deposit franchise
- ▶ Improved SGD balance sheet efficiency since 2009
- ▶ At the same time strengthened USD deposit base



- ▶ Wholesale funding complements deposits in the funding mix



<sup>1/</sup> Including deposits related to fund management activities from 2012 onwards. Prior to 2012, these deposits were classified as "Due to banks"

<sup>2/</sup> Including interest linked notes, credit linked notes and equity linked notes

# Expanding debt investor bases beyond Singapore

Selected public issuances since 2013 <sup>1/</sup>:



USD

### Capital

- ▶ US\$1b AT1 Perpetual Capital Securities in Feb 2020
- ▶ US\$750m T2 Subordinated Notes in Jun 2018
- ▶ US\$750m AT1 Perpetual Capital Securities in Sep 2016

### Senior

- ▶ US\$750m Senior Notes in Apr 2019
- ▶ US\$500m Senior Notes in Jul 2017 (Green)
- ▶ US\$750m Senior Notes in Jun 2017
- ▶ US\$1.25b Senior Notes in Jul 2014

### Covered

- ▶ US\$1.25b Covered Bonds in Nov 2018
- ▶ US\$1b Covered Bonds in Aug 2015



EUR

### Capital

- ▶ €600m T2 Subordinated Notes in Apr 2018

### Covered

- ▶ €500m Covered Bonds in Nov 2017
- ▶ €750m Covered Bonds in Jan 2017

### Capital

- ▶ A\$750m T2 Subordinated Notes in Mar 2018

### Senior

- ▶ A\$750m Senior Notes in Jul 2020
- ▶ A\$700m Senior Notes in Sep 2019
- ▶ A\$600m Senior Notes in Aug 2018
- ▶ A\$300m Senior Notes in Mar 2017

### Covered

- ▶ A\$750m Covered Bonds in Oct 2019
- ▶ A\$900m Covered Bonds in Sep 2017
- ▶ A\$750m Covered Bonds in Jun 2016



AUD

USD



GBP



JPY



HKD



AUD



CNH



Private placements:



<sup>1/</sup> By issuance date

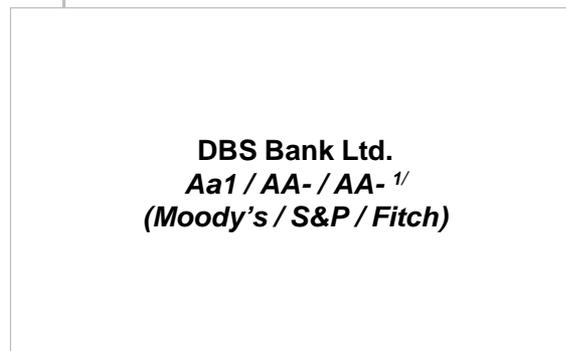
# Corporate structure and issuing entities

*Straightforward balance sheet with DBS Bank as the sole directly-held operating subsidiary*



100% ownership

*DBS Bank holds other subsidiaries of the group*



*Main banking subsidiaries*



## DBS Group Holdings

### Additional Tier 1, Tier 2 and senior MTNs

- ▶ 144A / Reg S GMTN programme
- ▶ Public benchmarks and private placements

## DBS Bank

### Senior MTNs and covered bonds

- ▶ 144A / Reg S GMTN & Global Covered Bond programmes
- ▶ Public benchmarks (covered and senior) and private placements (senior)

### Commercial paper

- ▶ USD: USCP programme
- ▶ Multi-currency: ECP programme

## DBS Bank subsidiaries

### Certificates of deposit

- ▶ Hong Kong: Multi-currency programme
- ▶ Taiwan: Local currency programme
- ▶ Indonesia: Stand-alone issuances

### Senior MTNs

- ▶ Stand-alone documentation
- ▶ Local currency public benchmarks and private placements



<sup>1/</sup> Senior unsecured ratings

<sup>2/</sup> DBS Bank (China) Limited had issued Tier 2 subordinated notes externally. These do not qualify as eligible capital of DBS Group Holdings Ltd on a consolidated basis

# Agenda

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# Appendix 1: Capital – outstanding issuances

Notional Outstanding	Description	Issue Date	First Call Date	Maturity Date
<b>Additional Tier 1</b>				
<b>Issued by DBS Group Holdings (Basel III Instruments)</b>				
USD 1,000 million	3.30% Perpetual Capital Securities	Feb 2020	Feb 2025	n/a
SGD 1,000 million	3.98% Perpetual Capital Securities	Sep 2018	Sep 2025	n/a
USD 750 million	3.60% Perpetual Capital Securities	Sep 2016	Sep 2021	n/a
<b>Issued by DBS Bank (“Old-style” Instruments)</b>				
SGD 800 million	4.70% Preference Shares	Nov 2010	Nov 2020	n/a
<b>Tier 2</b>				
<b>Issued by DBS Group Holdings (Basel III Instruments)</b>				
JPY 7,300 million	0.85% Subordinated Notes	Jun 2018	Jun 2023	Jun 2028
USD 750 million	4.52% Subordinated Notes	Jun 2018	Dec 2023	Dec 2028
RMB 950 million	5.25% Subordinated Notes	May 2018	May 2023	May 2028
EUR 600 million	1.50% Subordinated Notes	Apr 2018	Apr 2023	Apr 2028
AUD 750 million	Floating Rate Subordinated Notes	Mar 2018	Mar 2023	Mar 2028
HKD 1,500 million	3.24% Subordinated Notes	Apr 2016	Apr 2021	Apr 2026
JPY 10,000 million	0.918% Subordinated Notes	Mar 2016	n/a	Mar 2026
SGD 250 million	3.80% Subordinated Notes	Jan 2016	Jan 2023	Jan 2028

## Appendix 2: Capital – Singapore non-viability loss absorbency regime

Excerpt from *MAS Notice 637 on Risk Based Capital Adequacy Requirements for Banks Incorporated in Singapore* <sup>1/</sup>

Annex 6B: Requirements to ensure loss absorbency at the point of non-viability (p. 6-46)

- 1.1 [...] AT1 capital instruments and Tier 2 capital instruments contain provisions which ensure their loss absorbency at the point of non-viability. In this regard, the terms and conditions of all AT1 capital instruments and Tier 2 capital instruments issued by the Reporting Bank shall have a provision that requires such instruments, at the option of the Authority, to either be partially or fully written off ... upon the occurrence of the trigger event<sup>85</sup>.
- 1.4 The trigger event shall be the earlier of:
- a) the Authority notifying the Reporting Bank in writing that the Authority is of the opinion that a write-off or conversion is necessary, without which the Reporting Bank would become non-viable; and
  - b) the Authority's decision to make a public sector injection of capital, or equivalent support, without which the Reporting Bank would have become non-viable, as determined by the Authority.
- 1.5 The Authority may take into account, among other considerations, the following<sup>85B</sup> in assessing a Reporting Bank's viability-
- a) whether the assets of the Reporting Bank are, in the Authority's opinion, sufficient to provide adequate protection to the Reporting Bank's depositors and creditors;
  - b) whether the Reporting Bank has lost the confidence of depositors, other creditors or the public. This may be characterised by ongoing increased difficulty of the Reporting Bank in obtaining or rolling over short-term funding;
  - c) whether the Reporting Bank's regulatory capital has, in the Authority's opinion, reached a level, or is eroding in a manner, that may detrimentally affect its depositors or creditors;
  - d) whether the Reporting Bank failed to pay any liability that has become due and payable or, in the Authority's opinion, will not be able to pay its liabilities as they become due and payable;
  - e) whether the Reporting Bank failed to comply with an order of the Authority to increase its capital;
  - f) whether in the Authority's opinion, any other state of affairs exists in respect of the Reporting Bank that may be materially prejudicial to the interests of the Reporting Bank's depositors or creditors or the owners of any assets under the Reporting Bank's administration; and
  - g) whether the Reporting Bank is able to recapitalise on its own through the issuance of ordinary shares or other forms of regulatory capital.

Footnotes:

85 A write-off or conversion shall not constitute an event of default for the capital instruments.

85B In its assessment, the Authority will bear in mind the aim of the requirements above, which is to ensure loss absorbency at the point of non-viability. **The Authority will also have full discretion to not trigger the provision under paragraph 1.1 of Annex 6B even if the Reporting Bank is assessed to have ceased, or is about to cease, to be viable.**

## Appendix 3: Singapore resolution regime

“Resolution of financial institutions (“**FIs**”) in Singapore is governed by the Monetary Authority of Singapore Act. The resolution regime has been strengthened in line with the Financial Stability Board’s *Key Attributes of Effective Resolution Regimes for Financial Institutions*.”

### Resolution Authority

- ▶ Monetary Authority of Singapore

### In-scope Entities

- ▶ All FIs in Singapore, including branches of foreign banks

### Trigger conditions for exercise of resolution powers

With regards entry into resolution, MAS may have regard to:

- ▶ Whether a failure of the FI would have a widespread adverse effect on the financial system in Singapore and/or the economy of Singapore;
- ▶ Whether it is in the public interest to do so; and
- ▶ Any other matter that MAS considers relevant

### Resolution Tools, Powers and Approach

- ▶ **Tools:** transfer of business or shares to a private sector acquirer, transfer of business to a bridge entity, transfer of assets to an asset management company, bail-in, run-off <sup>2/</sup>, liquidation
- ▶ **Powers:** statutory bail-in, temporary stays and suspensions of shareholders’ and creditors’ rights, compulsory transfer of shares, cross-border recognition of resolution actions
- ▶ **Approach:** MAS’ resolution approach will be guided primarily by its resolution objectives and other considerations. Among the other considerations (e.g., *preference for private sector resolution, systemic importance of the non-viable FI, achieving cooperative solutions with foreign authorities, cost-efficiency, timeliness and expediency of resolution, creditor hierarchy etc.*), MAS will, as far as possible, seek private sector solutions before exploring resolution strategies that involve government or public sector support

## Appendix 3: Singapore resolution regime (Cont'd)

### Bail-in Regime

MAS has been granted statutory powers to bail-in liabilities of a non-viable FI under resolution:

- ▶ **Bail-in liabilities**<sup>1/</sup> for Singapore-incorporated banks and bank holding companies
  - Equity instruments that confer a legal or beneficial ownership, other than ordinary shares
  - Unsecured subordinated debt and loans
  - Contingent convertible instruments and contractual bail-in instruments

### Creditor Safeguards in a resolution

- ▶ **No Creditor Worse Off Than in Liquidation (“NCWOL”) provision** entitling shareholders and creditors to receive under resolution at least what they would have received under liquidation of the FI
- ▶ **Protection of Financial Arrangements.** The integrity of protected financial arrangements will be preserved when MAS exercises its resolution powers
  - a. **Secured liabilities:** MAS will ensure that secured creditors' claims are not separated from the assets securing the liabilities
  - b. **Set-off and netting arrangements:** In relation to financial contracts, such as derivatives and commodities contracts, MAS will ensure that individual contracts with a particular counterparty that are subject to the same set-off or netting arrangements will be transferred in their entirety (or not transferred at all) to protect the interests of the counterparties
- ▶ An **independent valuation** will be carried out to ascertain if NCWOL principle is adhered to, and to determine the potential amount of compensation payable (if any)
- ▶ **Rights to appeal** to the High Court and Court of Appeal of Singapore if dissatisfied with eligibility for compensation or compensation amount