DBS Group Holdings Ltd
Co. Reg. no.: 199901152M

ANNUAL GENERAL MEETING TO BE HELD ON 30 MARCH 2021
RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS RECEIVED FROM:
(1) THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE); AND
(2) DBS SHAREHOLDERS

29 March 2021 – DBS Group Holdings Ltd ("**DBSH**") would like to thank the Securities Investors Association (Singapore) and DBSH's shareholders for submitting their questions in advance of DBSH's 22nd Annual General Meeting ("**2021 AGM**") which will be convened and held by electronic means on Tuesday, 30 March 2021 at 2:00pm.

Responses to questions raised by the Securities Investors Association (Singapore) ("SIAS")

Please see Appendix 1 for our responses to the questions raised by SIAS in relation to our financial statements, business strategy and outlook, and approach to remuneration.

Responses to questions submitted by shareholders which are relevant to the resolutions tabled for approval at the 2021 AGM

As many of the questions that we have received are similar, we have set out our responses to them according to the following themes rather than individually:

(i) Financials
(ii) Capital management, dividends and scrip dividend
(iii) Business strategy
(iv) Responding to competition
(v) Others

Please refer to our responses as set out in Appendix 2.

Several shareholders have also submitted questions relating to the acquisition of Lakshmi Vilas Bank ("**LVB**"). As we have provided detailed responses to the questions raised by SIAS in respect of the acquisition of LVB, please refer to our responses in Appendix 1 as well.

Presentation by CEO at AGM

Our CEO, Mr Piyush Gupta, will elaborate on some of these themes during his presentation at the 2021 AGM on 30 March 2021.

APPENDIX 1

RESPONSES TO QUESTIONS RECEIVED FROM SIAS

DBSH's responses to the questions from SIAS are set out below. These questions are also published on the SIAS website at the URL: https://sias.org.sg/qa-on-annual-reports/.

Question 1

In a year in which the COVID-19 pandemic roiled lives and livelihoods, the bank showed resilience and ended the year with a net profit of SGD4.72 billion. Recognising the challenges in the operating environment, management front-loaded total allowances amounting to SGD3.07 billion in FY2020 in anticipation of rising defaults in 2021. Total allowance reserves increased 46% to SGD7.33 billion and the allowance coverage was at 110% and at 206% after considering collateral of SGD3.12 billion.

1(i) ***Loan moratorium*: Can management elaborate further on the remaining credit risks of loans that are still under debt moratorium? On page 21, it was disclosed that, upon the expiry of the initial government loan moratorium, the take-up rates for the new schemes have fallen to 10% for housing loan and 25% for SME customers in Singapore as at January 2021 and in Hong Kong, where the moratoriums were extended to mid-2021, loans under moratorium to large-corporate and SME customers were half their peak.**

The proportion of customers still on loan moratoriums has fallen significantly from the peaks – Singapore housing by around 90%, Singapore SME by 75% and Hong Kong corporate and SME by 50%.

Loan moratoriums (SGDbn)	Peak	Current
Singapore housing	5.0	0.6
Singapore SME	4.6	1.1
Hong Kong corporate and SME	6.6	3.2

Singapore mortgage and SME customers have to make partial principal repayments under the extended moratorium schemes now in effect. Delinquencies have been low, indicating they have sufficient cashflow, which should further improve as the economy strengthens. Delinquencies have also been low for Hong Kong moratoriums, which require interest payments.

For the rest of our loan portfolio – to customers who either have exited moratoriums or did not opt for them – delinquencies have increased marginally relative to the pre-Covid levels.

1(ii) *<u>Loan growth</u>*: The bank grew its loan book by SGD16 billion (or 4%) in FY2020 even though the economic outlook remained highly uncertain. As seen from pages 175 & 176, the additional loans were mainly made to customers in Singapore (~SGD8 billion) and Hong Kong (~SGD4 billion), in the "Building and construction" (~SGD12 billion) and "Financial institutions, investment and holding companies" (~SGD4 billion) industries, partly offset by a decrease of SGD5 billion in "General commerce". Was the bank able to cherry-pick the sweet spots and actively managed up its loan books in these areas while maintaining its usual prudence in its underwriting? In particular, can management help shareholders understand if the reward/risks are particularly favourable in the building and construction sector as they were badly affected by the pandemic?

The loan growth of SGD16 billion included SGD5 billion of Singapore government risk-sharing loans, for which the government bears 90% of the risks. The remaining SGD11 billion were mainly loans to corporate and institutional clients comprising both short-term facilities as well as longer-term borrowing.

The growth in building and construction loans in 2020 was similar to pre-Covid levels. The loans were highly secured and were to customers making property acquisitions both within and outside the region, requiring working capital or seeking re-financing. Loans to construction companies did not contribute significantly to the growth as activity fell for the sector.

1(iii) Current and savings accounts (Casa): The bank received Casa inflows of SGD99 billion. This expanded the group's low-cost Casa deposits by 42% to SGD338 billion. Has management analysed the reason(s) for the SGD99 billion inflow into Casa accounts? How sticky are Casa deposits? What adjustment has the group made to its funding strategy now that the Casa ratio has increased from 59% to 73%? With deposits growing faster than loans, the loan-deposit ratio decreased from 89% to 80%. What is the optimal target for the bank's loan-deposit ratio?

Casa inflows were broad-based across retail, SME and corporate customers and across SGD, USD and other currencies. The strong growth enabled higher-cost liabilities such as fixed deposits and wholesale funding including medium-term notes to be released.

Overall deposits including Casa are expected to continue growing, reflecting the significant quantitative easing by central banks globally. However, as the momentum in global vaccinations increase, the pace of deposit growth is likely to normalise as spending and investment by households and firms pick up. At the same time, some switching from Casa to fixed deposits is likely when short-term interest rates rise.

While the LDR is currently low, there are various other assets to deploy the excess deposits into, including minimally risk-weighted government securities or central bank deposits that are accretive to both earnings and ROE.

Question 2

The group's wholly-owned subsidiary, DBS Bank India Limited (DBIL), amalgamated with Lakshmi Vilas Bank (LVB) on 27 November 2020. This gave the group an enlarged scale in India, which is one of the key Asian markets that has been identified by the bank.

This bolt-on transaction is said to complement the group's digibank strategy, extending the group's reach in India with an expanded network of ~600 branches and ~1,000 ATMs, an additional two million retail and 125,000 non-retail customers.

2(i) Would the board/management provide shareholders with greater clarity on the role played by the group leading up to the amalgamation with LVB? The draft scheme of amalgamation was published by the Reserve Bank of India on 17 November 2020 and the scheme was completed 10 days later on 27 November 2020. Management has described this as a "bolt-on transaction" while some market commentaries have called it a "forced merger"

The LVB transaction is anything but a "forced merger". We have always been bullish about the future of India and had long sought to expand into the SME and retail segments in India with an enlarged branch network. This was why we chose the subsidiarisation route and the conversion to subsidiary status was completed in Mar 2019.

The subsidiary status enabled DBS to consider both organic and inorganic expansion plans, and we examined various opportunities, including LVB. When we were approached by RBI to consider an amalgamation with LVB, the Board and management were therefore able to respond very quickly.

2(ii) In a recent briefing, it was disclosed that LVB is expected to be profitable "within 12 to 24 months". Can management elaborate further on the operational and financial performance required on the ground to turn-around LVB?

LVB was profitable until 2017, when its ROE was 13%. It incurred significant loan losses from 2018, which prompted restrictions on its business operations and affected its financial viability.

We have decisively dealt with LVB's asset quality issues. The net non-performing assets that were transferred amounted to SGD212 million, or 3% of the group's NPA, and were fully secured. We also set aside SGD183 million in general allowances in fourth-quarter 2020, which amounted to almost 10% of the SGD1.9 billion of total performing loans transferred or 16% of performing loans excluding the fully-secured gold loan portfolio.

With LVB's legacy asset quality issues dealt with and SGD463 million of capital injected, our expanded India franchise is well positioned to grow. The India franchise had already been performing well in recent years, with total income rising 40% and pre-tax profit quadrupling in 2020. LVB's underlying customer franchise remains strong. The amalgamation on 27 November expanded our India network to 600 branches and 1,000 ATMs, as well as added two million retail and 125,000 non-retail customers. We now have an enlarged network and customer base to accelerate the execution of our digital strategy and better achieve economies of scale.

2(iii) How does management ensure that the group's enlarged operations in India develop a culture that is fully aligned with the bank's DNA?

Over the years, we have been successful at creating a unified corporate culture geographically across our network. This includes inorganic acquisitions, such as the 2017 acquisition of the ANZ retail banking/wealth management portfolio in 5 Asian markets.

For LVB, we have allocated a dedicated team of 150 employees across various functions, assisted by external consultants, to drive the integration process. An interim organisation based at LVB headquarters in Chennai has been formed, comprising senior management as well as staff from various business and support units from both DBS and LVB.

We have also rolled out a programme to identify the competencies and traits of individual LVB staff. The aim is to identify a team of change champions who will be trained as culture ambassadors to facilitate cultural alignment in the wider organisation. The team has started to familiarise themselves with the DBS culture, such as our Pride values, and ways of working. In addition, we have reached a wide cross-section of LVB employees through town halls, branch visits and other sessions to share core DBS values as well as risk, compliance and service culture.

Most encouragingly, the reception from the LVB staff to these efforts has been very positive so far.

2(iv) Has the group set aside more capital to support its growth in India?

Capital of SGD463 million has been injected into the enlarged DBIL to support the amalgamation and to support future growth. As a result, DBS India's capital adequacy as at end-2020 stood at 14.6% (including CET-1 of 12.0%). As with our other overseas operations, we are prepared to inject more capital to support growth if needed.

2(v) Various news media has reported several ongoing lawsuits arising from this acquisition. Can management apprise shareholders of the status of any legal actions faced by DBIL/LVB? Would there be any further provision required on this front?

The primary respondents for the lawsuits from equity shareholders and Tier-2 bondholders are the Government of India and the Reserve Bank of India, which drafted and approved the Scheme of Amalgamation under which the LVB transaction took place. DBS is not a primary defendant in these lawsuits. In similar lawsuits in the past, the courts have ruled in favour of the transactions.

We have made suitable provisions for legal liabilities that may arise in the normal course of business.

2(vi) The amalgamation of LVB added 2 million retail and 125,000 non-retail customers. Has management analysed the profile of the newly acquired customer base and reviewed how it may be different from the customers acquired by DBS Bank India organically?

Prior to the amalgamation, our business mix was skewed towards large corporates. LVB provides a significant boost to our retail and SME businesses, which are integral to our strategy of building an SME lending franchise, a scaled-up consumer lending franchise and a retail deposit base.

2(vii) Does the bank have in place a strong management team in India to effectively manage the integration and to grow the enlarged group?

The DBIL management team has demonstrated its strength by the financial performance it has delivered in recent years. The CEO of DBIL has held the position for the past six years, having brought more than 35 years of experience in consumer and corporate banking to the role. Specific management expertise has been augmented though the onboarding of new hires with an average experience in their fields of 25 years.

DBIL is overseen by a Board that includes well-regarded independent directors encompassing a wide range of experience in consumer and corporate banking, operations, technology and marketing. The Board of DBIL is chaired by the Group CFO.

Question 3:

The group's remuneration report can be found on pages 61 to 65 of the annual report. The board has constituted a Compensation and Management Development Committee (CMDC) with one of its key responsibilities in providing supervisory oversight of the overall principles, parameters and governance of the group's remuneration policy and to ensure the alignment of compensation with prudent risk taking to build a long-term sustainable business.

The main thrusts of the group's remuneration strategy are:

- **Pay for performance as measured against balanced scorecard**
- **Provide market competitive pay**
- **Guard against excessive risk-taking**

From FY2014-FY2019, employees received between 10% and 11% of the distributable financial value paid out as discretionary bonus through variable cash bonus and long-term incentives. In FY2020, employees received 13% of the distributable financial value (page 70).

3(i) Can the CMDC/board provide greater clarity on how it had evaluated and approved the variable pay pool?

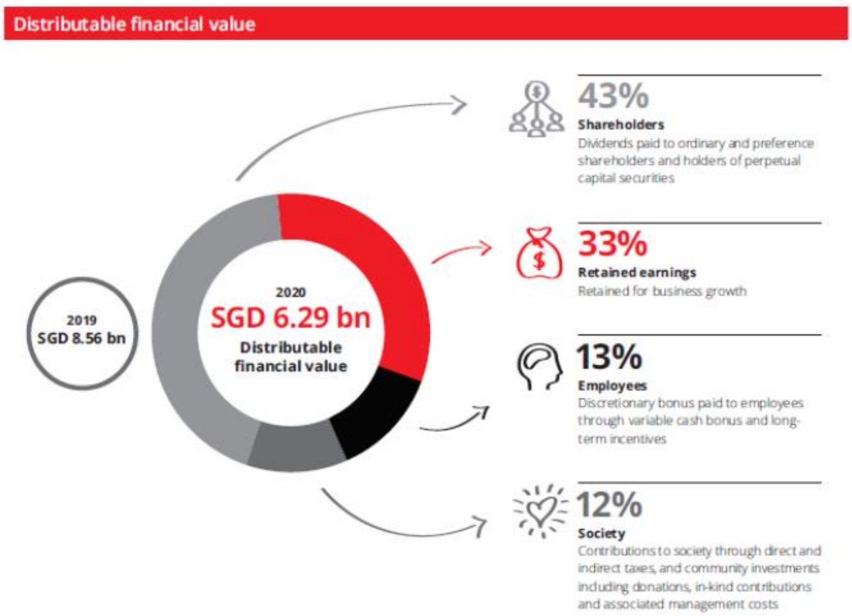
As highlighted in the preamble to this question, one of the key drivers used in sizing the variable pay pool is the Group's performance as measured against our balanced scorecard, details of which are set out from pages 26 to 33 of the Annual Report. The balanced scorecard accords a 40% weight to traditional key performance indicators, which would include the Group's current financial performance and value generation for stakeholders. The remaining 60% captures key elements of the Group's long-term strategies, such as our digitalisation initiatives and our success in executing our long-term strategy.

For 2020, while our financial performance was impacted by the difficult operating environment, we made progress on other fronts such as our ability to meet increased customer demands for online transactions with our digital offerings for investments, trade and payments. Nonetheless, the overall scorecard rating was less favourable, resulting in a lower variable pay pool compared to the previous year.

3(ii) How sensitive is the current remuneration framework to the group's performance and how effective is it at achieving pay-for-performance?

As described earlier, the calibrations of the balanced scorecard consider both the Group's current financial performance and our success in executing our long-term strategy. This allows the remuneration framework to effectively incorporate both elements in sizing the variable pay pool.

3(iii) In particular, would the CMDC help shareholders understand the reason(s) for the increase in the share in distributable financial value (to 13%) to employees in FY2020?



The observed increase in the share of the distributable financial value (DFV) to employees has to be seen in the following context:

- The 27% decline in the overall DFV for FY2020 had impacted all stakeholder groups. In absolute terms, the variable pay pool had declined, with the per employee average variable pay down by a double-digit percentage. The senior management took a larger reduction relative to the more junior employees. Our CEO's bonus was adjusted downwards by 27% (SGD 2.9 million), while the median decrease in variable pay of the rest of the Group Management Committee was 17%.

- In sizing the variable pay pool for FY2020, the CMDC took into account the fact that general allowances of SGD1.7 billion had been conservatively set aside to buffer against potential risks arising from the pandemic, of which SGD1.1 billion is a discretionary add-on by management and the Board. If we were to add back this discretionary element to our profits, the corresponding DFV to employees would be 11% instead, which is comparable to previous years.

- We would also highlight that the DFV to shareholders (dividends and retained earnings) has increased by 1% point to 76%.

3(iv) Has the CMDC set a limit on the variable compensation (as a percentage of distributable value) so as to ensure a good balance amongst the stakeholders which include society and shareholders?

We size the variable pay pool using various dimensions; the relative DFV among stakeholders is one of them. We seek to strike a good balance amongst all stakeholders in our approach:

- As mentioned earlier, we consider the Group's performance against the balanced scorecard, which incorporates both traditional key performance indicators and our long-term strategy.
- We ensure that a share of our profit is first allocated to shareholders, based on the cost of equity. The remaining amount is distributed among other stakeholders, including employees via the variable pay pool.
- We also benchmark our "staff costs to total income" metric to that of the industry. At 24%, our ratio is among the lowest compared with domestic and foreign peers.

3(v) In addition, in FY2020, the deferred component of the remuneration of senior management and material risk takers (MRTs) was 43% and 19% respectively. Deferred remuneration can improve the alignment of senior management and MRTs to the time horizon of risks which is inherent in the group's business. Has the CMDC evaluated if a remuneration framework resulting in a higher deferred remuneration (especially for MRTs) can further improve the group's risk-taking culture and attract a talent pool that is more focused on the group's long-term success?

In determining the appropriate deferral rate, it is important to benchmark our approach against the practices of peers and regulatory guidelines, while ensuring that we remain competitive and able to retain key talent.

Our remuneration framework is structured such that the deferral rate increases in tandem with the level of variable remuneration. In addition, unlike most of our regional peer banks, our vesting period of 4 years is longer and vestings only start from the second year instead of the first. We believe that 43% for senior management is appropriate in this light. For the MRT population, which has a lower remuneration relative to senior management, their deferred component is thus also correspondingly lower at 19%.

Besides the deferred element, we would also highlight that clawback and malus arrangements are in place for both vested and unvested compensation. This is in line with the Financial Stability Board's principle to ensure that employee incentives give due recognition to prudent risk-taking and effective controls.

3(vi) The remuneration of Mr Piyush Gupta is disclosed on page 65, with a breakdown showing his base salary, variable component, share plan and other benefits. However, as a deviation to the Code of corporate governance, the group has not disclosed the remuneration of at least the top five key executives due to "the constant battle for talent in a highly competitive industry". Would the CMDC reconsider how it can better comply with the Code of corporate governance in the disclosure of remuneration?

Due to the constant battle for talent in a highly competitive industry, the Group has decided not to disclose the remuneration of its top five key executives. The Group has instead provided additional information on the change in remuneration and variable pay of our senior management year-on-year. This provides shareholders with an alternative perspective which we believe would also be consistent with the spirit of the Code of Corporate Governance.

APPENDIX 2

RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS RECEIVED FROM SHAREHOLDERS

Financials:

1. What were the factors that led to DBS's weaker 4Q performance compared to UOB and OCBC? How do lower interest rates affect DBS compared to the other two local banks? How do you expect the bank to perform over the next quarters?

We continued to conservatively fortify the balance sheet in 4Q, setting aside significant allowances that were little changed from 3Q.

Our 4Q NIM was lower than peers because we have the largest current and savings account (Casa) base of the three local banks. This means that our net interest margin (NIM) benefits most from rising interest rates but also that we are most impacted when interest rates fall.

The Casa base was accentuated by SGD99bn of inflows in 2020. These generated a deposit surplus that caused our loan-deposit ratio (LDR) to fall more than the other banks. While the surplus accounted for a 6bp drop in NIM, it was deployed to low risk assets that contributed to earnings and ROE. Adjusting for the 6bp drop narrows the gap to the peers to only a few basis points.

This speaks to how much the franchise has improved, as the peers' NIM was almost 20bp higher in 2012 when interest rates were last at these low levels. The LDR at the time was also slightly higher than the peers', compared to 4-5 percentage points lower at present.

Despite the lower NIM, our overall pre-provision earnings continued to be strong and we expect successive quarters to be better than 4Q if allowances revert to more normalized levels.

DBS did well for the full year. Our ROE was 9.1%, which was above most peers.

2. What do you anticipate credit costs to be in 2021?

Total allowances of SGD3 billion were set aside last year to cover credit costs for 2020 and 2021. We anticipate that credit costs for 2021 will normalise to pre-Covid levels.

3. What are your views on USD interest rates?

The short-dated end of the USD rates curve is likely to remain anchored at very low levels, and the Federal Reserve is unlikely to raise rates until well into 2023. The curve can be expected to steepen as the long end rises with inflation expectations and as the US government funds its stimulus. Ten-year US treasuries could reach 2% within this year.

4. DBS had SGD5.3bn of goodwill at the end of 2020. What could lead to the goodwill being written down and what would that process be?

Goodwill is subject to an impairment review on a yearly basis. An impairment loss is recognised if the carrying value of the cash-generating units exceeds its recoverable amount. SGD4.6bn relates to DBS (Hong Kong) Ltd, which is an important part of our business that is performing well, and which has a recoverable amount that substantially exceeds its carrying value.

Capital Management/dividend/scrip dividend:

1. Do you have any plans for rights issues in FY2021?

We have no plans for rights issues.

2. Do you expect MAS to lift the dividend cap at after 1Q21? When do you expect to be able to return to the pre-Covid dividend, and will you continue with the scrip dividend scheme? What is your dividend policy?

Regulators around the world are anticipating that the worst of the pandemic is behind us and are beginning to allow banks to return capital to shareholders. MAS is likely to do the same, but it is at their discretion whether restrictions are lifted in a single step or in a more gradual manner, and whether banks should continue to offer the scrip option.

We are confident that we can return to our pre-Covid dividends fairly rapidly once dividend restrictions are lifted.

Once the dividend has normalised post-Covid, we would resume our regular dividend policy, to pay sustainable dividends that grow progressively with earnings. The scrip dividend scheme is one of several tools in our capital management toolkit which we will use as appropriate.

3. Will a discount apply to scrip dividends?

If the DBSH Scrip Dividend Scheme is applied, the current intention is that no discount will be given for scrip shares.

Business strategy:

1. How does DBS plan to grow over the next few years?

Our strategic priorities are to:

- Expand our franchise in key markets such as India and the Greater Bay Area
- Leverage digital capabilities to expand services to the existing customer base
- Innovate new engines of growth such as the digital exchange and enhancing payments through blockchain

- Build a sustainable business based on our 3 pillars: responsible banking, responsible business and creating social impact.

Further details on our strategic priorities will be provided during the CEO's presentation at the 2021 AGM on 30 March 2021.

2. 2020 was a year of upheaval and change. Aside from strategy, what changes will there be to how the bank is run?

Perhaps the biggest change has been a dramatic transformation in work habits that we refer to as the 'Future of Work'. This is likely to include flexible remote working, job-sharing schemes as well as reskilling and upskilling.

Further details will be provided during the CEO's presentation at the 2021 AGM on 30 March 2021.

3. How are you planning to scale up Indonesia via digibank?

Our plans to scale up in Indonesia are two-fold. The first is direct customer access – the recent changes in regulations which allow us to complete digital onboarding, through facial recognition technology, will allow us to improve our position in the market. The second is to work with ecosystem partners – this is something that we're already seeing some success on the assets side and we will continue to drive that.

4. Does DBS have plans for further inorganic expansion?

We look at different opportunities from time to time but prefer bolt-on acquisitions as these will not distract us from our long-term strategic business agenda. A transaction has to be in a strategic business in a market that is a priority for us. Needless to say, the numbers must also make sense.

5. Post Covid-19 and new normal in Singapore, will DBS be reducing branch count or reducing branch size as the new strategy going forward?

In Singapore, DBS has more than 2,200 physical touchpoints – the widest network in Singapore – where DBS/POSB customers can withdraw cash and conduct their banking transactions.

We are committed to ensuring that all customers will always have ready and easy access to our banking services, online or offline.

Covid-19 has prompted us to reimagine the bank branch space and banking experience in a post-pandemic world – we envisage that post pandemic banking will need to combine the simplicity and convenience of our digital and self-service options with the personalised face-to-face interactions to ensure our customers can bank round the clock. That is why we are investing in the transformation of our branches so that they will provide quicker, safer, more convenient banking services and continue to be elderly-friendly.

Work is already underway to transform at least a third of our branches by rolling out 24/7, self-service banking options and enabling easier access to financial planning tools in the next 12 to 18 months. We will boost self-service options, while still providing face-to-face assistance. The upgrading will enable customers to perform banking services (e.g. replace their ATM/Debit cards) outside of traditional banking hours. Our branch staff and digital ambassadors will also be on hand to assist customers at our branches.

Responding to competition:

1. How do you expect digital currencies to affect the banking landscape and DBS?

Further adoption of digital currencies is likely to have a relatively small impact as digital channels and modes of transfer have already been in use for years. The retail space has moved more slowly but even here cards and digital payments have been gaining ground over physical cash. China has shown us that high levels of digital currency adoption do not necessarily change the nature of money fundamentally.

Efficiency will improve in the institutional space when central banks adopt digital currencies, and it is an area we are following closely and where we hope to capitalise on opportunities.

2. With the entrants of digital banks in Singapore and some of your regional markets, how is DBS preparing to take on the competition?

Competition is always a challenge and we take it seriously. In particular, digital banks that already have a large customer base, ecosystems and technology infrastructure in place can be formidable competitors.

That said, we have also been girding our loins to ensure that we can hold our own against these new competitors.

Specifically, we have built up a competitive and world-class product suite – across payments, remittances, wealth management, investments and SME services on our digital platforms, all delivered with a very good customer journey in mind

In some of our main markets, such as Singapore, the market is already well penetrated with few unserved segments. In niche segments such as micro-SMEs and migrant workers, we have already built up our presence, offering our merchant services, extending collateral-free loans, digital transformation solutions and banking most of the migrant workers here.

We continue to focus on leveraging emerging technologies to come up with differentiated offerings to meet the needs of our customers. The only way to compete is through exceptional customer journeys and experiences – for us that means banking that is simple, intelligent and intuitive. At the same time, we must not take our eye off the fundamental need to remain sustainable. Some of the new entrants may choose to compete on rates, but that is not sustainable for the long run, especially in a lower-for-longer interest rate environment.

We have and will continue to press ahead with meaningful partnerships and establish ecosystems with different kinds of players. We are also dialling up the usage of Artificial Intelligence to predict what customers are going to do, from there how to give them the right advice and transaction suggestions.

We are reasonably confident that we have what it takes to compete meaningfully, and our track record of being recognised as the World's Best Digital Bank and the World's Best Bank on a few occasions is testimony to the fact that our customer experience, customer products and capacity to use data, digital are fairly well developed.

Lakshmi Vilas Bank:

1. How is DBS doing with the venture into India banking market?

2020 was one of the best years for our India business as we grew more than 50%. The strategy to transform India has worked and the franchise has grown much stronger.

The amalgamation of Lakshmi Vilas Bank (LVB) complements DBS's Digibank strategy with an expanded network of 600 branches and 1,000 ATMs, an additional two million retail and 125,000 non-retail customers, as well as a strengthened deposit franchise.

2. How does DBS plan to grow in India? How does Lakshmi Vilas Bank fit these plans?

We plan to be a full-service bank in India, building on our successful corporate banking business. Lakshmi Vilas Bank (LVB) will help us grow the secured SME and the secured retail businesses as well as expand the wealth franchise linked to Singapore. It will also help us grow the deposit base.

We intend to expand digitally into retail and SME banking leveraging a 'phygital' approach, using a physical branch network to develop and extend the reach of the digital bank. LVB's branches are a good fit and our Digibank will also be boosted when our digital products are overlayed on their consumer and corporate customer base.

3. What are the potential risks of investing in India? Is DBS concerned about credit risk? How do you plan to mitigate this?

There are political and economic risks associated with India, similar to most emerging markets. Nonetheless, the rewards balance the risks over the long term, with growth rates for 2021 expected to be amongst the highest in the world and the ROE of the local banking industry is as high as 18-20%. Overall our credit portfolio is quite robust and in the case of LVB, we have set general allowances aside to pre-emptively build reserves to 9.5% of LVB's performing loans.

4. **The Group recorded goodwill of SGD153 million for acquisition of Lakshmi Vilas Bank. Did DBS overpay for the transaction?**

No consideration was paid when DBS amalgamated the business of Lakshmi Vilas Bank. Goodwill was recorded as the difference between the fair value of its assets and liabilities of SGD3.89 billion and SGD4.04 billion respectively. We assess this to be a reasonable cost for acquiring the franchise.

<u>Others:</u>

1. **From Eagle Hospitality Trust (EHT) IPO Prospectus registered with MAS on 16 May 2019, it was noted that DBS was its sole financial adviser and issue manager, as well as one of the joint global coordinators, joint bookrunners and underwriters. It was understood that EHT's IPO had been undersubscribed. How many units in EHT did DBS have to underwrite then? In addition, DBS Trustee Limited (in its capacity as trustee of EH-REIT) has recently announced that a Stalking Horse Agreement has been entered into with a Stalking Horse Bidder on 8 March 2021, where the "low ball" offer is "unlikely to generate any residual value to be distributed to its Staple SecurityHolders". Other than the possible intangible loss of reputation as the sole financial adviser and issue manager by DBS, how much will DBS lose from the equity units it had underwritten, debt facilities to EHT as well as from this whole EHT affair?**

DBS's aggregate equity exposure to EHT is SGD 34 million. As with all of EHT's stakeholders, we expect the amount to be significantly impaired in light of the challenges faced by EHT and that it will be unlikely we will see any residual value from this position.

2. **Given MAS's 'unprecedented' order to DBS Trustee Limited to remove Eagle Hospitality REIT Manager in the history of Singapore REIT space on 30 Nov 2020, may I ask the Board of Directors how does DBS plan to proactively help recover as much value as possible (involving various unfortunate stakeholders) on its underwritten equity units/ debt facilities to EHT/etc?**

Before the Chapter 11 Filing and as part of the sale process following the Chapter 11 Filing, the REIT Trustee had appointed a leading global independent investment bank with strong restructuring capabilities in the real estate sector, Moelis & Company, to explore restructuring and recapitalisation alternatives and invited proposals for these, including engaging in discussions with several potential interested parties in relation to the restructuring and recapitalisation of EH-REIT.

However, such discussions have not led to any actionable proposals for the restructuring and recapitalisation of EH-REIT (other than the proposal that was not approved by the Stapled Securityholders at the Extraordinary General Meeting ("EGM") of EH-REIT held on 30 December 2020).

Entering into the Stalking Horse Agreement in the first bid round allows the flexibility for other bidders to submit higher or otherwise better bids, or proposals to reorganise and/or recapitalise the Chapter 11 Entities (including EH-REIT) in the 2nd bid round of the sale process in Chapter 11. The REIT Trustee, with the assistance of Moelis, will continue to explore other restructuring alternatives, including the recapitalisation of EH-REIT.

The Stalking Horse Bidder's bid of a consideration of USD470 million represents the highest price achieved for the Chapter 11 Properties following an extensive solicitation process with more than 180 qualified parties, and sets the "floor price" for the Second Bid Round and the Auction. It also prevents other potential bidders from underbidding the purchase price and provides downside protection in the event of adverse changes in the macro environment which could create significant risk and uncertainty around any sale.

With EH-REIT facing insufficient resources as a going concern and limited options following the EGM, filing for Chapter 11 provided immediate legal protection by staying claims against the subsidiaries of EH-REIT that has filed for Chapter 11 and provide the necessary protection to allow the undertaking of any value-maximising strategies or propositions for the benefit of all stakeholders, including the sale of the Chapter 11 Properties.

3. What are your succession plans?

At DBS, we are committed to grooming talent from within. We do succession planning for key senior management roles, including the Group CEO, and that plan is reviewed annually.