Capital Management and Planning

The Group's capital management objective is to maintain a strong capital position consistent with the expectations of various stakeholders, i.e., customers, investors, rating agencies and regulators, while delivering returns to shareholders and ensuring adequate capital resources are available for business growth, investment opportunities as well as adverse situations. The Group manages the structure of its capital resources in order to optimise the cost of these resources relative to the flexibility offered by the different types of resources and regulatory norms. In order to achieve this, the Group continually assesses the need and the opportunity to raise capital from the financial markets. In 2010, the Group successfully raised a total of SGD2.5 billion in non-cumulative, non-convertible, non-voting preference shares qualifying as Tier 1 capital. This was intended to allow the Group to exercise calls on certain Tier 1 instruments in 2011, subject to regulatory approval, and to augment its capital resources. The Group continues to monitor developments arising from Basel III and will manage its capital resources accordingly to achieve its capital management objective.

The Group's capital management objective is articulated concretely as capital targets that are consistent with the need to support organic and inorganic business growth in line with its strategic plans and risk appetite. A key tool for capital management is the annual Internal Capital Adequacy Assessment Process (ICAAP). Through the ICAAP, the Group assesses its forecast capital supply and demand relative to its capital targets, under various scenarios, including stress scenarios of differing scope and severity, over a three-year horizon. The capital management process is centrally supervised by the Capital and Balance Sheet Committee, which is chaired by the Chief Financial Officer.

The Group seeks to pay sustainable and increasing dividends over time, in line with its long-term growth prospects. For the year ended 31 December 2010, the Board has recommended a final dividend of SGD0.28 per ordinary share, to which the Scrip Dividend Scheme is being applied, bringing the total ordinary dividend for the year to SGD0.56.

The Group seeks to optimise the distribution of capital resources across its various entities, subject to compliance with applicable regulations in the jurisdictions in which it operates. Certain subsidiaries are subject to minimum capital requirements imposed by their respective regulatory agencies. During the course of the year, these subsidiaries did not experience any impediments in the distribution of dividends.