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 60 cents per share, an increase of six cents from the previous payout. This brings the ordinary dividend for the financial year to SGD 2.22 per share or SGD 6.31 billion, an increase of 27% over the previous year. The Scrip Dividend Scheme will not be applied to the final dividend.

In addition, the Board committed to managing down the stock of excess capital over the coming three years. To begin with, it plans to introduce a Capital Return dividend of 15 cents per share per quarter to be paid out over financial year 2025. In the subsequent two years, it expects to pay out a similar amount of capital either through this or other mechanisms, barring unforeseen circumstances.

The Board also established a new share buyback programme of SGD 3 billion, announced on 7 November 2024. Under the programme, shares will be purchased in the open market and cancelled. The buybacks will be carried out at management's discretion and subject to market conditions. The programme is in addition to periodic buybacks carried out for the purposes of vesting employee share plans.

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.

Common Equity Tier 1 capital

- On 26 April 2024, the Group issued 258 million bonus shares on the basis of one bonus share for every existing 10 ordinary shares held, at nil consideration and without capitalisation of reserves. The bonus shares qualify for dividend payments from the first interim dividend of the financial year ended 31 December 2024.

There were no Additional Tier 1 nor Tier 2 transactions during the year.

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 2024

	SGD million
CET1 capital	
Opening amount	53,789
Profit for the year (attributable to shareholders)	11,289
Dividends paid to shareholders[1]	(6,083)
Cost of share-based payments	177
Purchase of treasury shares	(213)
Other CET1 movements, including other comprehensive income	1,034
Closing amount	59,993
CET1 capital	59,993
AT1 capital[2]	2,393
Tier 1 capital	62,386
Tier 2 capital	
Opening amount	3,124
Movements in Tier 2 capital instruments	(16)
Movement in allowances eligible as Tier 2 capital	107
Closing amount	3,215
Total capital	65,601

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

The revised MAS Notice 637 which implements the final Basel III reforms in Singapore came into effect from 1 July 2024. As at 31 December 2024, our reported CET1 capital adequacy ratio (CAR) was 17.0% based on transitional arrangements, while the pro-forma CET1 CAR on a fully phased-in basis was 15.1%, which were 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).

As at 31 December 2024, our consolidated leverage ratio stood at 6.7%, well above the 3.0% minimum ratio set by the MAS.

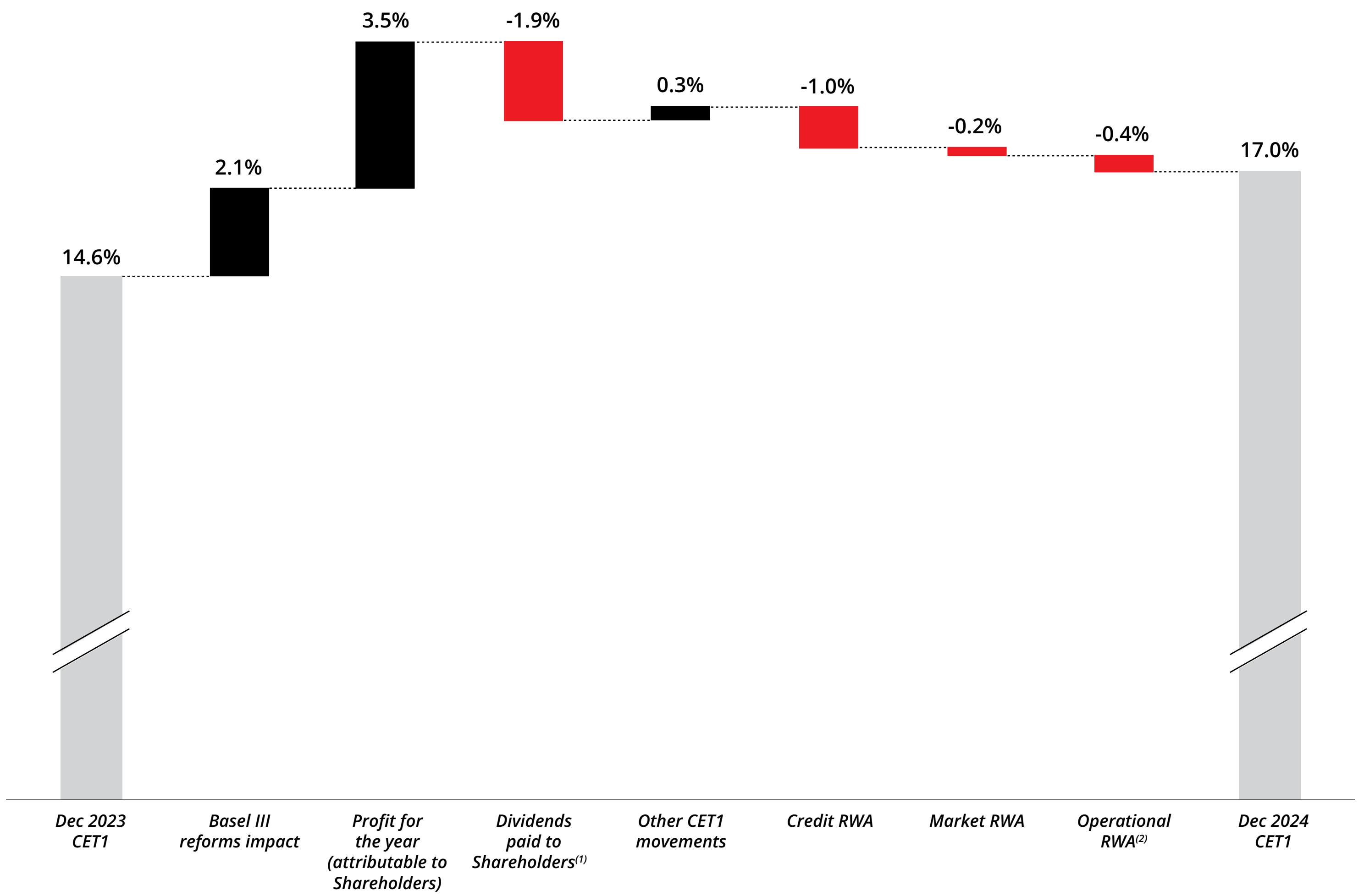
Refer to "Five-Year Summary" on page 183 for the historical trend of CET1, Tier 1 and Total CARs. Refer to DBS Group's Pillar 3 disclosures published on DBS website (https://www.dbs.com/investors/default.page) for details on our risk-weighted assets (RWA).

SGD million	2024	2023
CET1 capital	59,993	53,789
Tier 1 capital	62,386	56,182
Total capital	65,601	59,306
RWA		
Credit RWA	274,670	293,747
Market RWA	39,512	26,144
Operational RWA[1]	37,820	48,472
Total RWA	352,002	368,363
CAR (%)		
CET1	17.0	14.6
Tier 1	17.7	15.3
Total	18.6	16.1
Fully phased-in CET1[2]	15.1	n.a.
Minimum CAR including Buffer Requirements (%)[3]		
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

Notes:
(1) Includes the Operational Risk charges imposed by the MAS on DBS Bank for the digital disruptions in 2023.
(2) Calculated based on the Basel III reforms output floor at 72.5% when fully phased-in on 1 January 2029.
(3) 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



Notes:
(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 in 2023.

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 is 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 reduced its countercyclical buffer from 1.0% to 0.5% from 18 October 2024.

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).

With effect from 1 July 2024, MAS Notice 637 was revised to implement the final Basel III reforms in Singapore. The revised MAS Notice 637 sets out revised standards on (a) operational risk capital and leverage ratio requirements; (b) credit risk capital and output floor requirements; (c) market risk capital and capital reporting requirements; and (d) public disclosure requirements. Under the revised MAS Notice 637, all standards other than the revised market risk and credit valuation adjustment ("CVA") standards took effect from 1 July 2024. The revised market risk and CVA standards (a) for compliance with supervisory reporting requirements took effect from 1 July 2024, and (b) for compliance with capital adequacy and disclosure requirements took effect from 1 January 2025. The output floor transitional arrangement has commenced at 50% from 1 July 2024 and will reach full phase-in at 72.5% from 1 January 2029.