

Oversea-Chinese Banking Corporation Limited

**Pillar 3 Disclosures
(OCBC Group – As at 31 March 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.

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”)

For the locations of the qualitative disclosures on the Group’s capital and risk management objectives and policies, credit risk profile and disclosures on remuneration, please refer to the Qualitative Disclosures table in the Pillar 3 section of the 2017 Annual Report.

2. CAPITAL ADEQUACY

Disclosures on the Group’s capital adequacy ratios and the capital positions for the Group’s significant banking subsidiaries as at 31 March 2018 are presented in the Capital Adequacy Ratios section of the First 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) | |
|---|--|---------|---------|---------|---------|---------|
| | Mar-18 | Dec-17 | Sep-17 | Jun-17 | Mar-17 | |
| Available Capital (S\$ million) | | | | | | |
| 1 | CET1 Capital | 26,206 | 26,907 | 27,807 | 27,800 | 27,688 |
| 2 | Tier 1 Capital | 28,277 | 28,960 | 29,694 | 29,684 | 29,558 |
| 3 | Total Capital | 31,440 | 33,225 | 34,250 | 34,384 | 34,295 |
| Risk Weighted Assets (S\$ million) | | | | | | |
| 4 | Total RWA | 198,817 | 193,082 | 211,372 | 212,527 | 207,224 |
| Risk-based Capital Ratios as a percentage of RWA (%) | | | | | | |
| 5 | CET1 Ratio | 13.1 | 13.9 | 13.1 | 13.0 | 13.3 |
| 6 | Tier 1 Ratio | 14.2 | 14.9 | 14.0 | 13.9 | 14.2 |
| 7 | Total Capital Ratio | 15.8 | 17.2 | 16.2 | 16.1 | 16.5 |
| Additional CET1 buffer requirements as a percentage of RWA (%) | | | | | | |
| 8 | Capital conservation buffer requirement ^{1/} | 1.875 | 1.25 | 1.25 | 1.25 | 1.25 |
| 9 | Countercyclical buffer requirement | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 |
| 10 | Bank G-SIB and/or D-SIB additional requirements | - | - | - | - | - |
| 11 | Total of Bank CET1 specific requirements ^{2/} | 2.1 | 1.4 | 1.4 | 1.4 | 1.4 |
| 12 | CET1 available after meeting the Reporting Bank's minimum capital requirements | 5.8 | 7.2 | 6.2 | 6.1 | 6.5 |
| Leverage Ratio (S\$ million / %) | | | | | | |
| 13 | Total Leverage Ratio exposure measure | 401,030 | 394,770 | 387,576 | 380,558 | 380,068 |
| 14 | Leverage Ratio (%) ^{3/} | 7.0 | 7.3 | 7.6 | 7.8 | 7.7 |
| Liquidity Coverage Ratio (S\$ million / %) | | | | | | |
| 15 | Total High Quality Liquid Assets | 50,644 | 46,675 | 45,852 | 45,969 | 44,717 |
| 16 | Total net cash outflow | 34,368 | 29,638 | 32,137 | 32,103 | 31,334 |
| 17 | Liquidity Coverage Ratio (%) | 149 | 159 | 147 | 144 | 143 |
| Net Stable Funding Ratio (S\$ million / %) ^{4/} | | | | | | |
| 18 | Total available stable funding | 218,729 | | | | |
| 19 | Total required stable funding | 207,022 | | | | |
| 20 | Net Stable Funding Ratio (%) | 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/} 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

| | 31-Mar-18 | 31-Dec-17 | 30-Sep-17 | 30-Jun-17 |
|---|-----------|-----------|-----------|-----------|
| Capital and Total exposures (S\$m) | | | | |
| Tier 1 capital | 28,277 | 28,960 | 29,694 | 29,684 |
| Total exposures | 401,030 | 394,770 | 387,576 | 380,558 |
| Leverage Ratio (%) | | | | |
| Leverage ratio | 7.0 | 7.3 | 7.6 | 7.8 |

Leverage ratio of 7.0% as at 31 March 2018 was 0.3% lower as compared to previous quarter. This was largely contributed by higher total exposures. Total exposures rose mainly driven by growth in customer loans, increase in derivative exposures and off-balance sheet items partially offset by the decrease in placements with and loans to banks.

4.2 Leverage Ratio Summary Comparison Table

| | Item | Amount (S\$m) |
|---|---|----------------|
| 1 | Total consolidated assets as per published financial statements | 460,573 |
| 2 | Adjustment for investments in entities that are consolidated for accounting purposes but are outside the regulatory scope of consolidation | (82,972) |
| 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 | 3,526 |
| 5 | Adjustment for SFTs | 10 |
| 6 | Adjustment for off-balance sheet items | 26,712 |
| 7 | Other adjustments | (6,819) |
| 8 | Exposure measure | 401,030 |

4.3 Leverage Ratio Common Disclosure Table

| | Item | Amount (S\$m) | |
|----|--|----------------|----------------|
| | | Mar-18 | Dec-17 |
| | 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) | 365,648 | 361,198 |
| 2 | Asset amounts deducted in determining Tier 1 capital | (6,819) | (6,292) |
| 3 | Total exposures measures of on-balance sheet items (excluding derivative transactions and SFTs) | 358,829 | 354,906 |
| | Derivative exposure measures | | |
| 4 | Replacement cost associated with all derivative transactions (net of the eligible cash portion of variation margins) | 4,601 | 3,615 |
| 5 | Potential future exposure associated with all derivative transactions | 5,979 | 5,691 |
| 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 | (17) | (21) |
| 8 | CCP leg of trade exposures excluded | - | - |
| 9 | Adjusted effective notional amount of written credit derivatives | 563 | 781 |
| 10 | Further adjustments in effective notional amounts and deductions from potential future exposures of written credit derivatives | - | - |
| 11 | Total derivative exposure measures | 11,126 | 10,066 |
| | SFT exposure measures | | |
| 12 | Gross SFT assets (with no recognition of accounting netting), after adjusting for sales accounting | 4,353 | 4,507 |
| 13 | Eligible netting of cash payables and cash receivables | - | - |
| 14 | SFT counterparty exposures | 10 | 11 |
| 15 | SFT exposure measures where a Reporting Bank acts as an agent in the SFTs | - | - |
| 16 | Total SFT exposure measures | 4,363 | 4,518 |
| | Exposure measures of off-balance sheet items | | |
| 17 | Off-balance sheet items at notional amount | 118,881 | 114,099 |
| 18 | Adjustments for calculation of exposure measures of off-balance sheet items | (92,169) | (88,819) |
| 19 | Total exposure measures of off-balance sheet items | 26,712 | 25,280 |
| | Capital and Total exposures | | |
| 20 | Tier 1 capital | 28,277 | 28,960 |
| 21 | Total exposures | 401,030 | 394,770 |
| | Leverage Ratio | | |
| 22 | Leverage ratio | 7.0% | 7.3% |

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/} |
|-------------|--|----------------|----------------|--|
| | | Mar-18 | Dec-17 | Mar-18 |
| 1 | Credit Risk (excluding Counterparty Credit Risk) | 151,410 | 147,035 | 15,141 |
| 2 | Of which: Standardised Approach for Credit and Equity exposures | 41,993 | 40,892 | 4,199 |
| 3 | Of which: IRB Approach for Credit and Equity exposures ^{2/} | 109,417 | 106,143 | 10,942 |
| 4 | Credit Risk: Counterparty Credit Risk | 4,945 | 4,674 | 494 |
| 5 | Of which: Current Exposure Method ^{3/} | 4,945 | 4,674 | 494 |
| 6 | Of which: Internal Models Method | - | - | - |
| 7 | Equity exposures under Simple Risk Weight Method | 1,242 | 1,305 | 124 |
| 8 | Equity investments in funds - Look Through Approach | - | - | - |
| 9 | Equity investments in funds - Mandate-Based Approach | - | - | - |
| 10 | Equity investments in funds - Fall Back Approach | 2,998 | 3,212 | 300 |
| 10a | Equity investments in funds - Partial Use of an Approach | - | - | - |
| 11 | Unsettled Transactions | # | # | # |
| 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 | 17,375 | 16,130 | 1,738 |
| 17 | Of which: Standardised Approach | 17,375 | 16,130 | 1,738 |
| 18 | Of which: Internal Models Approach | - | - | - |
| 19 | Operational Risk | 13,723 | 13,591 | 1,373 |
| 20 | Of which: Basic Indicator Approach | 2,718 | 2,663 | 272 |
| 21 | Of which: Standardised Approach | 11,005 | 10,928 | 1,101 |
| 22 | Of which: Advanced Measurement Approach | - | - | - |
| 23 | Credit RWA pursuant to paragraph 6.1.3(p)(iii) ^{4/} | 7,124 | 7,135 | 712 |
| 24 | Floor Adjustment | - | - | - |
| 25 | Total | 198,817 | 193,082 | 19,882 |

^{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 increase in RWA between December 2017 and March 2018 was largely attributed to higher Credit and Market Risk RWA:

- Credit Risk RWA primarily due to increase in margin lending exposures booked in Bank of Singapore as well as higher corporate loans
- Market Risk RWA largely due to higher Interest Rate MRWA

6. RWA FLOW STATEMENT

6.1 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. In the first quarter of 2018, the increase in Credit Risk RWA was primarily from asset growth, particularly of higher margin lending exposures booked in Bank of Singapore and corporate loans.

| S\$ million | (a) RWA |
|--|----------------|
| 1 RWA as at 31 December 2017 ^{1/} | 106,143 |
| 2 Asset Size ^{2/} | 4,681 |
| 3 Asset Quality ^{3/} | (902) |
| 4 Model Updates ^{4/} | 25 |
| 5 Methodology and Policy ^{5/} | - |
| 6 Acquisitions and Disposals ^{6/} | - |
| 7 Foreign exchange movements ^{7/} | (530) |
| 8 Other ^{8/} | - |
| 9 RWA as at 31 March 2018 ^{1/} (1 + 2 + 3 + 4 + 5 + 6 + 7 + 8) | 109,417 |

^{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