Capital Management

Our capital management objective

Our capital management objectives are:

- to maintain an optimal level of capital to support our business growth strategies and investment opportunities, and to meet regulatory requirements;
- to maintain the strong credit ratings which our stakeholders, including our depositors and investors, recognise us for; and
- to maintain an efficient capital structure, keeping our overall cost of capital low and to deliver sustainable dividend returns to our shareholders.

Our approach

We adopt a proactive approach in the management of our capital position over the medium term through the Group's Internal Capital Adequacy Assessment Process (ICAAP). This comprehensive assessment includes:

- setting capital targets for the Group, taking into account foreseeable regulatory changes and stakeholder expectations;
- forecasting capital consumption for material risks based on the Group's risk appetite. This forecast is evaluated across all business segments and banking entities against projected capital levels, taking into consideration the impact of mitigating actions under adverse economic conditions; and
- determining capital issuance requirements and reviewing the maturity profile of existing capital securities.

Our capital planning and assessment process is governed by two committees. Our Board Risk Management Committee (BRMC) assists our Board in the oversight of the management of risks arising from the businesses of our Group, while our Risk and Capital Committee (RCC), comprising senior management, manages our Group's ICAAP, overall risk profile and capital adequacy. Our BRMC and RCC are kept apprised of our Group's capital positions quarterly, while our capital management and contingency capital plans are reviewed annually. Material capital management decisions are also approved by our Board.

The Bank is the primary provider of capital to the entities in the Group. Investments in these entities are substantially funded by our internally generated capital, comprising retained earnings, and externally-raised capital issuances. Our banking subsidiaries outside Singapore are expected to manage their own capital positions to support planned business growth and are also required to comply with their local regulatory requirements. Capital generated by our subsidiaries in excess of planned requirements is returned to us by way of dividends, subject to local regulations. There was no significant impediment to the payment of dividends by our subsidiaries during the year.

Regulatory requirements

We are one of the Domestic Systemically Important Banks (D-SIBs) in Singapore and are subject to stricter regulatory measures imposed by the Monetary Authority of Singapore (MAS). As a D-SIB, we are required to maintain, at a minimum, Common Equity Tier 1 (CET1), Tier 1 and Total Capital Adequacy Ratio (CAR) of 6.5 per cent, 8 per cent and 10 per cent respectively at the Bank and Group levels.

The CAR requirements include the following capital-related buffers:

- Capital conservation buffer (CCB) of 2.5 per cent, to be maintained in the form of CET1 capital. This is to ensure adequate capital buffer is accumulated outside periods of stress. Taking into account the full CCB requirement, the regulatory CET1, Tier 1 and Total CAR will increase to 9 per cent, 10.5 per cent and 12.5 per cent respectively; and
- Countercyclical buffer (CCyB) of up to 2.5 per cent, to be maintained in the form of CET1 capital. The CCyB is applied on a discretionary basis by banking regulators in the respective jurisdictions to limit excessive credit growth in their economies. The Group will be subjected to CCyB requirements when we have credit exposures to the private sectors in these jurisdictions.

The MAS has taken into account industry feedback on the draft standards for the implementation of final Basel III reforms in Singapore and would be implementing revised standards for credit risk capital, operational risk capital, output floor and leverage ratio from 1 January 2023. The revised standard for market risk capital will take effect from 1 January 2023 for supervisory reporting purpose, and at a later date for purpose of compliance with capital adequacy and disclosure requirements.

Capital transactions

- We redeemed the $750 million 4.0% Perpetual Capital Securities in May 2021 and US$700 million 3.5% Subordinated Notes in September 2021.
- We issued the US$750 million 2.0% Subordinated Notes in April 2021 and $600 million 2.55% Perpetual Capital Securities in June 2021.

Capital Management

The table below shows the consolidated capital positions of our Group as at 31 December 2021 and 31 December 2020.

	2021 $ million	2020 $ million
Common Equity Tier 1 Capital		
Share capital	5,014	5,043
Disclosed reserves/others	34,663	32,914
Regulatory adjustments	(4,742)	(4,726)
Common Equity Tier 1 Capital	34,935	33,231
Additional Tier 1 Capital		
Perpetual capital securities/others	2,379	2,379
Tier 1 Capital	37,314	35,610
Tier 2 Capital		
Subordinated notes	4,320	4,287
Provisions/others	1,441	1,493
Eligible Total Capital	43,075	41,390
Risk-weighted Assets (RWA)		
Credit risk	232,521	199,679
Market risk	10,133	9,426
Operational risk	16,413	16,336
Total RWA	259,067	225,441
Capital Adequacy Ratios (%)		
CET1	13.5	14.7
Tier 1	14.4	15.8
Total	16.6	18.4
Leverage exposure	517,243	478,233
Leverage Ratio (%)	7.2	7.4