

# Capital Management

## Capital Policy

The key objective of the Group's capital management policy is to maintain a strong capital position to support business growth and strategic investments, and to sustain investor, depositor, customer and market confidence. In line with this, the Group targets a minimum credit rating of "A" and ensures that its capital ratios are comfortably above regulatory minima, while balancing shareholders' expectations for sustainable returns and high standards of prudence. The Group actively manages its capital composition with an optimal mix of capital instruments in order to keep our overall cost of capital low.

## Capital Monitoring and Planning

The Group's capital is closely monitored and actively managed to ensure that there is sufficient capital to support business growth, and pursue strategic business and investment opportunities that will create value for our stakeholders, while taking into consideration the Group's risk appetite. The Group's internal capital adequacy assessment process (ICAAP) involves a comprehensive assessment of all material risks that the Group is exposed to and an evaluation of the adequacy of the Group's capital in relation to those risks. This includes an annual capital planning exercise to forecast capital demands and assess the Group's capital adequacy over a multi-year horizon. This process takes into consideration the Group's business strategy, operating environment, regulatory changes, target capital ratios and composition, as well as expectations of its various stakeholders. In addition,

capital stress tests are conducted to understand the sensitivity of the key assumptions in the capital plan to the effects of plausible stress scenarios, and evaluate how the Group can continue to maintain adequate capital under such scenarios.

Within the Group, excess capital will be centralised as far as possible at the parent (i.e. OCBC Bank) level for efficient deployment across the Group. While the transfer of capital resources within the Group is generally subject to regulations in local jurisdictions, where applicable, the Bank has not faced significant impediments on the flow of capital within the Group.

## Dividend

The Group aims to deliver a dividend payout ratio of 50% of its core net profit, barring unforeseen circumstances. The dividends are payable on a half-yearly basis. For the financial year ended 31 December 2023, the Board of Directors has recommended a final dividend of 42 cents per share. This brings the full year 2023 dividend to 82 cents per share, or a total dividend payout of \$3.7 billion.

## Share Buyback and Treasury Shares

Shares purchased under the share buyback programme are held as treasury shares. These are recorded as a deduction against share capital, and may be subsequently cancelled, sold or used to meet delivery obligations under employee share schemes. During the financial year ended 31 December 2023, the Bank purchased 16.4 million ordinary shares for \$205 million as part of its share

buyback programme, while 15.6 million treasury shares were delivered to meet obligations under its employee share schemes.

## Capital Adequacy Ratios

Since 1 January 2019, the Monetary Authority of Singapore (MAS) has fully phased-in the Basel III capital adequacy ratio requirements under the MAS Notice 637. Under this framework, Singapore-incorporated banks are required to meet minimum Common Equity Tier 1 (CET1), Tier 1, and total capital adequacy ratios (CAR) of 6.5%, 8.0%, and 10.0%, respectively. On 8 June 2023, MAS announced that the implementation of the final Basel III reforms will come into effect from 1 July 2024. The reforms include revisions to the credit, market and operational risk standards and the introduction of an output floor transitional arrangement.

To ensure that banks build up adequate capital buffer outside periods of stress, a Capital Conservation Buffer (CCB) of 2.5 percentage points above the minimum capital adequacy requirements was introduced. Including the CCB, Singapore-incorporated banks are required to meet CET1 CAR, Tier 1 CAR and Total CAR of 9.0%, 10.5% and 12.5%, respectively.

In addition, the Group will be subject to a Countercyclical Buffer requirement if this buffer is applied by regulators in countries which the Group has credit exposures to. Generally in the range of 0% to 2.5% of risk-weighted assets, the Countercyclical Buffer is not an ongoing requirement but it may be applied by regulators to limit excessive credit growth in their economy.

The table below shows the composition of the Group's regulatory capital and its capital adequacy ratios as of 31 December 2023. The capital adequacy

ratios were determined in accordance with the requirements of MAS Notice 637, which included the definitions for CET1, Tier 1 and Tier 2 capital, the required regulatory adjustments against capital (including goodwill, intangible assets, deferred tax assets and investments in unconsolidated financial institutions in which the Bank holds a major stake), and the methodologies available for computing risk-weighted assets. As per the requirements of MAS Notice 637, the Bank's insurance subsidiaries were not consolidated for the computation of the capital adequacy

ratios, i.e. capital investments in these insurance subsidiaries were deducted from the Group's capital and their assets were excluded from the computation of the Group's risk-weighted assets.

A description of the key terms and conditions of the regulatory capital instruments can be found in Notes 13, 14 and 21 of the financial statements, and the approaches adopted by the Group for the computation of risk-weighted assets can be found in the "Pillar 3 Disclosures" chapter.

| \$ million                          | 2023           | 2022    |
|-------------------------------------|----------------|---------|
| Ordinary shares                     | 18,045         | 18,048  |
| Disclosed reserves/others           | 29,199         | 26,254  |
| Regulatory adjustments              | (9,559)        | (9,123) |
| <b>Common Equity Tier 1 Capital</b> | <b>37,685</b>  | 35,179  |
| Additional Tier 1 capital           | 1,285          | 1,730   |
| Regulatory adjustments              | –              | –       |
| <b>Tier 1 Capital</b>               | <b>38,970</b>  | 36,909  |
| Tier 2 capital                      | 3,768          | 4,028   |
| Regulatory adjustments              | –              | –       |
| <b>Total Eligible Capital</b>       | <b>42,738</b>  | 40,937  |
| Credit                              | 208,220        | 202,713 |
| Market                              | 9,850          | 8,587   |
| Operational                         | 18,624         | 20,348  |
| <b>Risk Weighted Assets</b>         | <b>236,694</b> | 231,648 |
| <b>Capital Adequacy Ratios</b>      |                |         |
| Common Equity Tier 1                | 15.9%          | 15.2%   |
| Tier 1                              | 16.5%          | 15.9%   |
| Total                               | 18.1%          | 17.7%   |

The Bank's banking and insurance subsidiaries are subject to capital adequacy requirements of the jurisdiction in which they operate. As of 31 December 2023, the capital adequacy ratios of these subsidiaries were above their respective local requirements.