

Oversea-Chinese Banking Corporation Limited

**Pillar 3 Disclosures
(OCBC Group – As at 30 September 2020)**



Incorporated in Singapore
Company Registration Number: 193200032W

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1. INTRODUCTION

This document presents the information in accordance with Pillar 3 (“P3”) disclosure requirements under Monetary Authority of Singapore (“MAS”) Notice 637 on Risk Based Capital Adequacy Requirements for banks incorporated in Singapore. The P3 requirements specify reporting templates for most of the quantitative disclosures to enable market participants to better compare the capital adequacy and risk profile across banks via improved consistency in public disclosure.

For purpose of the quarterly disclosure for OCBC Group (“Group”) as at 30 September 2020, explanations of the drivers behind significant differences between reporting periods for the respective sections are provided where appropriate. The disclosure on the RWA flow statements for the following are omitted as there is no exposure treated under these approaches:

- Counterparty Credit Risk (“CCR”) under the Internal Models Method (“IMM”)
- Market Risk exposures under the Internal Models Approach (“IMA”)

2. KEY METRICS

The table below provides an overview of the Group's prudential regulatory metrics, as stipulated by MAS Notice 637.

	(a)	(b)	(c)	(d)	(e)	
	Sep-20	Jun-20	Mar-20	Dec-19	Sep-19	
Available Capital (S\$ million)						
1	CET1 Capital	32,322	31,876	32,350	31,800	30,759
2	Tier 1 Capital	33,552	33,406	33,879	33,331	32,290
3	Total Capital	38,261	36,726	37,169	35,992	36,214
Risk Weighted Assets (S\$ million)						
4	Total RWA	224,159	223,867	225,914	213,356	212,839
Risk-based Capital Ratios as a percentage of RWA (%)						
5	CET1 Ratio	14.4	14.2	14.3	14.9	14.4
6	Tier 1 Ratio	15.0	14.9	14.9	15.6	15.1
7	Total Capital Ratio	17.1	16.4	16.4	16.8	17.0
Additional CET1 buffer requirements as a percentage of RWA (%)						
8	Capital conservation buffer requirement	2.5	2.5	2.5	2.5	2.5
9	Countercyclical buffer requirement	0.1	0.1	0.1	0.3	0.4
10	Bank G-SIB and/or D-SIB additional requirements	-	-	-	-	-
11	Total of Bank CET1 specific requirements ^{1/}	2.6	2.6	2.6	2.8	2.9
12	CET1 available after meeting the Reporting Bank's minimum capital requirements	7.1	6.4	6.4	6.8	7.0
Leverage Ratio (S\$ million)						
13	Total Leverage Ratio exposure measure	441,388	446,130	453,487	431,314	424,551
14	Leverage Ratio (%) ^{2/}	7.6	7.4	7.4	7.7	7.6
Liquidity Coverage Ratio (S\$ million) ^{3/}						
15	Total High Quality Liquid Assets	56,599	53,730	52,738	49,769	48,677
16	Total net cash outflow	44,194	42,236	35,290	30,710	32,008
17	Liquidity Coverage Ratio (%)	128	127	151	163	154
Net Stable Funding Ratio (S\$ million)						
18	Total available stable funding	258,230	253,755	251,828	245,245	243,501
19	Total required stable funding	211,686	213,236	232,323	221,410	221,422
20	Net Stable Funding Ratio (%)	122	119	108	111	110

^{1/} Sum of rows 8, 9 and 10

^{2/} Computed by row 2 / row 13

^{3/} Reported as simple averages of daily observations for the respective quarter

3. LEVERAGE RATIO

Leverage Ratio Summary Comparison Table

Item	Amount (S\$m)	
	30 Sep 2020	30 Jun 2020
1 Total consolidated assets as per published financial statements	508,940	510,002
2 Adjustment for investments in entities that are consolidated for accounting purposes but are outside the regulatory scope of consolidation	(100,751)	(98,786)
3 Adjustment for fiduciary assets recognised on the balance sheet in accordance with the Accounting Standards but excluded from the calculation of exposure measure	0	0
4 Adjustment for derivative transactions	2,351	3,178
5 Adjustment for SFTs	19	22
6 Adjustment for off-balance sheet items	38,467	39,326
7 Other adjustments	(7,638)	(7,612)
8 Exposure measure	441,388	446,130

Leverage Ratio Common Disclosure Table

Item	Amount (S\$m)	
	30 Sep 2020	30 Jun 2020
Exposure measures of on-balance sheet items		
1 On-balance sheet items (excluding derivative transactions and SFTs, but including on-balance sheet collateral for derivative transactions or SFTs)	390,858	394,603
2 Asset amounts deducted in determining Tier 1 capital	(7,638)	(7,612)
3 Total exposures measures of on-balance sheet items (excluding derivative transactions and SFTs)	383,220	386,991
Derivative exposure measures		
4 Replacement cost associated with all derivative transactions (net of the eligible cash portion of variation margins)	9,348	9,891
5 Potential future exposure associated with all derivative transactions	6,632	7,122
6 Gross-up for derivative collaterals provided where deducted from the balance sheet assets in accordance with the Accounting Standards	-	-
7 Deductions of receivables for the cash portion of variation margins provided in derivative transactions	(7)	(8)
8 CCP leg of trade exposures excluded	-	-
9 Adjusted effective notional amount of written credit derivatives	319	369
10 Further adjustments in effective notional amounts and deductions from potential future exposures of written credit derivatives	-	-
11 Total derivative exposure measures	16,292	17,374
SFT exposure measures		
12 Gross SFT assets (with no recognition of accounting netting), after adjusting for sales accounting	3,390	2,417
13 Eligible netting of cash payables and cash receivables	-	-
14 SFT counterparty exposures	19	22
15 SFT exposure measures where a Reporting Bank acts as an agent in the SFTs	-	-
16 Total SFT exposure measures	3,409	2,439
Exposure measures of off-balance sheet items		
17 Off-balance sheet items at notional amount	193,731	199,832
18 Adjustments for calculation of exposure measures of off-balance sheet items	(155,264)	(160,506)
19 Total exposure measures of off-balance sheet items	38,467	39,326
Capital and Total exposures		
20 Tier 1 capital	33,552	33,406
21 Total exposures	441,388	446,130
Leverage Ratio		
22 Leverage ratio	7.6%	7.4%

SFT: Securities Financing Transactions
CCP: Central Counterparty

4. OVERVIEW OF RISK WEIGHTED ASSETS

The table below provides an overview of the Group's total RWA, broken down by the approaches with which the RWA are computed, as stipulated by MAS Notice 637.

The total RWA remained relatively stable between June 2020 and September 2020.

S\$ million		RWA		Minimal Capital Requirements ^{1/}
		Sep-20	Jun-20	Sep-20
1	Credit Risk (excluding Counterparty Credit Risk)	179,380	178,755	17,937
2	Of which: Standardised Approach	50,052	51,129	5,005
3	Of which: Foundation Internal Ratings-Based Approach (F-IRBA)	112,001	110,319	11,200
4	Of which: Supervisory Slotting Approach	3,904	3,710	390
5	Of which: Advanced Internal Ratings-Based Approach (A-IRBA)	13,423	13,597	1,342
6	Credit Risk: Counterparty Credit Risk (CCR)	4,317	4,099	432
7	Of which: Current Exposure Method	3,136	3,192	314
8	Of which: Internal Models Method	-	-	-
9	Of which: Other CCR	231	103	23
9a	Of which: Central Counterparties (CCP)	950	804	95
10	Credit Valuation Adjustments (CVA)	5,067	5,555	507
11	Equity exposures under Simple Risk Weight Method	-	-	-
11a	Equity exposures under Internal Models Method	-	-	-
12	Equity investments in funds - Look Through Approach	146	135	15
13	Equity investments in funds - Mandate-Based Approach	150	147	15
14	Equity investments in funds - Fall Back Approach	12	17	1
14a	Equity investments in funds - Partial Use of an Approach	139	131	14
15	Unsettled Transactions	96	16	9
16	Securitisation exposures in banking book	-	-	-
17	Of which: SEC-IRBA	-	-	-
18	Of which: SEC-ERBA, including IAA	-	-	-
19	Of which: SEC-SA	-	-	-
20	Market Risk	10,437	10,823	1,044
21	Of which: Standardised Approach	10,437	10,823	1,044
22	Of which: Internal Models Approach	-	-	-
23	Operational Risk	15,567	15,479	1,557
24	Credit RWA pursuant to paragraph 6.1.3(p)(iii) ^{2/}	8,848	8,710	885
25	Floor Adjustment	-	-	-
26	Total	224,159	223,867	22,416

^{1/} Minimum capital requirements are calculated at 10% of RWA

^{2/} Refers to Credit RWA attributed to investments in the ordinary shares of unconsolidated major stake companies that are financial institutions, within the prescribed threshold amount in accordance with MAS Notice 637 paragraph 6.1.3 (p)(iii)

5. RWA FLOW STATEMENT FOR CREDIT RISK EXPOSURES

This table provides an overview of the quarter-on-quarter movement of Credit RWA (“CRWA”) attributed to the key drivers from rows 2 to 8.

The increase in CRWA during third quarter of 2020 was primarily due to asset growth in corporate loans.

S\$ million	(a) RWA
1 RWA as at 30 June 2020 ^{1/}	127,626
2 Asset Size ^{2/}	2,198
3 Asset Quality ^{3/}	(239)
4 Model Updates ^{4/}	-
5 Methodology and Policy ^{5/}	-
6 Acquisitions and Disposals ^{6/}	-
7 Foreign exchange movements ^{7/}	(257)
8 Other ^{8/}	-
9 RWA as at 30 September 2020 ^{1/} (1 + 2 + 3 + 4 + 5 + 6 + 7 + 8)	129,328

^{1/} Refers to RWA of Credit Risk (excluding Counterparty Credit Risk) exposures under IRB Approach and Supervisory Slotting Approach

^{2/} Refers to organic changes in book size and composition (origination of new businesses and maturing loans), excluding acquisitions and disposal of entities

^{3/} Refers to changes in the assessed quality of the bank’s assets due to changes in borrower risk, such as rating grade migration or similar effects

^{4/} Refers to changes due to model implementation, changes in model scope, or any model enhancements

^{5/} Refers to changes driven by methodological changes such as regulatory policy changes

^{6/} Refers to changes in book size due to acquisition and disposal of entities or portfolios

^{7/} Refers to changes driven by market movements such as foreign exchange movements

^{8/} Refers to changes that cannot be attributed to any other category

6. LIQUIDITY COVERAGE RATIO

The Group has been subjected to the Liquidity Coverage Ratio (“LCR”) requirements under the MAS Notice 649 effective from 1 Jan 2015. As at 1 January 2019, the Group is required to maintain daily all-currency and Singapore dollar (“SGD”) LCR of at least 100% on an ongoing basis.

LCR ensures that a Bank maintains an adequate level of unencumbered high-quality liquid assets (“HQLA”) that can be quickly and easily converted into cash to meet any liquidity needs for a 30-calendar day liquidity stress scenario.

6. Liquidity Coverage Ratio (continued)

The following quarterly disclosures are made pursuant to the MAS Notice 651 "Liquidity Coverage Ratio Disclosure".

For 3Q20, the average SGD and all-currency LCR for the Group were 271% and 128% respectively. Compared to 2Q20, the average SGD LCR decreased by 13 percentage points mainly due to lower cash inflow from derivative transactions. The average all-currency LCR was higher by 1 percentage point mainly from an increase in HQLA.

The Group continues to focus on acquiring stable deposits and on maintaining a mix of HQLA comprising mainly of Level 1 central bank reserves and liquid sovereign bonds. The Asset & Liability Management Desk in Global Treasury manages the day-to-day liquidity needs of the Group, and is subject to liquidity limits and triggers that serve as risk control on the Group's liquidity exposure.

Average Group All Currency LCR for 3Q20

The data presented in the quantitative disclosure are simple averages of daily observations over the quarter. For 3Q20, the number of data points in calculating the average figures is 92.

Group - ALL Currency (\$m)		Total Unweighted Value (average)	Total Weighted Value (average)
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)		56,599
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	149,333	12,550
3	Stable deposits	47,654	2,383
4	Less stable deposits	101,678	10,168
5	Unsecured wholesale funding, of which:	113,442	54,978
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	32,285	7,784
7	Non-operational deposits (all counterparties)	73,807	39,844
8	Unsecured debt	7,349	7,349
9	Secured wholesale funding		266
10	Additional requirements, of which:	57,483	32,645
11	Outflows related to derivative exposures and other collateral requirements	29,458	29,367
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	28,025	3,278
14	Other contractual funding obligations	1,075	1,075
15	Other contingent funding obligations	12,457	374
16	TOTAL CASH OUTFLOWS		101,887
CASH INFLOWS			
17	Secured lending (eg reverse repos)	2,380	244
18	Inflows from fully performing exposures	46,835	28,239
19	Other cash inflows	29,258	29,210
20	TOTAL CASH INFLOWS	78,473	57,694
			TOTAL ADJUSTED VALUE
21	TOTAL HQLA		56,599
22	TOTAL NET CASH OUTFLOWS		44,194
23	LIQUIDITY COVERAGE RATIO (%)		128

6. Liquidity Coverage Ratio (continued)

Average Group SGD LCR for 3Q20

The data presented in the quantitative disclosure are simple averages of daily observations over the quarter. For 3Q20, the number of data points in calculating the average figures is 92.

Group - SGD (S\$m)		Total Unweighted Value (average)	Total Weighted Value (average)
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)		22,809
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	82,422	6,271
3	Stable deposits	39,428	1,971
4	Less stable deposits	42,994	4,299
5	Unsecured wholesale funding, of which:	24,085	9,089
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	10,476	2,541
7	Non-operational deposits (all counterparties)	13,599	6,538
8	Unsecured debt	10	10
9	Secured wholesale funding		-
10	Additional requirements, of which:	24,135	15,037
11	Outflows related to derivative exposures and other collateral requirements	14,102	14,102
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	10,034	935
14	Other contractual funding obligations	639	639
15	Other contingent funding obligations	1,895	57
16	TOTAL CASH OUTFLOWS		31,092
CASH INFLOWS			
17	Secured lending (eg reverse repos)	798	-
18	Inflows from fully performing exposures	5,364	3,018
19	Other cash inflows	19,887	19,881
20	TOTAL CASH INFLOWS	26,049	22,899
			TOTAL ADJUSTED VALUE
21	TOTAL HQLA		22,809
22	TOTAL NET CASH OUTFLOWS		8,493
23	LIQUIDITY COVERAGE RATIO (%)		271