

Oversea-Chinese Banking Corporation Limited

Pillar 3 Disclosures
(OCBC Group – As at 30 September 2019)



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 2019, 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-19	Jun-19	Mar-19	Dec-18	Sep-18
Available Capital (\$\$ million)					
1 CET1 Capital	30,759	30,176	29,024	28,068	27,377
2 Tier 1 Capital	32,290	31,706	30,585	29,640	28,948
3 Total Capital	36,214	35,341	34,155	32,986	32,300
Risk Weighted Assets (\$\$ million)					
4 Total RWA	212,839	209,203	204,357	200,248	200,322
Risk-based Capital Ratios as a percentage of RWA (%)					
5 CET1 Ratio	14.4	14.4	14.2	14.0	13.6
6 Tier 1 Ratio	15.1	15.1	14.9	14.8	14.4
7 Total Capital Ratio	17.0	16.8	16.7	16.4	16.1
Additional CET1 buffer requirements as a percentage of RWA (%)					
8 Capital conservation buffer requirement	2.5	2.5	2.5	1.875	1.875
9 Countercyclical buffer requirement	0.4	0.4	0.4	0.3	0.3
10 Bank G-SIB and/or D-SIB additional requirements	-	-	-	-	-
11 Total of Bank CET1 specific requirements ^{1/}	2.9	2.9	2.9	2.2	2.1
12 CET1 available after meeting the Reporting Bank's minimum capital requirements	7.0	6.8	6.7	6.4	6.1
Leverage Ratio (\$\$ million)					
13 Total Leverage Ratio exposure measure	424,551	417,885	408,788	409,993	406,022
14 Leverage Ratio (%) ^{2/}	7.6	7.5	7.4	7.2	7.1
Liquidity Coverage Ratio (\$\$ million) ^{3/}					
15 Total High Quality Liquid Assets	48,677	46,894	48,930	49,751	47,630
16 Total net cash outflow	32,008	31,028	32,942	32,124	36,885
17 Liquidity Coverage Ratio (%)	154	151	150	156	130
Net Stable Funding Ratio (\$\$ million)					
18 Total available stable funding	243,501	239,480	236,498	231,631	228,607
19 Total required stable funding	221,422	219,417	214,338	213,274	211,715
20 Net Stable Funding Ratio (%)	110	109	110	109	108

^{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

3.1 Leverage Ratio Summary Comparison Table

	Item	Amount (S\$m)	
		30 Sep 2019	30 Jun 2019
1	Total consolidated assets as per published financial statements	483,500	479,767
2	Adjustment for investments in entities that are consolidated for accounting purposes but are outside the regulatory scope of consolidation	(92,154)	(89,535)
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	4,279	4,820
5	Adjustment for SFTs	13	4
6	Adjustment for off-balance sheet items	35,879	29,663
7	Other adjustments	(6,966)	(6,834)
8	Exposure measure	424,551	417,885

3.2 Leverage Ratio Common Disclosure Table

	Item	Amount (S\$m)	
		30 Sep 2019	30 Jun 2019
	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)	380,407	380,940
2	Asset amounts deducted in determining Tier 1 capital	(6,966)	(6,834)
3	Total exposures measures of on-balance sheet items (excluding derivative transactions and SFTs)	373,441	374,106
	Derivative exposure measures		
4	Replacement cost associated with all derivative transactions (net of the eligible cash portion of variation margins)	6,217	4,910
5	Potential future exposure associated with all derivative transactions	6,617	6,432
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	(10)	(8)
8	CCP leg of trade exposures excluded	-	-
9	Adjusted effective notional amount of written credit derivatives	390	499
10	Further adjustments in effective notional amounts and deductions from potential future exposures of written credit derivatives	-	-
11	Total derivative exposure measures	13,214	11,833
	SFT exposure measures		
12	Gross SFT assets (with no recognition of accounting netting), after adjusting for sales accounting	2,004	2,279
13	Eligible netting of cash payables and cash receivables	-	-
14	SFT counterparty exposures	13	4
15	SFT exposure measures where a Reporting Bank acts as an agent in the SFTs	-	-
16	Total SFT exposure measures	2,017	2,283
	Exposure measures of off-balance sheet items		
17	Off-balance sheet items at notional amount	193,387	132,793
18	Adjustments for calculation of exposure measures of off-balance sheet items	(157,508)	(103,130)
19	Total exposure measures of off-balance sheet items	35,879	29,663
	Capital and Total exposures		
20	Tier 1 capital	32,290	31,706
21	Total exposures	424,551	417,885
	Leverage Ratio		
22	Leverage ratio	7.6%	7.5%

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.

S\$ million		(a)	(b)	(c)
		RWA		Minimal Capital Requirements ^{1/}
		Sep-19	Jun-19	Sep-19
1	Credit Risk (excluding Counterparty Credit Risk)	167,281	165,528	16,728
2	Of which: Standardised Approach	48,352	47,299	4,835
3	Of which: Foundation Internal Ratings-Based Approach (F-IRBA)	100,722	100,631	10,073
4	Of which: Supervisory Slotting Approach	2,743	2,428	274
5	Of which: Advanced Internal Ratings-Based Approach (A-IRBA)	15,464	15,170	1,546
6	Credit Risk: Counterparty Credit Risk (CCR)	3,245	2,696	325
7	Of which: Current Exposure Method	2,542	2,089	255
8	Of which: Internal Models Method	-	-	-
9	Of which: Other CCR	209	182	21
9a	Of which: Central Counterparties (CCP)	494	425	49
10	Credit Valuation Adjustments (CVA)	3,633	2,881	363
11	Equity exposures under Simple Risk Weight Method	-	-	-
11a	Equity exposures under Internal Models Method	-	-	-
12	Equity investments in funds - Look Through Approach	120	121	12
13	Equity investments in funds - Mandate-Based Approach	147	161	15
14	Equity investments in funds - Fall Back Approach	15	15	2
14a	Equity investments in funds - Partial Use of an Approach	129	128	13
15	Unsettled Transactions	14	24	1
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	15,161	14,963	1,516
21	Of which: Standardised Approach	15,161	14,963	1,516
22	Of which: Internal Models Approach	-	-	-
23	Operational Risk	14,803	14,556	1,480
24	Credit RWA pursuant to paragraph 6.1.3(p)(iii) ^{2/}	8,291	8,130	829
25	Floor Adjustment	-	-	-
26	Total	212,839	209,203	21,284

^{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)

The increase in total RWA between June 2019 and September 2019 was mainly driven by higher Credit RWA attributed to exposure growth.

5. 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 third quarter of 2019 was primarily due to corporate loan growth and foreign exchange movements, largely offset by asset quality.

	S\$ million	(a) RWA
1	RWA as at 30 June 2019 ^{1/}	118,229
2	Asset Size ^{2/}	2,517
3	Asset Quality ^{3/}	(2,668)
4	Model Updates ^{4/}	-
5	Methodology and Policy ^{5/}	-
6	Acquisitions and Disposals ^{6/}	-
7	Foreign exchange movements ^{7/}	851
8	Other ^{8/}	-
9	RWA as at 30 September 2019 ^{1/} (1 + 2 + 3 + 4 + 5 + 6 + 7 + 8)	118,929

^{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