Capital management and planning

Objective

The Board of Directors (Board) is responsible for setting our capital management objective, which is to maintain a strong capital position consistent with regulatory requirements under the "Notice on Risk Based Capital Adequacy Requirements for Banks Incorporated in Singapore" (MAS Notice 637) and "Notice to Designated Financial Holding Companies FHC-N637 on Risk Based Capital Adequacy Requirements" (MAS Notice FHC-N637), and the expectations of various stakeholders including customers, investors and rating agencies. The Board articulates this objective in the form of capital targets, which are reviewed annually. This objective is pursued while delivering returns to shareholders and ensuring that adequate capital resources are available for business growth and investment opportunities as well as adverse situations, taking into consideration our strategic plans and risk appetite.

Our dividend policy is to pay sustainable dividends that grow progressively with earnings. In line with this, the Board proposed a final dividend of 54 cents per share, an increase of six cents from the previous payout. This brings the ordinary dividend for the financial year to SGD 1.92 per share, an increase of 42 cents or 28% from the previous full year. The Scrip Dividend Scheme will not be applied to the final dividend. In addition, the Board proposed a bonus issue on the basis of one bonus share for every existing 10 ordinary shares held. The bonus shares will qualify for dividend payments starting with the first-quarter 2024 interim dividend, increasing the pace of capital returns to shareholders. Barring unforeseen circumstances, the annualised ordinary dividend going forward will be SGD 2.16 per share over the enlarged share base, which is an increase of 24% from 2023.

Process

Our capital management objective is implemented via a capital management and planning process that is overseen by the Capital Committee. The Chief Financial Officer chairs the Capital Committee. The Capital Committee receives regular updates on our current and projected capital position. A key tool for capital planning is the annual Internal Capital Adequacy Assessment Process (ICAAP) through which we assess our projected capital supply and demand relative to regulatory requirements and capital targets. The ICAAP generally has a three-year horizon and covers various scenarios, including stress scenarios of differing scope and severity.

Capital capacity is allocated on two dimensions: by business line and by entity. Capital allocations by business line are set as part of the budget process and monitored during the year. Return on regulatory capital is one of several metrics used to measure business performance. Capital allocations by entity seek to optimise the distribution of capital resources across entities, taking into account the capital adequacy requirements imposed on each subsidiary in its respective jurisdiction. Capital is allocated to ensure that each subsidiary is able to comply with regulatory requirements as it executes its business strategy in line with our strategy.

During the course of the year, these subsidiaries did not experience any impediments to the distribution of dividends.

Capital structure

We manage our capital structure in line with our capital management objective and seek to optimise the cost and flexibility offered by various capital resources. In order to achieve this, we assess the need and the opportunity to raise or retire capital. The following capital transactions were undertaken during the year.

- DBS Group Holdings Ltd, on 20 January 2023, redeemed SGD 250 million 3.80% Subordinated Notes.
- DBS Group Holdings Ltd, on 16 March 2023, redeemed AUD 750 million Floating Rate Subordinated Notes.
- DBS Group Holdings Ltd, on 11 April 2023, redeemed EUR 600 million 1.50% Subordinated Notes.
- DBS Group Holdings Ltd, on 15 May 2023, redeemed CNY 950 million 5.25% Subordinated Notes.
- DBS Group Holdings Ltd, on 25 June 2023, redeemed JPY 7,300 million 0.85% Subordinated Notes.
- DBS Group Holdings Ltd, on 11 December 2023, redeemed USD 750 million 4.52% Subordinated Notes.

Refer to Note 32 to the financial statements for details on the movement of share capital during the year.

Refer to Notes 31 and 33 to the financial statements as well as the Main Features of Capital Instruments document (https://www.dbs.com/investors/fixed-income/capital-instruments) for the terms of the capital instruments that are included in Eligible Total Capital.

The table below analyses the movement in Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) and Tier 2 capital during the year.

Statement of changes in regulatory capital for the year ended 31 December 2023

	SGD million
CET1 capital	
Opening amount	50,487
Profit for the year (attributable to shareholders)	10,062
Dividends paid to shareholders[1]	(6,013)
Cost of share-based payments	178
Purchase of treasury shares	(20)
Other CET1 movements, including other comprehensive income	(905)
Closing amount	53,789
CET1 capital	53,789
AT1 capital[2]	2,393
Tier 1 capital	56,182
Tier 2 capital	
Opening amount	6,165
Movements in Tier 2 capital instruments	(3,110)
Movement in allowances eligible as Tier 2 capital	69
Closing amount	3,124
Total capital	59,306

Note:
(1) Includes distributions paid on capital securities classified as equity.
(2) There were no movements in AT1 capital during the year.

Capital adequacy ratios

As at 31 December 2023, our CET1 capital adequacy ratio (CAR) was 14.6%, which was above our target ratio of around 13.0% ± 0.5%. Our CET1 CAR, as well as Tier 1 and Total CARs, comfortably exceeded the minimum CAR requirements under MAS Notice 637 and MAS Notice FHC-N637 of 9.0%, 10.5% and 12.5% respectively (this includes the capital conservation buffer but excludes the countercyclical capital buffer). The Group CARs had included the additional capital requirement imposed by the MAS on DBS Bank following disruptions to DBS Bank's digital banking services on 29 March 2023, and its digital banking and ATM services on 5 May 2023. The additional capital requirement on DBS Bank is now a multiplier of 1.8 times to its risk weighted assets for operational risk, an increase from the multiplier of 1.5 times that the MAS first imposed on 7 February 2022 for disruptions which occurred during 23 to 25 November 2021. Notwithstanding the higher multiplier, the Group's capital ratios remained robust.

As at 31 December 2023, our consolidated leverage ratio stood at 6.6%, well above the 3.0% minimum ratio set by the MAS.

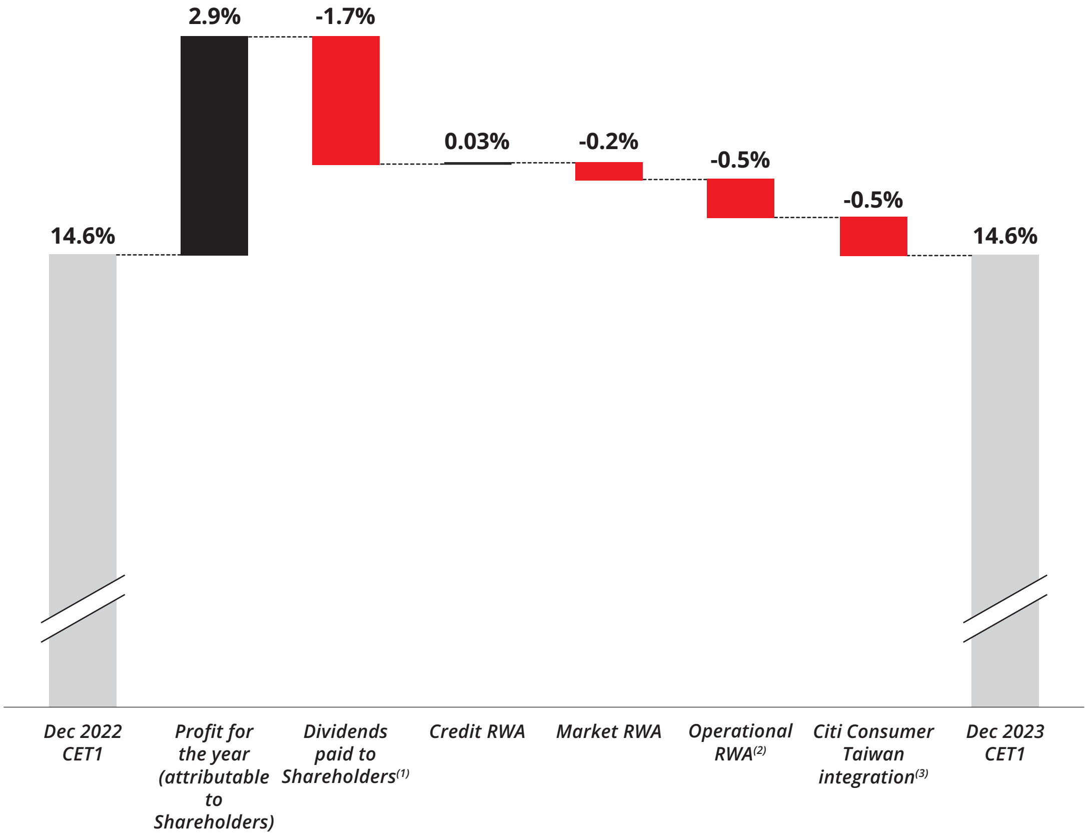
Refer to "Five-Year Summary" on page 187 for the historical trend of CET1, Tier 1 and Total CARs. Refer to DBS Group's Pillar 3 disclosures published on DBS website (https://www.dbs.com/investors/default.page) for details on our risk-weighted assets (RWA).

SGD million	**2023**	**2022**
CET1 capital	53,789	50,487
Tier 1 capital	56,182	52,880
Total capital	59,306	59,045
RWA		
Credit RWA	293,747	288,640
Market RWA	26,144	22,505
Operational RWA	48,472	35,750
Total RWA	368,363	346,895
CAR (%)		
CET1	14.6	14.6
Tier 1	15.3	15.2
Total	16.1	17.0
Minimum CAR including Buffer Requirements (%)[1]		
CET1	9.2	9.2
Tier 1	10.7	10.7
Total	12.7	12.7
Of which: Buffer Requirements (%)		
Capital Conservation Buffer	2.5	2.5
Countercyclical Buffer	0.2	0.2

Note:
(1) Includes minimum CET1, Tier 1 and Total CAR of 6.5%, 8.0% and 10.0% respectively.

The chart below analyses the drivers of the movement in the Group's CET1 CAR during the year.

Group CET1 CAR



Note:
(1) Includes distributions paid on capital securities classified as equity.
(2) Includes the Operational Risk charges imposed by the MAS on DBS Bank for the digital disruptions.
(3) Aggregate impact from the integration of Citigroup Inc.'s consumer banking business in Taiwan (Citi Consumer Taiwan).

Regulatory change

The minimum CAR requirements based on MAS Notice 637 and MAS Notice FHC-N637 have been fully phased in from 1 January 2019 and are summarised in the table below.

	2019 and beyond
Minimum CAR %	
CET1 (a)	6.5
Capital Conservation Buffer (CCB) (b)	2.5
CET1 including CCB (a) + (b)	9.0
Tier 1 including CCB	10.5
Total including CCB	12.5
Maximum Countercyclical Buffer[(1)]	2.5

Note:
(1) The countercyclical buffer is not an ongoing requirement and is only applied as and when specified by the relevant banking supervisors. The applicable magnitude will be a weighted average of the jurisdiction-specific countercyclical buffer requirements that are required by national authorities in jurisdictions to which a bank has private sector credit exposures. The Basel Committee on Banking Supervision ("Basel Committee") expects jurisdictions to implement the countercyclical buffer during periods of excessive credit growth. Of the jurisdictions where we have material private sector credit exposures, Hong Kong has applied a countercyclical buffer of 2.5% from 1 January 2019, reducing to 2.0% from 14 October 2019 and 1.0% from 16 March 2020, and remained unchanged thereafter.

The MAS has designated DBS Bank as a domestic systemically important bank ("D-SIB"). Under the MAS' framework for identifying and supervising D-SIBs, the higher loss absorbency requirement for locally incorporated D-SIBs is met by the foregoing minimum ratios being two percentage points higher than those established by the Basel Committee. The Basel Committee has developed an indicator-based methodology for identifying global systemically important banks ("G-SIBs") on which higher loss absorbency requirements will be imposed. While we are not a G-SIB, we are required to disclose the 12 indicators which are included in the DBS Group's Pillar 3 disclosures published on DBS website (https://www.dbs.com/investors/default.page).

On 20 September 2023, the MAS published the revised MAS Notice 637 to implement the final Basel III reforms. Most of the final Basel III reforms in Singapore will come into effect from 1 July 2024. Specifically, the requirements in the revised MAS Notice 637 will take effect as follows: (a) all standards other than the revised market risk and credit valuation adjustment ("CVA") standards will take effect from 1 July 2024; (b) the revised market risk and CVA standards will take effect from 1 July 2024 for compliance with supervisory reporting requirements, and with effect from 1 July 2025 for compliance with capital adequacy and disclosure requirements; and (c) the output floor transitional arrangement will commence at 50% from 1 July 2024 and reach full phase-in at 72.5% from 1 January 2029.