

Oversea-Chinese Banking Corporation Limited

**Pillar 3 Disclosures
(OCBC Group – As at 30 September 2017)**



Incorporated in Singapore
Company Registration Number: 193200032W

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1. INTRODUCTION

The information presented in this document is prepared 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 provide for consistent quantitative disclosure templates to enable better comparison of the capital adequacy and risk profile across banks by market participants.

For qualitative description of the Group’s capital and risk management objectives and policies, and disclosures on remuneration, please refer to the Capital Management, Risk Management and Corporate Governance sections of the 2016 Annual Report.

2. ACCOUNTING AND REGULATORY CONSOLIDATION

The consolidation basis used for regulatory capital computation is similar to that used for financial reporting except for the following:

- Subsidiaries that carry out insurance business are excluded from regulatory consolidation and are treated as investments in unconsolidated major stake companies that are financial institutions. The regulatory adjustments applied to these investments are in accordance with MAS Notice 637 paragraphs 6.1.3(p), 6.2.3(e) and 6.3.3(e).
- As at 30 September 2017, the subsidiaries that carry out insurance business are as follows:
 - The Great Eastern Life Assurance Company Limited and its insurance entities
 - Great Eastern General Insurance Limited and its insurance entities
- As at 30 September 2017, the total equity of these insurance subsidiaries was S\$8 billion and total assets were S\$76 billion.

Disclosures on the Group’s reconciliation of regulatory capital and regulatory capital position can be found in Section 4 of this document.

3. CAPITAL ADEQUACY

Disclosures on the Group’s capital adequacy ratios and the capital positions for the Group’s significant banking subsidiaries as at 30 September 2017 are presented in the Capital Adequacy Ratios section of the Third Quarter 2017 Financial Results (<http://www.ocbc.com/group/investors/index.html>).

Terms and conditions and main features of capital instruments can be found under the Capital and Regulatory Disclosures sections of the Bank’s Investor Relations website (http://www.ocbc.com/group/investors/Cap_and_Reg_Disclosures.html).

Disclosures on the Group’s leverage ratio are presented in the Leverage Ratio section of the Third Quarter 2017 Financial Results (<http://www.ocbc.com/group/investors/index.html>) and under the Capital and Regulatory Disclosures section of the Bank’s Investor Relations website (http://www.ocbc.com/group/investors/Cap_and_Reg_Disclosures.html).

4. COMPOSITION OF CAPITAL

4.1 Reconciliation of Regulatory Capital

	Balance sheet as per published financial statements	Under regulatory scope of consolidation	Cross Reference to Section 4.2
S\$'m			
EQUITY			
Share capital	15,154		
of which: Paid-up ordinary shares		14,153	a
of which: Transitional: Ineligible AT1 capital instruments		1,448	b
Other equity instruments	499	499	c
Reserves:			
Capital reserves	322		
Fair value reserves	251		
Revenue reserves	21,984		
Total reserves	22,557		
of which: Retained earnings		22,023	d
of which: Accumulated other comprehensive income and other disclosed reserves		546	e
Non-controlling interests	2,690		
of which: Transitional: Ineligible AT1 capital instruments		949	f
of which: Minority interest that meets criteria for inclusion in CET1 Capital		207	g
of which: Minority interest that meets criteria for inclusion in AT1 Capital		30	h
Valuation adjustments	-	-	
Total equity	40,900		
LIABILITIES			
Deposits of non-bank customers	268,234		
Deposits and balances of banks	11,640		
Due to associates	269		
Trading portfolio liabilities	558		
Derivative payables	6,013		
Other liabilities	6,203		
Current tax	1,057		
Deferred tax	1,553		
of which: Associated with intangible assets		61	i
Debt issued	32,436		
of which: AT1 capital instruments issued by fully-consolidated subsidiaries that meet criteria for inclusion		60	j
of which: T2 capital instruments		2,758	k
of which: Transitional: Ineligible T2 capital instruments		1,930	l
of which: T2 capital instruments issued by fully-consolidated subsidiaries that meet criteria for inclusion		17	m
Life assurance fund liabilities	69,650		
Total liabilities	397,613		
Total equity and liabilities	438,513		
ASSETS			
Cash and placements with central banks	14,431		
Singapore government treasury bills and securities	10,761		
Other government treasury bills and securities	16,924		
Placements with and loans to banks	46,559		
Loans and bills receivable	228,886		
of which: Eligible provision for inclusion in T2 Capital subject to cap in respect of exposures under SA and IRBA		1,032	n
Debt and equity securities	24,537		
of which: Indirect investments in own Tier 2 instruments		0	o
of which: Investments in unconsolidated major stake financial institutions		6,738	p
of which: Investments in unconsolidated non major stake financial institutions		1,175	q
Derivative and forward securities in unconsolidated non major stake financial institutions		7	r
Assets pledged	2,715		
Assets held for sale	35		
of which: Investments in unconsolidated major stake financial institutions		33	s
Derivative receivables	6,310		
Other assets	5,736		
Deferred tax	180		
of which: Deferred tax assets before netting		328	t
Associates and joint ventures	2,624		
of which: Investments in unconsolidated major stake financial institutions		2,392	u
Property, plant and equipment	3,358		
Investment properties	962		
Goodwill and intangible assets	5,225		
of which: Goodwill		4,484	v
of which: Intangible assets		741	w
Life assurance fund investment assets	69,270		
Total assets	438,513		

4.2 Regulatory Capital Position

S\$'m

	Amount	Amount subject to Pre-Base III Treatment	Cross Reference to Section 4.1
Common Equity Tier 1 capital: instruments and reserves			
1 Paid-up ordinary shares and share premium (if applicable)	14,153		a
2 Retained earnings	22,023		d
3 Accumulated other comprehensive income and other disclosed reserves	546		e
4 Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)			
5 Minority interest that meets criteria for inclusion	207	(23)	g
6 Common Equity Tier 1 capital before regulatory adjustments	36,929		
Common Equity Tier 1 capital: regulatory adjustments			
7 Valuation adjustment pursuant to Part VIII of MAS Notice 637	-		
8 Goodwill, net of associated deferred tax liability	3,587	897	v
9 Intangible assets, net of associated deferred tax liability	544	136	w-i
10 Deferred tax assets that rely on future profitability	263	66	t
11 Cash flow hedge reserve	-	-	
12 Shortfall of TEP relative to EL under IRBA	-	-	
13 Increase in equity capital resulting from securitisation transactions	-	-	
14 Unrealised fair value gains/losses on financial liabilities and derivative liabilities arising from changes in own credit risk	-	-	
15 Defined benefit pension fund assets, net of associated deferred tax liability	-		
16 Investments in own shares	-		
17 Reciprocal cross-holdings in ordinary shares of financial institutions	-		
18 Investments in ordinary shares of unconsolidated financial institutions in which the Reporting Bank does not hold a major stake	-		
19 Investments in ordinary shares of unconsolidated financial institutions in which the Reporting Bank holds a major stake (including insurance subsidiaries) (amount above 10% threshold)	4,728	1,182	(p+s+u) - 3,253 ¹
20 Mortgage servicing rights (amount above 10% threshold)	-		
21 Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-		
22 Amount exceeding the 15% threshold	-		
23 of which: investments in ordinary shares of unconsolidated financial institutions in which the Reporting Bank holds a major stake (including insurance subsidiaries)	-		
24 of which: mortgage servicing rights	-		
25 of which: deferred tax assets arising from temporary differences	-		
26 National specific regulatory adjustments	-		
26A PE/VC investments held beyond the relevant holding periods set out in MAS Notice 630	-	-	
26B Capital deficits in subsidiaries and associates that are regulated financial institutions	-	-	
26C Any other items which the Authority may specify	-	-	
27 Regulatory adjustments applied in calculation of CET1 Capital due to insufficient AT1 Capital to satisfy required deductions	-		
28 Total regulatory adjustments to CET1 Capital	9,122		
29 Common Equity Tier 1 capital (CET1)	27,807		
Additional Tier 1 capital: instruments			
30 AT1 capital instruments and share premium (if applicable)	499		c
31 of which: classified as equity under the Accounting Standards	499		
32 of which: classified as liabilities under the Accounting Standards	-		
33 Transitional: Ineligible capital instruments (pursuant to paragraphs 6.5.3 and 6.5.4)	2,397		(b+f) ²
34 AT1 capital instruments issued by fully-consolidated subsidiaries that meet criteria for inclusion	89		h+i
35 of which: instruments issued by subsidiaries subject to phase out	60		j
36 Additional Tier 1 capital before regulatory adjustments	2,986		
Additional Tier 1 capital: regulatory adjustments			
37 Investments in own AT1 capital instruments	-		
38 Reciprocal cross-holdings in AT1 capital instruments of financial institutions	-		
39 Investments in AT1 capital instruments of unconsolidated financial institutions in which the Reporting Bank does not hold a major stake	-		
40 Investments in AT1 capital instruments of unconsolidated financial institutions in which the Reporting Bank holds a major stake (including insurance subsidiaries)	-	-	
41 National specific regulatory adjustments	1,098		
41A Regulatory adjustments applied to AT1 Capital in respect of amounts subject to pre-Base III treatment	1,098		
of which: Goodwill, net of associated deferred tax liability	897		
of which: Intangible assets, net of associated deferred tax liability	136		
of which: Deferred tax assets that rely on future profitability	66		
of which: Cash flow hedge reserve	-		
of which: Increase in equity capital resulting from securitisation transactions	-		
of which: Unrealised fair value gains/losses on financial liabilities and derivative liabilities arising from changes in own credit risk	-		
of which: Shortfall of TEP relative to EL under IRBA	-		
of which: PE/VC investments held beyond the relevant holding periods set out in MAS Notice 630	-		
of which: Capital deficits in subsidiaries and associates that are regulated financial institutions	-		
of which: Investments in ordinary shares of unconsolidated financial institutions in which the Reporting Bank holds a major stake (incl insurance subsidiaries)	-		
of which: Investments in Tier 2 capital instruments of unconsolidated financial institutions in which the Reporting Bank holds a major stake (incl insurance subsidiaries)	-		
41B Any other items which the Authority may specify	-		
42 Regulatory adjustments applied in calculation of AT1 Capital due to insufficient Tier 2 Capital to satisfy required deductions	-		
43 Total regulatory adjustments to Additional Tier 1 capital	1,098		
44 Additional Tier 1 capital (AT1)	1,887		
45 Tier 1 capital (T1 = CET1 + AT1)	29,694		

4.2 Regulatory Capital Position (Continued)

S\$'m

	Amount	Amount subject to Pre-Basel III Treatment	Cross Reference to Section 4.1
Tier 2 capital: instruments and provisions			
46	Tier 2 capital instruments and share premium (if applicable)	2,758	k
47	Transitional: Ineligible capital instruments (pursuant to paragraphs 6.5.3 and 6.5.4)	1,930	l ²
48	Tier 2 capital instruments issued by fully-consolidated subsidiaries that meet criteria for inclusion	17	m
49	of which: instruments issued by subsidiaries subject to phase out	-	
50	Provisions	1,032	n
51	Tier 2 capital before regulatory adjustments	5,738	
Tier 2 capital: regulatory adjustments			
52	Investments in own Tier 2 instruments	0	o
53	Reciprocal cross-holdings in Tier 2 capital instruments of financial institutions	-	
54	Investments in Tier 2 capital instruments of unconsolidated financial institutions in which the Reporting Bank does not hold a major stake	-	
55	Investments in Tier 2 capital instruments of unconsolidated financial institutions in which the Reporting Bank holds a major stake (including insurance subsidiaries)	-	
56	National specific regulatory adjustments	1,182	
56A	Any other items which the Authority may specify	-	
56B	Regulatory adjustments applied to Tier 2 Capital in respect of amounts subject to pre-Basel III treatment	1,182	
	of which: Shortfall of TEP relative to EL under IRBA	-	
	of which: PE/VC investments held beyond the relevant holding periods set out in MAS Notice 630	-	
	of which: Capital deficits in subsidiaries and associates that are regulated financial institutions	-	
	of which: Investments in ordinary shares of unconsolidated financial institutions in which the Reporting Bank holds a major stake (incl insurance subsidiaries)	1,182	
	of which: Investments in AT1 capital instruments of unconsolidated financial institutions in which the Reporting Bank holds a major stake (incl insurance subsidiaries)	-	
57	Total regulatory adjustments to Tier 2 capital	1,182	
58	Tier 2 capital (T2)	4,555	
59	Total capital (TC = T1 + T2)	34,250	
60	Floor-adjusted total risk weighted assets (after incorporating the floor adjustment set out in Table 11-3A(m))	211,372	
Capital ratios (as a percentage of floor-adjusted risk weighted assets)			
61	Common Equity Tier 1 CAR	13.1%	
62	Tier 1 CAR	14.0%	
63	Total CAR	16.2%	
64	Bank-specific buffer requirement	7.9%	
65	of which: capital conservation buffer requirement	1.25%	
66	of which: bank specific countercyclical buffer requirement	0.2%	Refer to note ³
67	of which: G-SIB buffer requirement (if applicable)	-	
68	Common Equity Tier 1 available to meet buffers	6.2%	
National minima			
69	Minimum CET1 CAR	6.5%	
70	Minimum Tier 1 CAR	8.0%	
71	Minimum Total CAR	10.0%	
Amounts below the thresholds for deduction (before risk weighting)			
72	Investments in ordinary shares, AT1 capital and Tier 2 capital of unconsolidated financial institutions in which the Reporting Bank does not hold a major stake	1,182	g+r
73	Investments in ordinary shares of unconsolidated financial institutions in which the Reporting Bank holds a major stake (including insurance subsidiaries)	3,253	Refer to note ¹
74	Mortgage servicing rights (net of related tax liability)		
75	Deferred tax assets arising from temporary differences (net of related tax liability)		
Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	776	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	704	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	328	
79	Cap for inclusion of provisions in Tier 2 under Internal ratings-based approach	628	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		
82	Current cap on AT1 instruments subject to phase out arrangements	2,477	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	151	
84	Current cap on T2 instruments subject to phase out arrangements	2,246	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	106	

^{1/} The investments in the ordinary shares of unconsolidated major stake companies that are financial institutions which are within the prescribed threshold amount in accordance with MAS Notice 637 paragraph 6.1.3 (p)(iii)

^{2/} Under Basel III transitional arrangements, outstanding Additional Tier 1 and Tier 2 capital instruments that do not meet the requirements are gradually phased out. Fixing the base at the nominal amount of such instruments outstanding at 1 January 2013, the recognition shall be capped at 90% in 2013, with the cap reducing by 10 percentage points in each subsequent year. To the extent a capital instrument is redeemed or amortised after 1 January 2013, the nominal amount serving as the base is not reduced

^{3/} The effective country-specific countercyclical buffer requirement for Hong Kong and Sweden was 1.25%. The weighting applicable for Hong Kong and Sweden were 12.2% and less than 0.1% respectively

5. OVERVIEW OF RISK WEIGHTED ASSETS (“RWA”)

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

The total RWA remained largely stable between the quarter periods of June 2017 and September 2017, as higher credit RWA attributed to increase in loans and placements were offset by a drop in market RWA due to lower foreign exchange risk.

S\$ million	RWA		Minimal Capital Requirements ^{1/}
	(a) Sep-17	(b) Jun-17	(c) Sep-17
1 Credit Risk (excluding Counterparty Credit Risk)	155,613	153,171	15,561
2 Of which: Standardised Approach for Credit and Equity exposures	55,672	54,816	5,567
3 Of which: IRB Approach for Credit and Equity exposures ^{2/}	99,941	98,355	9,994
4 Credit Risk: Counterparty Credit Risk	4,961	4,711	496
5 Of which: Current Exposure Method ^{3/}	4,961	4,711	496
6 Of which: Internal Models Method	-	-	-
7 Equity exposures under Simple Risk Weight Method	5,443	5,724	544
8 Equity investments in funds - Look Through Approach	-	-	-
9 Equity investments in funds - Mandate-Based Approach	-	-	-
10 Equity investments in funds - Fall Back Approach	3,347	3,449	335
10a Equity investments in funds - Partial Use of an Approach	-	-	-
11 Unsettled Transactions	2	#	#
12 Securitisation exposures in banking book	-	-	-
13 Of which: Ratings-Based and Internal Assessment Methods	-	-	-
14 Of which: Supervisory Formula	-	-	-
15 Of which: Standardised Approach	-	-	-
16 Market Risk	20,475	24,015	2,048
17 Of which: Standardised Approach	20,475	24,015	2,048
18 Of which: Internal Models Approach	-	-	-
19 Operational Risk	13,397	13,382	1,340
20 Of which: Basic Indicator Approach	2,592	2,518	259
21 Of which: Standardised Approach	10,805	10,864	1,081
22 Of which: Advanced Measurement Approach	-	-	-
23 Credit RWA pursuant to paragraph 6.1.3(p)(iii) ^{4/}	8,134	8,075	813
24 Floor Adjustment	-	-	-
25 Total	211,372	212,527	21,137

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

^{2/} Refers to Equity exposures under the Probability of Default (“PD”)/Loss Given Default (“LGD”) Method

^{3/} CCR RWA includes RWA attributed to Credit Valuation Adjustments (“CVA”) and Central Counterparties (“CCP”)

^{4/} 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)

represents amounts less than \$0.5 million