

Oversea-Chinese Banking Corporation Limited

**Pillar 3 Disclosures
(OCBC Group – As at 30 September 2018)**



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 2018, 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. 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 2018 are presented in the Capital Adequacy Ratios section of the Third Quarter 2018 Financial Results (<http://www.ocbc.com/group/investors/index.html>).

3. 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-18	Jun-18	Mar-18	Dec-17	Sep-17	
Available Capital (S\$ million)						
1	CET1 Capital	27,377	26,641	26,206	26,907	27,807
2	Tier 1 Capital	28,948	28,714	28,277	28,960	29,694
3	Total Capital	32,300	32,075	31,440	33,225	34,250
Risk Weighted Assets (S\$ million)						
4	Total RWA	200,322	200,786	198,817	193,082	211,372
Risk-based Capital Ratios as a percentage of RWA (%)						
5	CET1 Ratio	13.6	13.2	13.1	13.9	13.1
6	Tier 1 Ratio	14.4	14.3	14.2	14.9	14.0
7	Total Capital Ratio	16.1	15.9	15.8	17.2	16.2
Additional CET1 buffer requirements as a percentage of RWA (%)						
8	Capital conservation buffer requirement ^{1/}	1.875	1.875	1.875	1.25	1.25
9	Countercyclical buffer requirement	0.3	0.3	0.2	0.2	0.2
10	Bank G-SIB and/or D-SIB additional requirements	-	-	-	-	-
11	Total of Bank CET1 specific requirements ^{2/}	2.1	2.1	2.1	1.4	1.4
12	CET1 available after meeting the Reporting Bank's minimum capital requirements	6.1	5.9	5.8	7.2	6.2
Leverage Ratio (S\$ million / %)						
13	Total Leverage Ratio exposure measure	406,022	408,204	401,030	394,770	387,576
14	Leverage Ratio (%) ^{3/}	7.1	7.0	7.0	7.3	7.6
Liquidity Coverage Ratio (S\$ million / %) ^{4/}						
15	Total High Quality Liquid Assets	47,630	50,536	50,644	46,675	45,852
16	Total net cash outflow	36,885	36,956	34,368	29,638	32,137
17	Liquidity Coverage Ratio (%)	130	138	149	159	147
Net Stable Funding Ratio (S\$ million / %) ^{5/}						
18	Total available stable funding	228,607	227,516	218,729		
19	Total required stable funding	211,715	210,220	207,022		
20	Net Stable Funding Ratio (%)	108	108	106		

^{1/} To be 2.5% from 1 Jan 2019

^{2/} Sum of rows 8, 9 and 10

^{3/} Computed by row 2 / row 13

^{4/} Reported as simple averages of daily observations for the respective quarter

^{5/} Information is only available starting Mar-18 position given that prior periods were not subject to public disclosure requirements

4. LEVERAGE RATIO

4.1 Leverage Ratio

	30-Sep-18	30-Jun-18	31-Mar-18	31-Dec-17
Capital and Total exposures (S\$m)				
Tier 1 capital	28,948	28,714	28,277	28,960
Total exposures	406,022	408,204	401,030	394,770
Leverage Ratio (%)				
Leverage ratio	7.1	7.0	7.0	7.3

As at 30 September 2018, the leverage ratio of 7.1% was above the 3% minimum regulatory requirement. Leverage ratio was 0.1% higher as compared to previous quarter, mainly contributed by lower total exposures.

4.2 Leverage Ratio Summary Comparison Table

	Item	Amount (S\$m)
1	Total consolidated assets as per published financial statements	464,115
2	Adjustment for investments in entities that are consolidated for accounting purposes but are outside the regulatory scope of consolidation	(83,741)
3	Adjustment for fiduciary assets recognised on the balance sheet in accordance with the Accounting Standards but excluded from the calculation of exposure measure	-
4	Adjustment for derivative transactions	3,771
5	Adjustment for SFTs	11
6	Adjustment for off-balance sheet items	28,665
7	Other adjustments	(6,799)
8	Exposure measure	406,022

4.3 Leverage Ratio Common Disclosure Table

	Item	Amount (S\$m)	
		Sep-18	Jun-18
	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)	368,915	370,682
2	Asset amounts deducted in determining Tier 1 capital	(6,799)	(6,869)
3	Total exposures measures of on-balance sheet items (excluding derivative transactions and SFTs)	362,116	363,813
	Derivative exposure measures		
4	Replacement cost associated with all derivative transactions (net of the eligible cash portion of variation margins)	5,336	4,845
5	Potential future exposure associated with all derivative transactions	6,621	6,496
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	(12)	(11)
8	CCP leg of trade exposures excluded	-	-
9	Adjusted effective notional amount of written credit derivatives	463	523
10	Further adjustments in effective notional amounts and deductions from potential future exposures of written credit derivatives	-	-
11	Total derivative exposure measures	12,408	11,853
	SFT exposure measures		
12	Gross SFT assets (with no recognition of accounting netting), after adjusting for sales accounting	2,822	3,889
13	Eligible netting of cash payables and cash receivables	-	-
14	SFT counterparty exposures	11	7
15	SFT exposure measures where a Reporting Bank acts as an agent in the SFTs	-	-
16	Total SFT exposure measures	2,833	3,896
	Exposure measures of off-balance sheet items		
17	Off-balance sheet items at notional amount	132,538	126,405
18	Adjustments for calculation of exposure measures of off-balance sheet items	(103,873)	(97,763)
19	Total exposure measures of off-balance sheet items	28,665	28,642
	Capital and Total exposures		
20	Tier 1 capital	28,948	28,714
21	Total exposures	406,022	408,204
	Leverage Ratio		
22	Leverage ratio	7.1%	7.0%

SFT: Securities Financing Transactions

CCP: Central Counterparty

5. 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.

S\$ million	RWA		Minimal Capital Requirements ^{1/}
	(a) Sep-18	(b) Jun-18	(c) Sep-18
1 Credit Risk (excluding Counterparty Credit Risk)	158,673	156,977	15,867
2 Of which: Standardised Approach for Credit and Equity exposures	45,711	45,517	4,571
3 Of which: IRB Approach for Credit and Equity exposures ^{2/}	112,962	111,460	11,296
4 Credit Risk: Counterparty Credit Risk	4,874	4,530	488
5 Of which: Current Exposure Method ^{3/}	4,874	4,530	488
6 Of which: Internal Models Method	-	-	-
7 Equity exposures under Simple Risk Weight Method	-	-	-
8 Equity investments in funds - Look Through Approach	124	-	12
9 Equity investments in funds - Mandate-Based Approach	191	-	19
10 Equity investments in funds - Fall Back Approach	-	2,535	-
10a Equity investments in funds - Partial Use of an Approach	126	-	13
11 Unsettled Transactions	3	27	#
12 Securitisation exposures in banking book	-	-	-
13 Of which: SEC-IRBA	-	-	-
14 Of which: SEC-ERBA, including IAA	-	-	-
15 Of which: SEC-SA	-	-	-
16 Market Risk	14,872	15,597	1,487
17 Of which: Standardised Approach	14,872	15,597	1,487
18 Of which: Internal Models Approach	-	-	-
19 Operational Risk	14,053	13,887	1,405
20 Of which: Basic Indicator Approach	2,830	2,765	283
21 Of which: Standardised Approach	11,223	11,122	1,122
22 Of which: Advanced Measurement Approach	-	-	-
23 Credit RWA pursuant to paragraph 6.1.3(p)(iii) ^{4/}	7,406	7,233	741
24 Floor Adjustment	-	-	-
25 Total	200,322	200,786	20,032

^{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 of less than \$0.5 million

The marginal decrease in total RWA between June 2018 and September 2018 was largely due to drop in Market RWA, attributed to lower Interest Rate risk.

For the same period, Credit RWA remained relatively stable as the decrease in Credit RWA attributed to change in methodology for Equity investments in funds was largely offset by increase in Credit RWA due to asset growth.

6. RWA FLOW STATEMENT FOR CREDIT RISK EXPOSURES

This table provides an overview of the quarter-on-quarter movement of Credit Risk RWA attributed to the key drivers from rows 2 to 8.

The increase in RWA during the third quarter of 2018 was largely due to asset growth, particularly higher corporate loans, partially offset by improving asset quality.

S\$ million	(a) RWA
1 RWA as at 30 June 2018 ^{1/}	111,460
2 Asset Size ^{2/}	3,257
3 Asset Quality ^{3/}	(2,087)
4 Model Updates ^{4/}	718
5 Methodology and Policy ^{5/}	-
6 Acquisitions and Disposals ^{6/}	-
7 Foreign exchange movements ^{7/}	(386)
8 Other ^{8/}	-
9 RWA as at 30 September 2018 ^{1/} (1 + 2 + 3 + 4 + 5 + 6 + 7 + 8)	112,962

^{1/} Refers to RWA of Credit Risk exposures under IRB Approach and Equity exposures under PD/LGD method (excluding Counterparty Credit Risk)

^{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