Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: DBS Group Holdings Ltd

Stock code: D05

Meeting details:
Date: 30 March 2021
Time: 2.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. 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 $4.72 billion. Recognising the challenges in the operating environment, management front-loaded total allowances amounting to $3.07 billion in FY2020 in anticipation of rising defaults in 2021. Total allowance reserves increased 46% to $7.33 billion and the allowance coverage was at 110% and at 206% after considering collateral of $3.12 billion.

(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.

(ii) **Loan growth:** The bank grew its loan book by $16 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 (~$8 billion) and Hong Kong (~$4 billion), in the "Building and construction" (~$12 billion) and "Financial institutions, investment and holding companies" (~$4 billion) industries, partly offset by a decrease of $5 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?**

(iii) **Current and savings accounts (Casa):** The bank received Casa inflows of $99 billion. This expanded the group's low-cost Casa deposits by 42% to $338 billion. **Has management analysed the reason(s) for the $99 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?**

Q2. 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.

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(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".

(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?**

(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?**

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

(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?**

(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?**

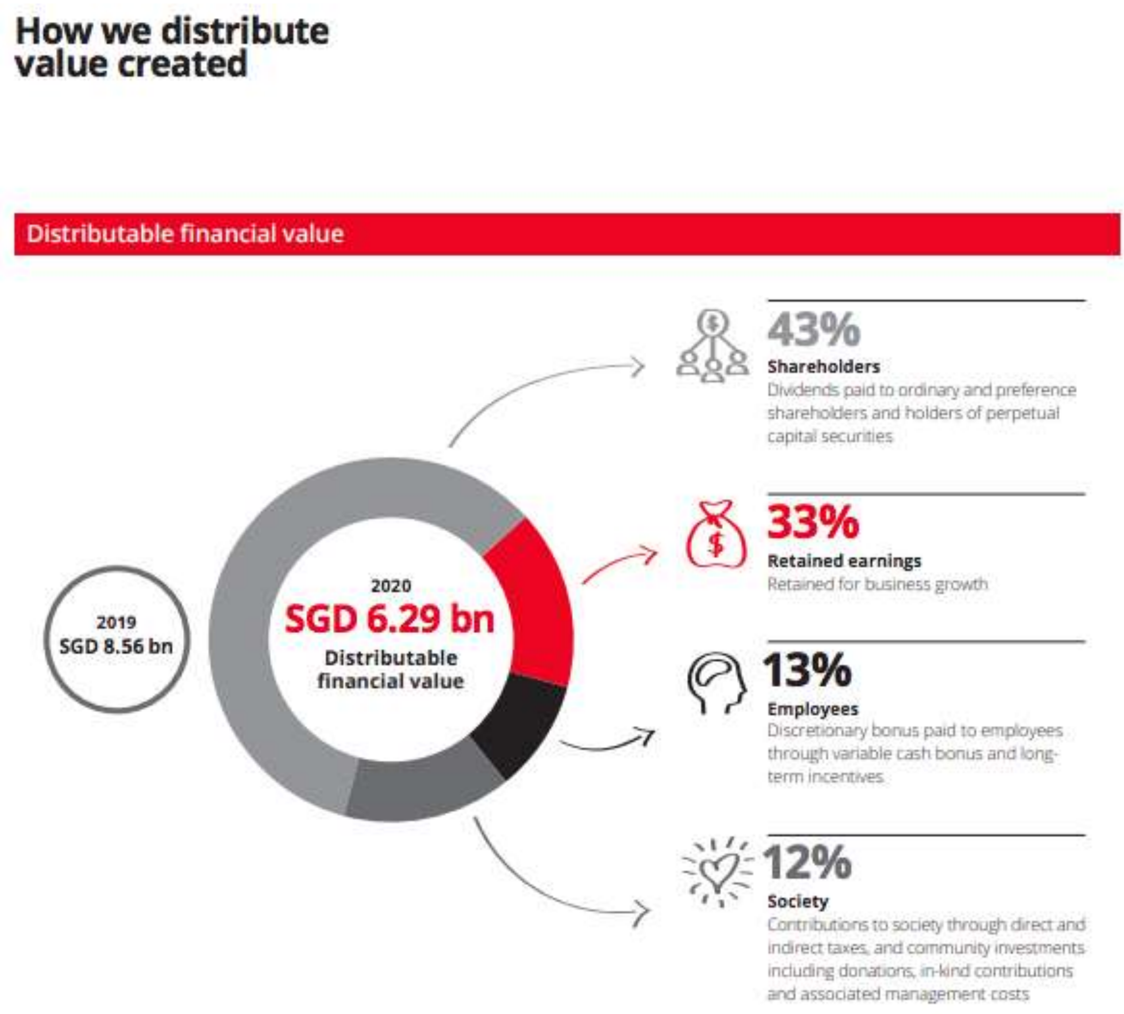
(vii) **Does the bank have in place a strong management team in India to effectively manage the integration and to grow the enlarged group?**

Q3. 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).



(Source: company annual report)

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

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

(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?**

(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?**

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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.

(v) **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?**

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".

(vi) **Would the CMDC reconsider how it can better comply with the Code of corporate governance in the disclosure of remuneration?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)