

Oversea-Chinese Banking Corporation Limited

**Pillar 3 Disclosures
(OCBC Group – As at 31 March 2021)**



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 31 March 2021, 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)	
	Mar-21	Dec-20	Sep-20	Jun-20	Mar-20	
Available Capital (S\$ million)						
1	CET1 Capital	34,103	33,206	32,322	31,876	32,350
2	Tier 1 Capital	35,333	34,436	33,552	33,406	33,879
3	Total Capital	39,899	38,966	38,261	36,726	37,169
Risk Weighted Assets (S\$ million)						
4	Total RWA	220,150	218,145	224,159	223,867	225,914
Risk-based Capital Ratios as a percentage of RWA (%)						
5	CET1 Ratio	15.5	15.2	14.4	14.2	14.3
6	Tier 1 Ratio	16.0	15.8	15.0	14.9	14.9
7	Total Capital Ratio	18.1	17.9	17.1	16.4	16.4
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	0.1	0.1
10	Bank G-SIB and/or D-SIB additional requirements	-	-	-	-	-
11	Total of Bank CET1 specific requirements ^{1/}	2.6	2.6	2.6	2.6	2.6
12	CET1 available after meeting the Reporting Bank's minimum capital requirements	8.0	7.9	7.1	6.4	6.4
Leverage Ratio (S\$ million)						
13	Total Leverage Ratio exposure measure	451,626	450,084	441,388	446,130	453,487
14	Leverage Ratio (%) ^{2/}	7.8	7.7	7.6	7.4	7.4
Liquidity Coverage Ratio (S\$ million) ^{3/}						
15	Total High Quality Liquid Assets	64,135	60,309	56,599	53,730	52,738
16	Total net cash outflow	42,607	40,135	44,194	42,236	35,290
17	Liquidity Coverage Ratio (%)	151	150	128	127	151
Net Stable Funding Ratio (S\$ million)						
18	Total available stable funding	263,447	263,226	258,230	253,755	251,828
19	Total required stable funding	211,446	210,237	211,686	213,236	232,323
20	Net Stable Funding Ratio (%)	125	125	122	119	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

Leverage Ratio Summary Comparison Table

	Item	Amount (S\$m)	
		31 Mar 2021	31 Dec 2020
1	Total consolidated assets as per published financial statements	516,968	521,395
2	Adjustment for investments in entities that are consolidated for accounting purposes but are outside the regulatory scope of consolidation	(103,401)	(104,958)
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	2,910	971
5	Adjustment for SFTs	221	147
6	Adjustment for off-balance sheet items	42,735	40,170
7	Other adjustments	(7,807)	(7,641)
8	Exposure measure	451,626	450,084

Leverage Ratio Common Disclosure Table

	Item	Amount (S\$m)	
		31 Mar 2021	31 Dec 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)	399,684	397,001
2	Asset amounts deducted in determining Tier 1 capital	(7,807)	(7,641)
3	Total exposure measures of on-balance sheet items (excluding derivative transactions and SFTs)	391,877	389,360
	Derivative exposure measures		
4	Replacement cost associated with all derivative transactions (net of the eligible cash portion of variation margins)	6,403	9,564
5	Potential future exposure associated with all derivative transactions	6,802	6,439
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	(5)	(6)
8	CCP leg of trade exposures excluded	-	-
9	Adjusted effective notional amount of written credit derivatives	337	252
10	Further adjustments in effective notional amounts and deductions from potential future exposures of written credit derivatives	-	-
11	Total derivative exposure measures	13,537	16,249
	SFT exposure measures		
12	Gross SFT assets (with no recognition of accounting netting), after adjusting for sales accounting	3,256	4,158
13	Eligible netting of cash payables and cash receivables	-	-
14	SFT counterparty exposures	221	147
15	SFT exposure measures where a Reporting Bank acts as an agent in the SFTs	-	-
16	Total SFT exposure measures	3,477	4,305
	Exposure measures of off-balance sheet items		
17	Off-balance sheet items at notional amount	203,960	198,782
18	Adjustments for calculation of exposure measures of off-balance sheet items	(161,225)	(158,612)
19	Total exposure measures of off-balance sheet items	42,735	40,170
	Capital and Total exposures		
20	Tier 1 capital	35,333	34,436
21	Total exposures	451,626	450,084
22	Leverage Ratio		
		7.8%	7.7%

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 December 2020 and March 2021.

S\$ million	RWA		Minimal Capital Requirements ^{1/}
	(a) Mar-21	(b) Dec-20	(c) Mar-21
1 Credit Risk (excluding Counterparty Credit Risk)	176,514	173,310	17,651
2 Of which: Standardised Approach	34,645	33,766	3,464
3 Of which: Foundation Internal Ratings-Based Approach (F-IRBA)	123,054	121,113	12,305
4 Of which: Supervisory Slotting Approach	4,670	4,232	467
5 Of which: Advanced Internal Ratings-Based Approach (A-IRBA)	14,145	14,199	1,415
6 Credit Risk: Counterparty Credit Risk (CCR)	2,970	3,746	297
7 Of which: Current Exposure Method	2,287	2,867	228
8 Of which: Internal Models Method	-	-	-
9 Of which: Other CCR	96	47	10
9a Of which: Central Counterparties (CCP)	587	832	59
10 Credit Valuation Adjustments (CVA)	3,029	4,447	303
11 Equity exposures under Simple Risk Weight Method	-	-	-
11a Equity exposures under Internal Models Method	-	-	-
12 Equity investments in funds - Look Through Approach	190	190	19
13 Equity investments in funds - Mandate-Based Approach	161	139	16
14 Equity investments in funds - Fall Back Approach	9	11	1
14a Equity investments in funds - Partial Use of an Approach	156	151	16
15 Unsettled Transactions	10	442	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	11,906	10,955	1,191
21 Of which: Standardised Approach	11,906	10,955	1,191
22 Of which: Internal Models Approach	-	-	-
23 Operational Risk	15,851	15,665	1,585
24 Credit RWA pursuant to paragraph 6.1.3(p)(iii) ^{2/}	9,354	9,089	935
25 Floor Adjustment	-	-	-
26 Total	220,150	218,145	22,015

^{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 first quarter of 2021 was primarily due to asset growth in corporate loans.

S\$ million	(a) RWA
1 RWA as at 31 December 2020 ^{1/}	139,544
2 Asset Size ^{2/}	2,977
3 Asset Quality ^{3/}	(1,064)
4 Model Updates ^{4/}	-
5 Methodology and Policy ^{5/}	(368)
6 Acquisitions and Disposals ^{6/}	-
7 Foreign exchange movements ^{7/}	780
8 Other ^{8/}	-
9 RWA as at 31 March 2021 ^{1/} (1 + 2 + 3 + 4 + 5 + 6 + 7 + 8)	141,869

^{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. 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 1Q21, the average SGD and all-currency LCRs for the Group were 300% and 151% respectively. Compared to 4Q20, the average SGD LCR decreased by 1 percentage point largely driven by higher net cash outflows from retail and wholesale deposits. The average all-currency LCR increased by 1 percentage point primarily 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 1Q21

The data presented in the quantitative disclosure are simple averages of daily observations over the quarter. The number of data points in calculating the average figures is 90.

Group - ALL Currency (\$m)		Total Unweighted Value (average)	Total Weighted Value (average)
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)		64,135
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	152,767	12,841
3	Stable deposits	48,713	2,436
4	Less stable deposits	104,054	10,405
5	Unsecured wholesale funding, of which:	112,246	52,676
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	33,246	8,011
7	Non-operational deposits (all counterparties)	71,891	37,555
8	Unsecured debt	7,109	7,109
9	Secured wholesale funding		190
10	Additional requirements, of which:	63,731	36,418
11	Outflows related to derivative exposures and other collateral requirements	33,051	32,996
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	30,680	3,422
14	Other contractual funding obligations	1,169	1,169
15	Other contingent funding obligations	13,856	416
16	TOTAL CASH OUTFLOWS		103,709
CASH INFLOWS			
17	Secured lending (eg reverse repos)	2,687	22
18	Inflows from fully performing exposures	48,061	28,737
19	Other cash inflows	32,471	32,343
20	TOTAL CASH INFLOWS	83,219	61,101
			TOTAL ADJUSTED VALUE
21	TOTAL HQLA		64,135
22	TOTAL NET CASH OUTFLOWS		42,607
23	LIQUIDITY COVERAGE RATIO (%)		151

6. Liquidity Coverage Ratio (continued)

Average Group SGD LCR for 1Q21

The data presented in the quantitative disclosure are simple averages of daily observations over the quarter. The number of data points in calculating the average figures is 90.

Group - SGD (\$m)		Total Unweighted Value (average)	Total Weighted Value (average)
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)		24,144
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	86,642	6,639
3	Stable deposits	40,504	2,025
4	Less stable deposits	46,137	4,614
5	Unsecured wholesale funding, of which:	25,039	9,266
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	11,110	2,698
7	Non-operational deposits (all counterparties)	13,919	6,557
8	Unsecured debt	11	11
9	Secured wholesale funding		-
10	Additional requirements, of which:	26,076	15,540
11	Outflows related to derivative exposures and other collateral requirements	14,468	14,468
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	11,608	1,071
14	Other contractual funding obligations	800	800
15	Other contingent funding obligations	1,743	52
16	TOTAL CASH OUTFLOWS		32,296
CASH INFLOWS			
17	Secured lending (eg reverse repos)	750	-
18	Inflows from fully performing exposures	5,412	3,075
19	Other cash inflows	23,355	23,345
20	TOTAL CASH INFLOWS	29,517	26,420
			TOTAL ADJUSTED VALUE
21	TOTAL HQLA		24,144
22	TOTAL NET CASH OUTFLOWS		8,074
23	LIQUIDITY COVERAGE RATIO (%)		300