



Live more,
Bank less

DBS Group Holdings Ltd

Fixed Income Investor Presentation

August 2018

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Agenda

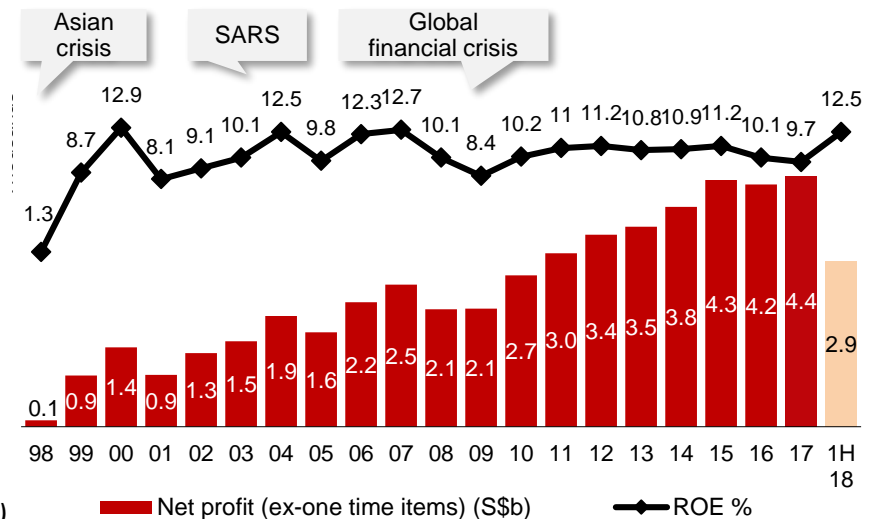
- Franchise highlights**
- Balance sheet and capital adequacy**
- Wholesale funding**
- Appendices**

DBS – leading Asian banking group

Franchise

- ▶ **Aa1 / AA- / AA-^{1/}, largest banking group in Southeast Asia by assets**
S\$540b (US\$396b) as at 30 Jun 18
- ▶ **Listed and headquartered in Singapore,** only AAA/Aaa-rated sovereign in region
- ▶ **Temasek^{2/} the largest shareholder,** 29.3% stake as at 30 Jun 18
- ▶ **Proven earnings track record, focused on sustainable growth in Asia**
1H18 net profit^{3/} of S\$2.9b (US\$2.1b), ROE^{3/} of 12.5%
- ▶ **Digital strategy**
– 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 135%^{4/}, NSFR of 110%**
- ▶ **CET1 of 13.6% on a Basel III fully phased-in basis vs. MAS's 2019 requirement of 9%^{5/}**
- ▶ **Leverage ratio at 7.0% vs. MAS 3% minimum requirement**

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/ Average all-currency liquidity coverage ratio for 2Q18

5/ Includes capital conservation buffer; excludes countercyclical buffer



Committed to building an Asia-centric commercial bank

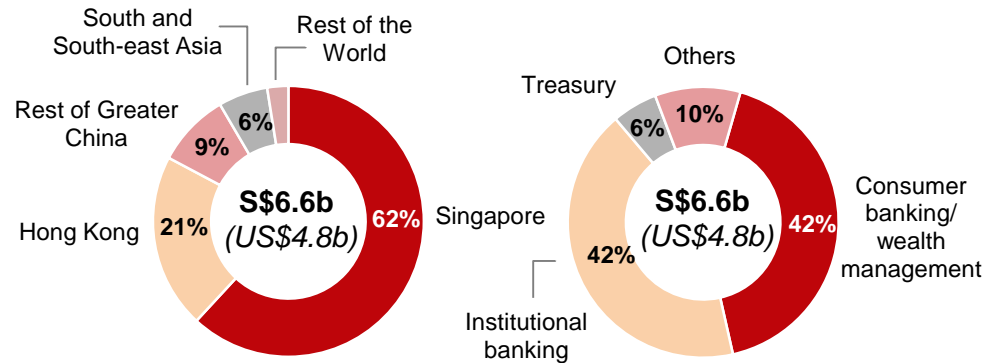
Unique pan-Asia footprint

- ▶ 83% 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

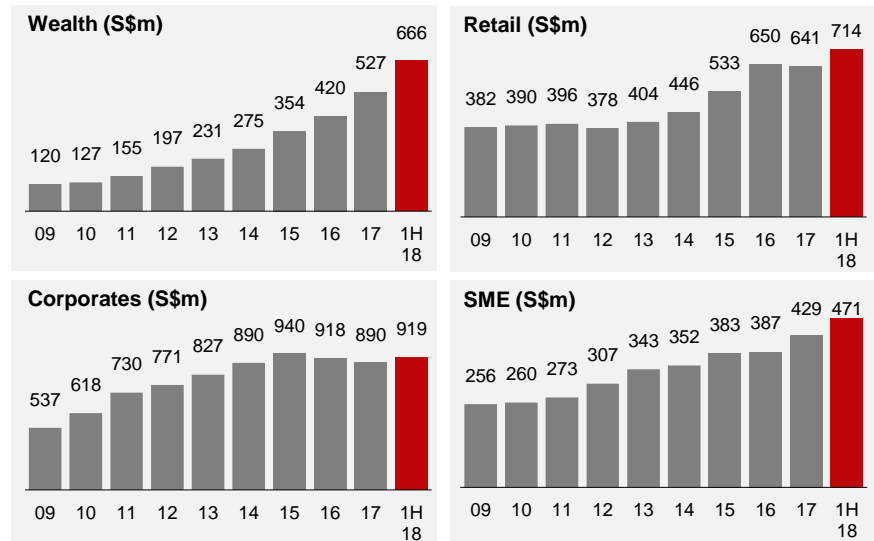
Strategy delivering growth in targeted segments

- ▶ Retail / Wealth and Institutional Banking contribute over 84% 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 1H18

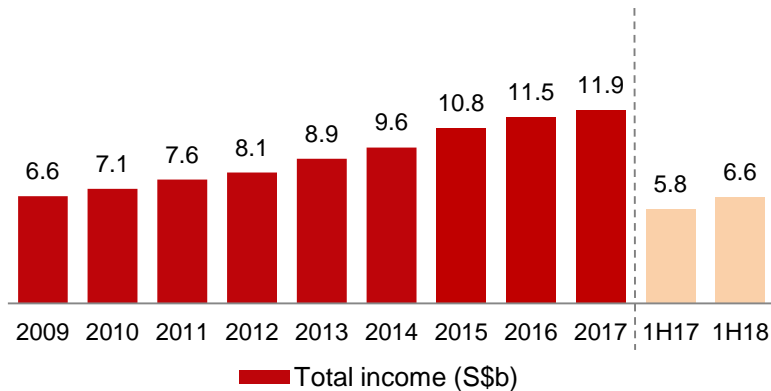


Quarterly average income of selected segments

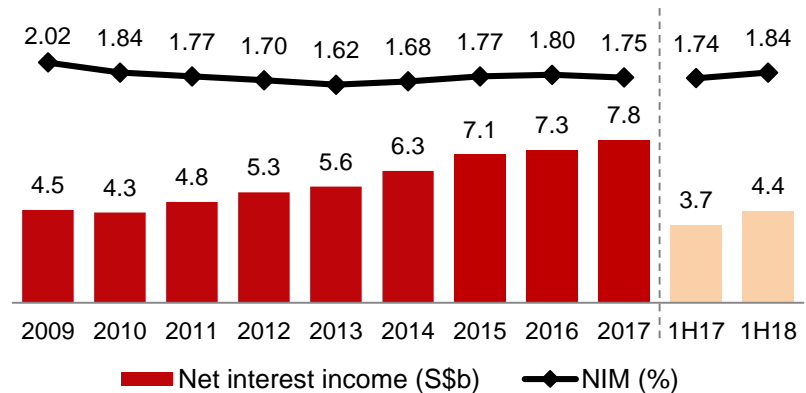


Consistent financial performance reflecting successful execution of strategic priorities and strength of franchise

Total income : Rising since 2009

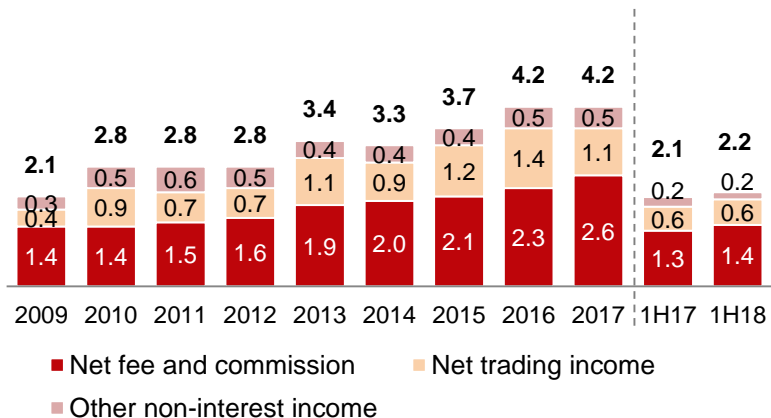


Net interest income increasing

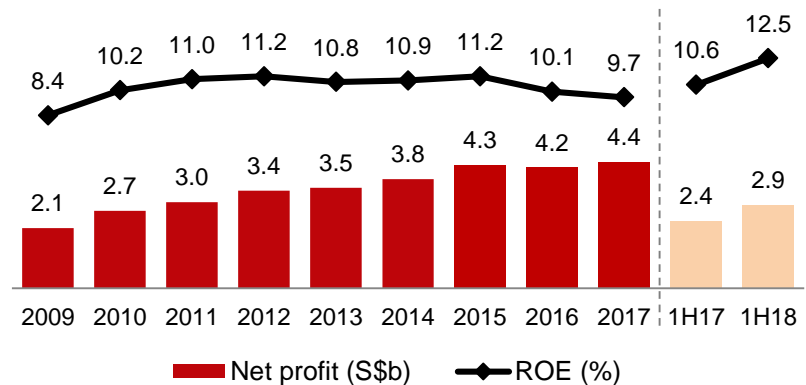


Non-interest income : Broad-based growth since 2009

(S\$b)



Net profit ^{1/} has more than doubled



^{1/} Net profit attributable to shareholders and excludes one-time items

Agenda

Franchise highlights

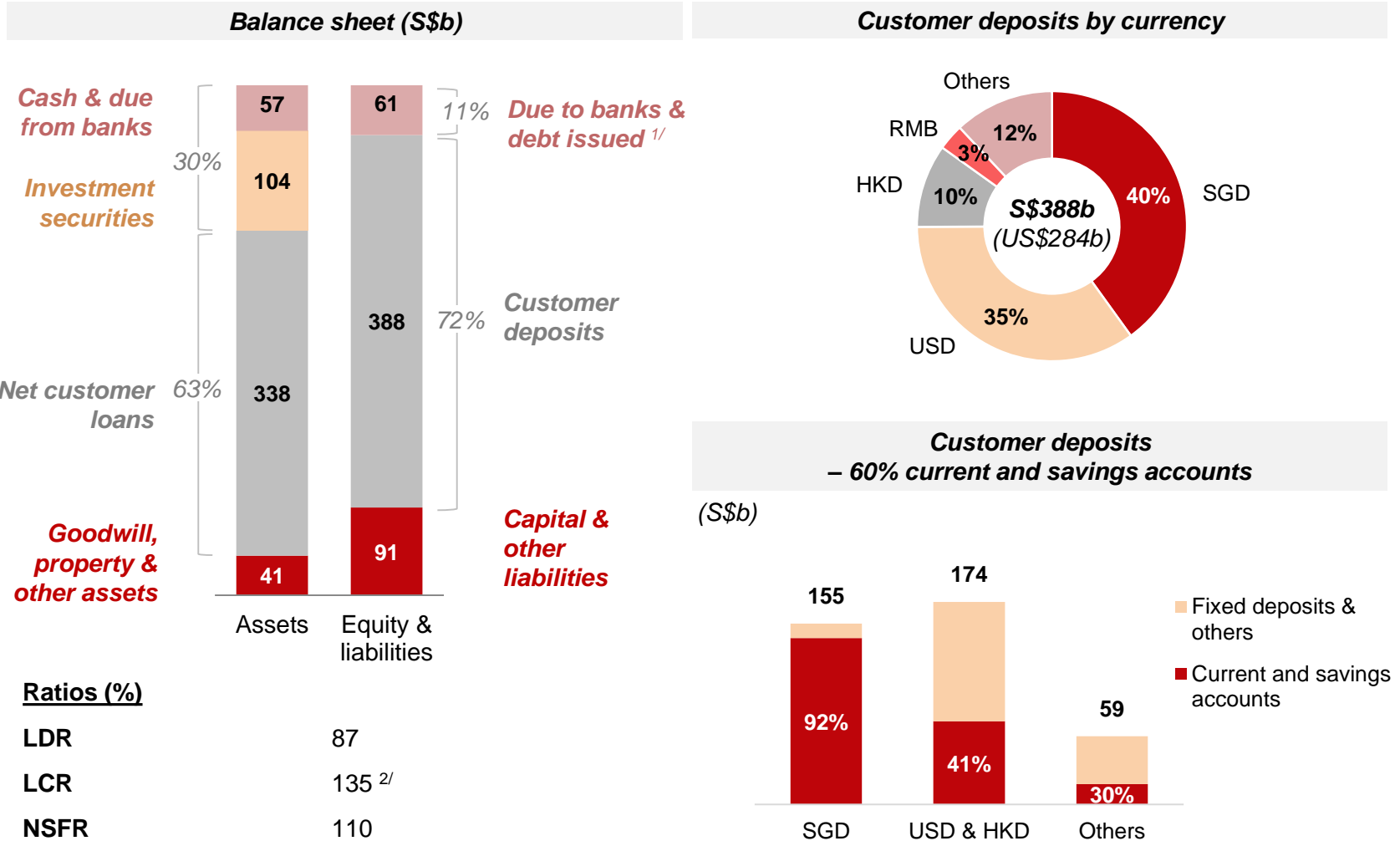
Balance sheet and capital adequacy

Wholesale funding

Appendices

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

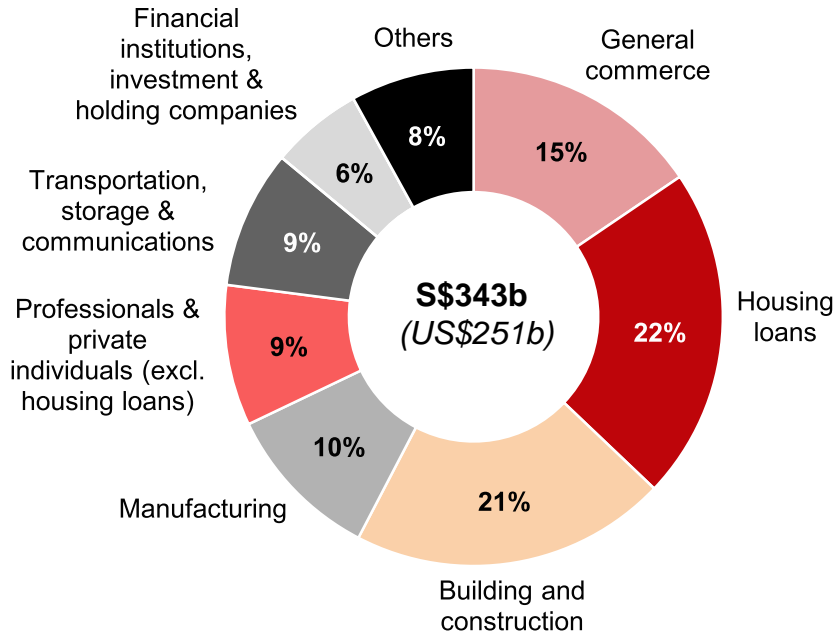
30 Jun 18



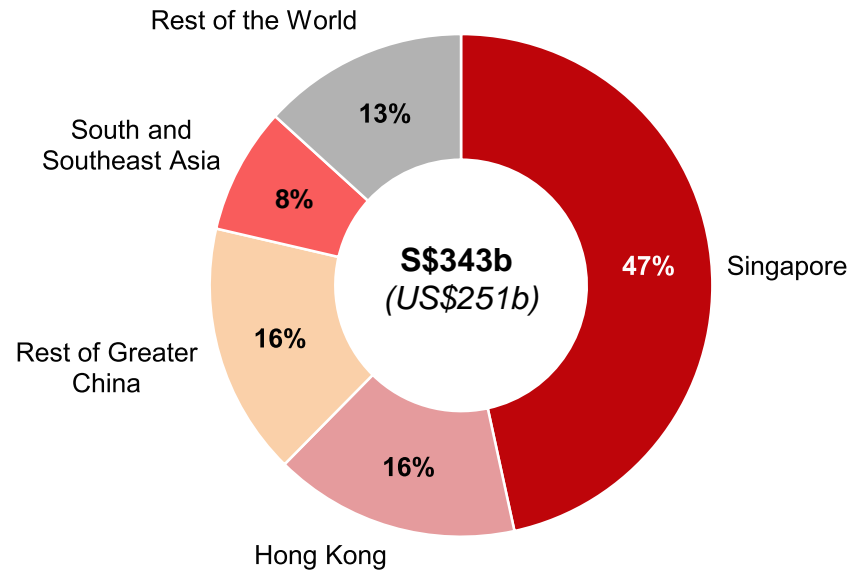
1/ Debt issued includes medium term notes, commercial papers, certificates of deposit and other debt securities, and excludes subordinated debt
 2/ Average all-currency liquidity coverage ratio for 2Q18

Well-diversified loan portfolio

Loan mix by industry



Loan mix by geography ^{1/}



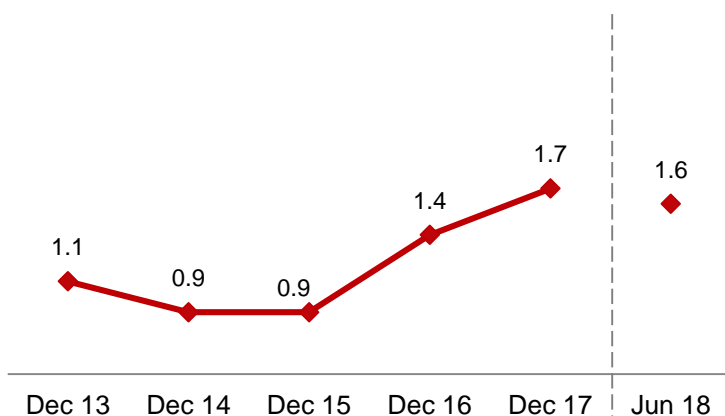
Gross customer loans
30 Jun 18



^{1/} Classified according to the country of incorporation of the borrower, or the issuing bank in the case of bank-backed export financing

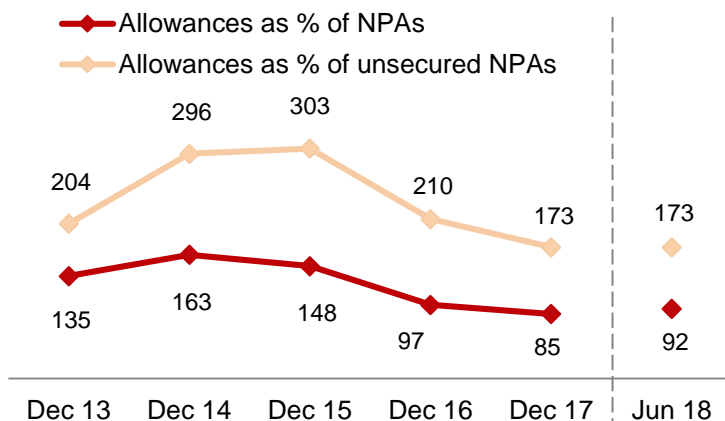
Asset quality remains sound overall, allowance coverage prudent

NPL ratio (%)

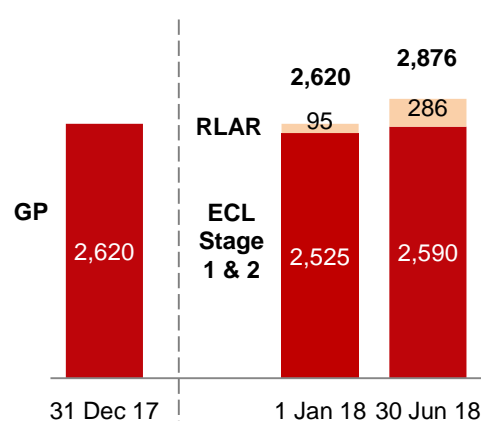


- ▶ NPL ratio increased from 0.9% as of end-2015 to 1.7% as of end-2017
 - Increase was due to NPLs from the oil and gas support services sector
 - In 3Q 2017, all residual weak cases in the oil and gas support services sector were recognised as NPLs
 - If the oil and gas support services sector was omitted, the NPL rate in 2017 would have been at 0.9%
- ▶ For 1H18, ECL Stage 3 (SP) charges amounted to 16 basis points^{1/} of loans

NPA coverage ^{1/} (%)



FRS 109 Expected Credit Loss (\$m)



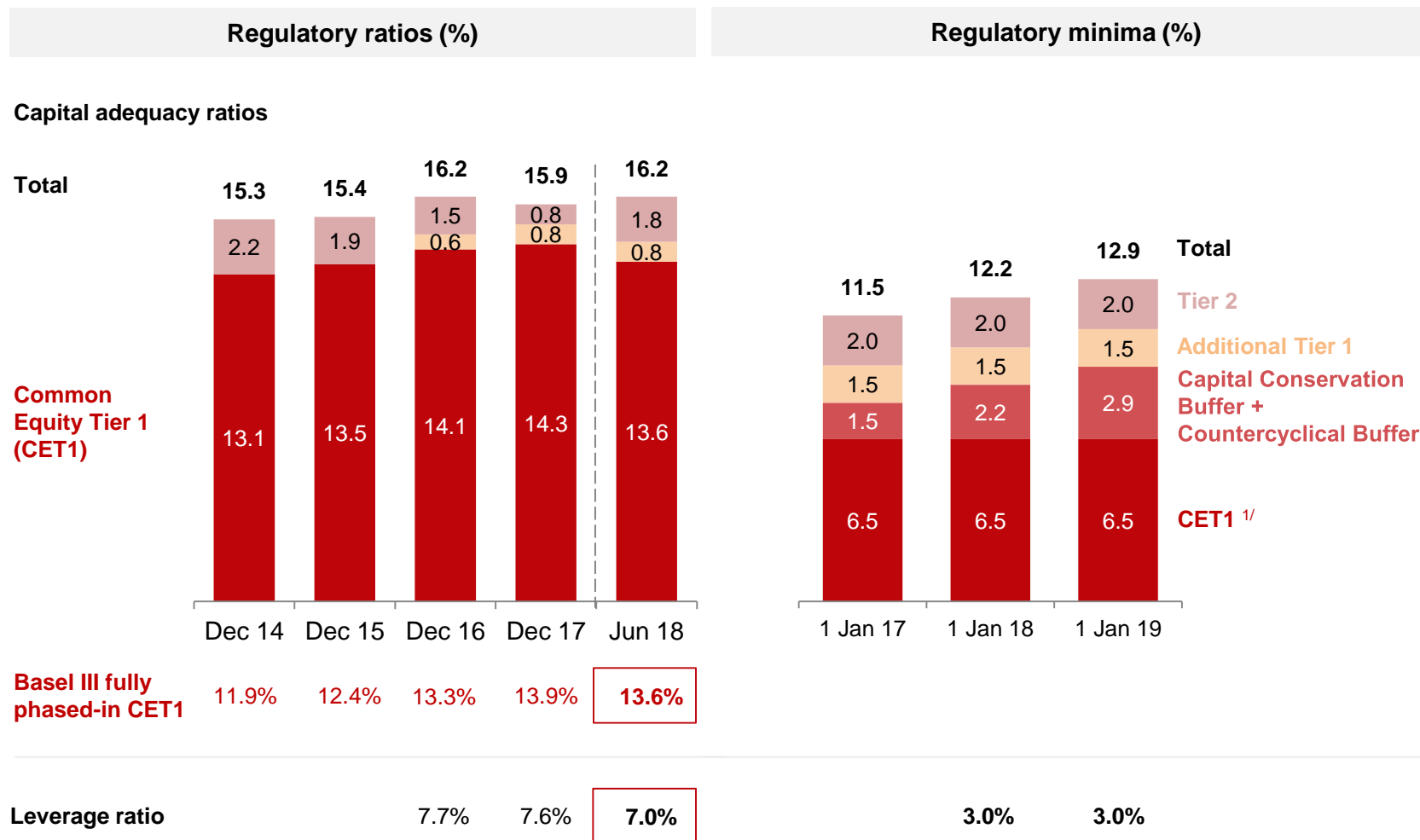
- ▶ For Singapore D-SIBs:
 - FRS 109 Expected Credit Loss (ECL) requirement
 - MAS requirement (for non-credit impaired exposures): 1% of exposures net of collaterals
- ▶ Difference between FRS 109 and MAS requirement is transferred to a non-distributable regulatory loss allowance reserve (RLAR)



^{1/} ECL Stage 3 (SP) for loans / average loans

^{2/} Computations from 1 Jan 2018 onwards include RLAR as part of allowances

Strong capital adequacy



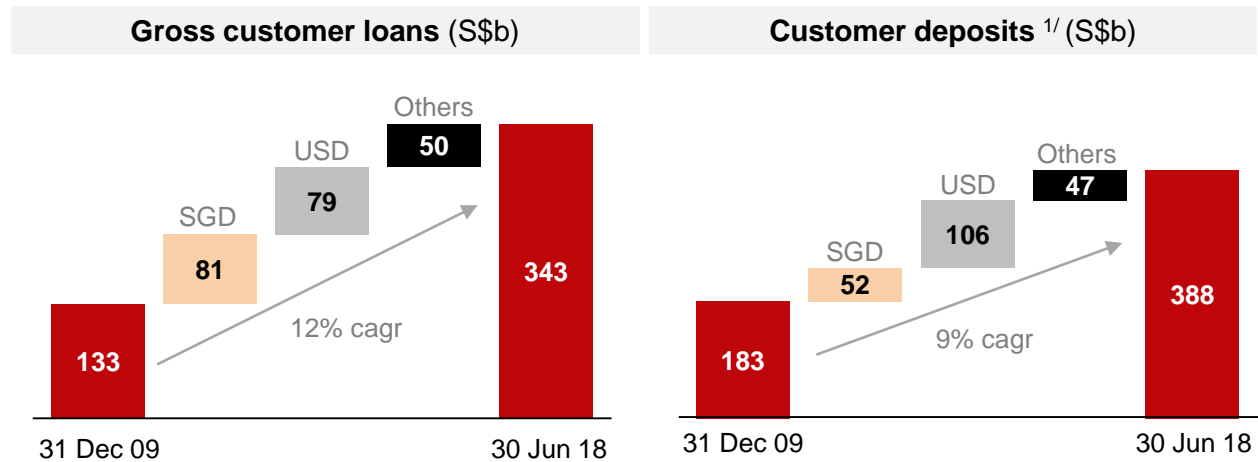
^{1/} Includes 2% higher loss absorbency requirement as DBS Bank is a domestic systemically important bank. Singapore Pillar 2 requirements are undisclosed and must be met with CET1 capital. MAS has not indicated any further loss absorbency requirements

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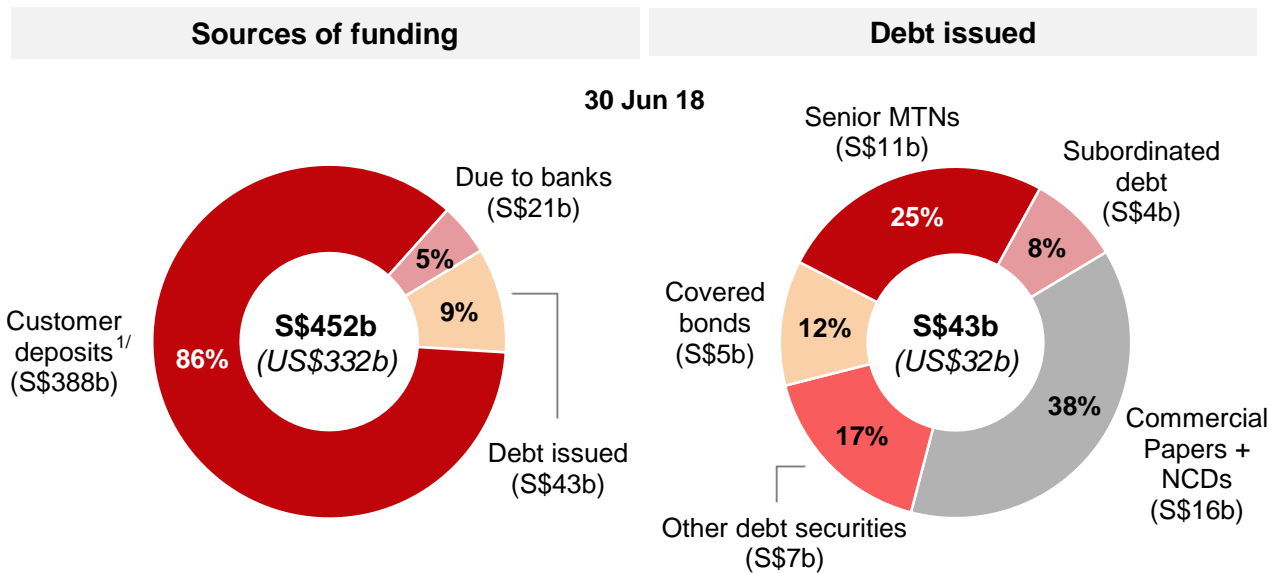
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Wholesale funding: Diversifying for business stability

- ▶ 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



^{1/} Including deposits related to fund management activities from 2012 onwards. Prior to 2012, these deposits were classified as "Due to banks"

Expanding debt investor bases beyond Singapore

Selected public issuances since 2013 ^{1/}:



USD

Capital

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

Senior

- ▶ 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\$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



AUD

Capital

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

Senior

- ▶ A\$300m Senior Notes in Mar 2017

Covered

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

Private placements:



Corporate structure and issuing entities

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



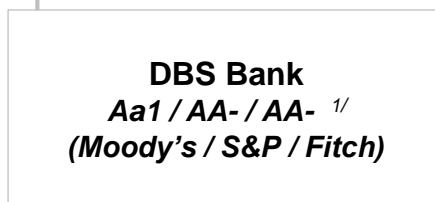
DBS Group Holdings

Additional Tier 1, Tier 2 and senior MTNs

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

100% ownership

DBS Bank holds other subsidiaries of the group



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

Main banking subsidiaries



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



^{1/} Senior unsecured ratings shown

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

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- ❑ Franchise highlights
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Appendix 1: Capital – outstanding issuances

Notional Outstanding	Description	Issue Date	First Call Date	Maturity Date
Additional Tier 1				
Issued by DBS Group Holdings (Basel III Instruments)				
USD 750 million	3.60% Perpetual Capital Securities	Sep 2016	Sep 2021	n/a
SGD 805 million	4.70% Perpetual Capital Securities	Dec 2013	Jun 2019	n/a
Issued by DBS Bank (“Old-style” Instruments)				
SGD 800 million	4.70% Preference Shares	Nov 2010	Nov 2020	n/a
Tier 2				
Issued by DBS Group Holdings (Basel III Instruments)				
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** ^{1/}

Annex 6B: Requirements to ensure loss absorbency at the point of non-viability (p. 6-43)

- 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 event⁸⁵.
- 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^{85B} 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 (**MAS Act**). On 1 August 2017, the Monetary Authority of Singapore (Amendment) Act 2017 (**MAS Amendment Act**) was gazetted to strengthen the resolution regime in line with the Financial Stability Board's *Key Attributes of Effective Resolution Regimes for Financial Institutions* ^{1/}. Certain aspects of the resolution framework will be implemented by way of regulations which have yet to be finalised

Resolution Authority	<ul style="list-style-type: none">▶ Monetary Authority of Singapore
In-scope Entities	<ul style="list-style-type: none">▶ All FIs in Singapore, including branches of foreign banks
Trigger conditions for exercise of resolution powers	<p>With regards entry into resolution, MAS may have regard to:</p> <ul style="list-style-type: none">▶ 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	<ul style="list-style-type: none">▶ 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 ^{2/}, 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., <i>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.</i>), MAS will, as far as possible, seek private sector solutions before exploring resolution strategies that involve government or public sector support

Sources: *The MAS Act (Ch. 186), MAS (Amendment) Bill 2017 and MAS "Monograph on Approach to Resolution of Financial Institutions in Singapore" dated 23 August 2017*

^{1/} While the MAS Amendment Act has partially commenced operation, the relevant amendments relating to the resolution framework are not yet in force (other than MAS' powers relating to recovery and resolution planning which has come into force on 5 June 2018), as certain aspects of the framework will be implemented by way of regulations which have not been finalised

^{2/} Applicable to only insurers

Appendix 3: Singapore resolution regime (Cont'd)

Bail-in Regime

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

- ▶ **Bail-in liabilities** for Singapore-incorporated banks and bank holding companies
 - Unsecured subordinated debt and loans (including equity instruments that are not in the form of shares) issued after the effective date of the bail-in regime;
 - Contingent convertible instruments and contractual bail-in instruments (whose terms have not been triggered prior to entry into resolution) issued after the effective date of the bail-in regime

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