Summary of disclosures Enhanced Disclosure Task Force recommendations

	General recommendations	Where have we disclosed this? (in Risk management section unless otherwise stated)
1	Present all related risk information together in any particular report.	Refer to the table on page 71
2	Define the bank's risk terminology and risk measures and present key parameter values used.	Sections 1, 5.1, 6.1, 7.1, 8.1
	Permanent considerations regarding the impact of expected credit loss approaches:	
	Describe how the bank interprets and applies the key concepts within an ECL approach.	Refer to Note 1 on page 116
	Disclose the credit loss modelling techniques developed to implement the ECL approach.	Refer to Note 1 on page 116
3	Describe and discuss top and emerging risks, incorporating relevant information in the bank's external reports on a timely basis.	Refer to CRO Statement on page 68
	Temporary considerations regarding the impact of expected credit loss approaches:	
	Provide disclosures describing how the concepts applied and modelling techniques under the current impairment approaches compare with the new ECL approach to highlight factors that may drive changes in ECL that may not have been relevant in current impairment approaches.	Refer to Note 1 on page 116
4	Once the applicable rules are finalised, outline plans to meet each new key regulatory ratio, e.g. the net stable funding ratio, liquidity coverage ratio and leverage ratio, and, once the applicable rules are in force, provide such key ratios.	Section 7.4 Refer to Capital Management and Planning section on page 92 and Pillar 3 disclosures published on the DBS website
	Temporary considerations regarding the impact of expected credit loss approaches:	
	Banks should consider describing the intended implementation strategy including the current timeline for the implementation.	Refer to Note 1 on page 116
	Disclose how the risk management organisation, processes and key functions have been organised to run the ECL methodology.	Refer to Note 1 on page 116
	Risk governance and risk management strategies/business model	
5	Summarise prominently the bank's risk management organisation, processes and key functions.	Section 3
6	Provide a description of the bank's risk culture, and how procedures and strategies are applied to support that culture.	Section 4 Refer to Corporate Governance section on page 48
7	Describe the key risks arising from the bank's business models and activities, the bank's Risk Appetite in the context of its business models and how the bank manages such risks.	Sections 1, 2 and 4

General recommendations		Where have we disclosed this? (in Risk management section unless otherwise stated)
8	Describe the usage of stress testing within the bank's risk governance and capital frameworks. Stress testing disclosures should provide a narrative overview of the bank's internal stress testing process and governance.	Sections 4.2, 5.1, 6.1, 7.1
	Temporary considerations regarding the impact of expected credit loss approaches:	
	Describe the relationship, if any, between the stress testing programs and the implementation of ECL accounting requirements.	Refer to Note 1 on page 116
Capital adequacy and risk-weighted assets		
9	Provide minimum Pillar 1 capital requirements, including capital surcharges for G-SIBs and the application of counter-cyclical and capital conservation buffers or the minimum internal ratio established by management.	Refer to Capital Management and Planning section on page 92 and Pillar 3 disclosures published on the DBS website
10	Summarise information contained in the composition of capital templates adopted by the Basel Committee to provide an overview of the main components of capital, including capital instruments and regulatory adjustments. A reconciliation of the accounting balance sheet to the regulatory balance sheet should be disclosed.	Refer to Pillar 3 disclosures published on the DBS website
11	Present a flow statement of movements since the prior reporting date in regulatory capital, including changes in common equity tier 1, tier 1 and tier 2 capital.	Refer to Capital Management and Planning section on page 92
12	Qualitatively and quantitatively discuss capital planning within a more general discussion of management's strategic planning, including a description of management's view of the required or targeted level of capital and how this will be established.	Refer to Capital Management and Planning section on page 92
	Temporary considerations regarding the impact of expected credit loss approaches:	
	Banks should consider explaining how ECL requirements are anticipated to have an impact on capital planning (particularly in meeting capital adequacy requirements), including any strategic changes expected by management, to the extent that the impact is material. If regulatory requirements are unclear or not yet fully determined, the effects of such uncertainty should be discussed.	Refer to Note 1 on page 116
13	Provide granular information to explain how risk-weighted assets (RWAs) relate to business activities and related risks.	Section 2
14	Present a table showing the capital requirements for each method used for calculating RWAs for credit risk, including counterparty credit risk, for each Basel asset class as well as for major portfolios within those classes. For market risk and operational risk, present a table showing the capital requirements for each method used for calculation.	Refer to Pillar 3 disclosures published on the DBS website
15	Tabulate credit risk in the banking book showing the average probability of default (PD) and LGD as well as the exposure at default (EAD), total RWAs and the RWA density for Basel asset classes and major portfolios within classes at a suitable level of granularity, based on internal ratings grades.	Refer to Pillar 3 disclosures published on the DBS website
16	Present a flow statement that reconciles movements in RWAs for the period for each RWA risk type.	To be implemented for credit risk RWA under revised Pillar 3 disclosures, effective from 1 January 2018
17	Provide a narrative putting Basel Pillar 3 back-testing requirements into context, including how the bank has assessed model performance and validated its models against default and loss.	Sections 6.1, 6.2

General recommendations		Where have we disclosed this? (in Risk management section unless otherwise stated)
Liquidity		
18	Describe how the bank manages its potential liquidity needs and provide a quantitative analysis of the components of the liquidity reserve held to meet these needs, ideally by providing averages as well as period-end balances.	Sections 7.1, 7.3
Funding		
19	Summarise encumbered and unencumbered assets in a tabular format by balance sheet categories, including collateral received that can be rehypothecated or otherwise redeployed. This is to facilitate an understanding of available and unrestricted assets to support potential funding and collateral needs.	Section 7.3
20	Tabulate consolidated total assets, liabilities and off-balance sheet commitments by retaining contractual maturity at the balance sheet date. Present separately (i) senior unsecured borrowing (ii) senior secured borrowing (separately for covered bonds and repos) and (iii) subordinated borrowing. Banks should provide a narrative discussion of management's approach in determining the behavioural characteristics of financial assets and liabilities.	Section 7.2 Financial Statements Note 42.1
21	Discuss the bank's funding strategy, including key sources and any funding concentrations, to enable effective insight into available funding sources, our reliance on wholesale funding, any geographical or currency risks and changes in those sources over time.	Section 7.1
Market risk		
22	Provide information that facilitates the user's understanding of the links between line items in the balance sheet and the income statement with positions included in the traded market risk disclosures [using the bank's primary risk management measures such as Value at Risk (VaR)] and non-traded market risk disclosures such as risk factor sensitivities, economic value and earnings scenarios and/or sensitivities.	Section 6.1
23	Provide further qualitative and quantitative breakdowns of significant trading and non-trading market risk factors that may be relevant to the bank's portfolios beyond interest rate, foreign exchange, commodity and equity measures.	Sections 6.1, 6.2
24	Provide qualitative and quantitative disclosures that describe significant market risk measurement model limitations, assumptions, validation procedures, usage of proxies, changes in risk measures and models through time, reasons for back-testing exceptions, and how these results are used to enhance the parameters of the model.	Sections 6.1, 6.2
25	Provide a description of the primary risk management techniques employed by the bank to measure and assess the risk of loss beyond reported risk measures and parameters, such as VaR, earnings or economic value scenario results, through methods such as stress tests, expected shortfall, economic capital, scenario analysis, stressed VaR or other alternative approaches. The disclosure should discuss how market liquidity horizons are considered and applied within such measures.	Sections 6.1, 6.2

General recommendations		Where have we disclosed this? (in Risk management section unless otherwise stated)
Credit risk		
26	Provide information that facilitates the user's understanding of the bank's credit risk profile, including any significant credit risk concentrations.	Section 5.4 Financial Statements Note 41.4
	Temporary considerations regarding the impact of expected credit loss approaches:	
	Banks should consider whether existing segmentation for disclosure purposes is sufficiently granular to appropriately understand credit risk through an ECL approach.	Not applicable (quantitative assessment not yet available)
	Once practical and when disclosures are reliable, provide users with a quantitative assessment of the potential impact of applying an ECL approach.	
	Permanent considerations regarding the impact of expected credit loss approaches:	
	Where it aids understanding of credit risk exposures, provide disclosure of vintage.	Not applicable
27	Describe the policies for identifying impaired or non-performing loans, including how the bank defines impaired or non-performing, restructured and returned-to-performing (cured) loans, as well as explanations for loan forbearance policies.	Section 5.1
28	Provide reconciliation for the opening and closing balances of non-performing or impaired loans in the period and the allowance for loan losses. Disclosures should include an explanation of the effects of loan acquisitions on ratio trends, and qualitative and quantitative information about restructured loans.	Sections 5.1, 5.4 Financial Statements Note 41.2
29	Provide a quantitative and qualitative analysis of the bank's counterparty credit risk, which arises from its derivatives transactions.	Sections 5.1, 5.4
30	Provide qualitative information about credit risk mitigation and collateral held for all sources of credit risk, as well as quantitative information where meaningful.	Sections 5.2, 5.4
Other risk		
31	Describe "other risk" types based on management's classifications and discuss how each one is identified, governed, measured and managed. In addition to risks such as operational risk, reputational risk, fraud risk and legal risk, it may be relevant to include topical risks such as business continuity, regulatory compliance, technology, and outsourcing.	Sections 1, 8.1, 9
32	Discuss publicly known risk events related to other risks, including operational, regulatory, compliance and legal risks, where material or potentially material loss events have occurred. Such disclosures should concentrate on the effect on the business, the lessons learned and the resulting changes to risk processes already implemented or in progress.	Section 8.2

Note 1: SFRS(I) 9 impairment methodology

1 DBS will adopt Singapore Financial Reporting Standards (International) 9 Financial Instruments (SFRS(I) 9) on 1 January 2018. SFRS(I) 9 governs how Singapore reporting entities classify and measure financial instruments; recognise impairment (or allowance) charges; and account for hedges.

1.1 Information on the estimated transitional impact to the Group's shareholders' funds is provided on page 133. SFRS(I) 9 mandated disclosures will be made during the course of 2018.

2 Current impairment approach

2.1 Prior to 2018, for impairment allowances, DBS complies with the provisions of MAS Notice 612 where banks maintain, in addition to specific allowances, a prudent level of general allowances of at least 1% of uncollateralised exposures. This is an intended departure from the incurred loss provisioning approach prescribed under FRS 39.

3 SFRS(I) 9 impairment methodology

3.1 Under SFRS(I) 9, impairment charges will be determined using an Expected Credit Loss (ECL) approach, which classifies financial assets into three categories or stages, each of which is associated with an ECL requirement that is reflective of the assessed credit risk profile. A financial asset is classified under:

- Stage 1, if it was not credit-impaired upon origination, and there has not been a significant increase in its credit risk since then. The ECL of a Stage 1 financial asset will be the credit loss expected to result from a default occurring over the next 12 months;
- Stage 2, if it was not credit-impaired upon origination but has since experienced a significant increase in credit risk. The ECL of a Stage 2 financial asset will be the credit loss that is expected over the remaining lifetime of the asset;
- Stage 3, if it has been credit-impaired with objective evidence of default. The assessed ECL for a Stage 3 financial asset is not expected to be materially different from the existing specific allowances taken.

Staging criteria

3.2 The analysis underpinning the assessment of whether a financial asset has, since origination, experienced a significant increase in credit risk is multi-factor in nature, with a range of qualitative and quantitative parameters being taken into consideration.

3.3 For non-retail exposures, these include observed changes in the probability of default (derived from the internal credit risk rating for each obligor) that are in excess of pre-specified thresholds, as well as exposures that are placed on credit "watchlists" for closer scrutiny of developing credit issues. For retail exposures, days past due is a driver, supplemented with a probability of default-based criterion.

3.4 A Stage 2 exposure could migrate back to Stage 1 if it is assessed, after a minimum observation period, that there is assurance of a sustainable improvement in its credit profile.

Definition of credit-impaired/default

3.5 Exposures are classified as Stage 3 if these are deemed to be credit-impaired or have suffered objective evidence of default as at the reporting date. The definition of default that will be applied upon adoption of SFRS(I) 9 is consistent with that specified in the Basel regulatory capital rules.

3.6 A Stage 3 exposure that is restructured could be upgraded to Stage 2 if there are reasonable grounds to conclude that the obligor is able to service all future principal and interest payments on the credit facility in accordance with the restructured terms.

ECL Modelling – Point-in-Time and Forward-Looking Adjustments

3.7 Portfolio-specific adjustments are made to the Bank's existing credit rating systems, models, processes and tools to meet the requirements of SFRS(I) 9.

3.8 For the non-retail portfolios, credit risk cycle indices have been developed for significant industries and regions. These are used as inputs to convert through-the-cycle loss estimates measures into the point-in-time equivalents and determine the forward-looking estimates. For retail portfolios, adjustments are made in light of the latest loss experience, as well as outputs from macroeconomic forecast models.

Management overlay

3.9 In determining the final ECL, management will evaluate a range of possible outcomes, taking into account past events, current conditions and the economic outlook. Additional considerations that are assessed to have been inadequately addressed in the ECL model estimates will be addressed through the application of a structured management overlay framework. This incorporates considerations such as (1) individual loss assessments of large exposures on watchlists; (2) observed model limitations; and (3) thematic events and stress-test outputs.

3.10 ECL adjustments arising from the exercise of the management overlay are subject to a robust review and governance process.

4 SFRS(I) 9 Implementation

4.1 A Project Steering Committee (PSC), chaired by the Group CFO, was established to oversee the SFRS(I) 9 implementation, including the development of the ECL model, in 2016. The PSC is supported by the Group Operational Implementation Committee, consisting of subject matter experts.

4.2 To support the regional roll-out across the Group and local implementation where applicable, Country Implementation Committees were also established in key locations.

4.3 Periodic progress reports and results of parallel runs were provided to the various Committees, including the Audit Committee during the course of 2017. DBS' external auditor has reviewed the SFRS(I) 9 implementation and the transitional impact was considered to be reasonable.

5 Impact on regulatory capital planning

5.1 Periodic changes in the ECL balance will be reflected as impairment charges and recorded in profit and loss and ultimately common equity Tier 1 capital (CET1). Banks are required to also maintain a minimum total allowance balance amounting to 1% of a defined list of non-credit-impaired exposures, which has been termed the Minimum Regulatory Loss Allowance (MRLA). If the balance of Stage 1 & 2 ECL (which would equate to general allowances) is less than the MRLA, banks will have to appropriate the shortfall amount from retained earnings into a non-distributable reserve within equity, which is described as the Regulatory Loss Allowance Reserve (RLAR). The RLAR is excluded from CET1; instead, it is recognised as part of the Total Eligible Provision for Basel capital reporting and will be included as Tier 2 capital (subject to the existing prescribed limits).

5.2 Relative to the current approach outlined in paragraph 2.1, Stage 1 & 2 ECL is expected to be more volatile and the Group will take this into consideration in its capital planning. As the Group has observed MAS Notice 612 requirements since 2005, the general allowances balance has remained prudent. As such, SFRS(I) 9 adoption will not have a significant impact on the Group's capital position at transition. Consequently, the Group will not require the transitional arrangements, which are intended to shield regulatory capital from the application of ECL accounting, that the Basel Committee had introduced in March 2017.