

Oversea-Chinese Banking Corporation Limited

**Pillar 3 Mid-Year Quantitative Disclosures
(OCBC Group – As at 30 June 2013)**



Incorporated in Singapore
Company Registration Number: 193200032W

1. INTRODUCTION

The purpose of this document is to provide the information in accordance with Pillar 3 directives under Monetary Authority of Singapore (“MAS”) Notice 637 on Risk Based Capital Adequacy Requirements for banks incorporated in Singapore. MAS Notice 637 mandates a minimum level of public disclosures to be made available to market participants to assist them in assessing the capital adequacy and risk profile of a bank.

For qualitative descriptions 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 2012 Annual Report.

2. SCOPE OF APPLICATION

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 major stake companies. The regulatory adjustments applied to these investments are in accordance to MAS Notice 637 paragraphs 6.1.3(p), 6.2.3(e) and 6.3.3(e).
- As at 30 June 2013, the subsidiaries that carry out insurance business are as follows:
 - The Great Eastern Life Assurance Company Limited and its insurance entities
 - The Overseas Assurance Corporation Limited and its insurance entities
- As at 30 June 2013, the total equity of these insurance subsidiaries was S\$5b and total assets were S\$59b.

The basis of consolidation for financial reporting can be found in Note 2.2 in the Notes to the Financial Statements of the 2012 Annual Report.

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 June 2013 are presented in the Capital Adequacy Ratios section of the Second Quarter 2013 Financial Results. (<http://www.ocbc.com/group/investors/index.html>)

Disclosures on the composition of the Group’s regulatory capital, including reconciliation between balance sheet and regulatory capital elements, as well as 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)

4. CREDIT RISK

4.1 Maximum Exposure to Credit Risk

S\$ million	Period End	Average ⁽³⁾
Credit risk exposure of on-balance sheet assets:		
Net loans and bills receivable	157,172 ⁽¹⁾	149,054
Placements with and loans to banks	32,612	32,891
Government treasury bills and securities	20,737	22,181
Debt securities	15,266	14,178
Assets pledged	2,145 ⁽²⁾	1,212
Others	7,795	8,175
	235,727	227,691
Credit risk exposure of off-balance sheet items:		
Credit commitments	73,315	69,991
Contingent liabilities	9,981	9,547
	83,296	79,538
Total maximum credit risk exposure	319,023	307,229

⁽¹⁾ Net of specific allowances of \$251 million and portfolio allowances of \$1,438 million.

⁽²⁾ Assets pledged comprise net loans and bills receivable of \$8 million, placements with and loans to banks of \$724 million, government treasury bills and securities of \$260 million and debt securities of \$1,153 million.

⁽³⁾ Computed on a monthly average basis.

4.2 Geographic/Industry Distribution of Major Types of Credit Exposure

Gross Loans and Bills Receivable ⁽¹⁾

Analysed by Geography

	S\$ million
Singapore	82,725
Malaysia	24,744
Indonesia	12,003
Greater China	20,204
Other Asia Pacific	8,158
Rest of the World	11,035
	158,869

Distribution by geography is determined based on where the credit risk resides.

⁽¹⁾ Includes assets pledged of \$8 million.

Gross Loans and Bills Receivable ⁽¹⁾ (continued)

Analysed by Industry

	S\$ million
Agriculture, mining and quarrying	5,413
Manufacturing	9,296
Building and construction	23,667
Housing	40,465
General commerce	23,007
Transport, storage and communication	10,872
Financial institutions, investment and holding companies	22,410
Professionals and individuals	15,851
Others	7,888
	158,869

⁽¹⁾ Includes assets pledged of \$8 million.

Placements with and Loans to Banks ⁽¹⁾

Analysed by Geography

	S\$ million
Singapore	1,501
Malaysia	2,458
Indonesia	499
Greater China	18,870
Other Asia Pacific	2,513
Rest of the World	6,511
Balances with banks	32,352
Bank balances of life assurance fund	984
	33,336

Distribution by geography is determined based on where the credit risk resides.

⁽¹⁾ Includes assets pledged of \$724 million.

Government Treasury Bills and Securities ⁽¹⁾

Analysed by Geography

	S\$ million
Singapore	12,442
Malaysia	2,768
Indonesia	1,226
Greater China	1,331
Other Asia Pacific	2,756
Rest of the World	474
	20,997

Distribution by geography is determined based on country of the issuer.

⁽¹⁾ Includes assets pledged of \$260 million.

Debt Securities ⁽¹⁾

Analysed by Geography

	S\$ million
Singapore	4,029
Malaysia	1,737
Indonesia	488
Greater China	4,616
Other Asia Pacific	3,112
Rest of the World	2,437
	16,419

Distribution by geography is determined based on where the borrowers are incorporated.

Analysed by Industry

	S\$ million
Agriculture, mining and quarrying	423
Manufacturing	606
Building and construction	1,626
General commerce	830
Transport, storage and communication	997
Financial institutions, investment and holding companies	9,036
Others	2,901
	16,419

⁽¹⁾ Includes assets pledged of \$1,153 million.

Credit Commitments

Analysed by Geography

	S\$ million
Singapore	55,204
Malaysia	6,577
Indonesia	3,245
Greater China	6,091
Other Asia Pacific	1,358
Rest of the World	840
	73,315

Distribution by geography is determined based on where the transactions are recorded.

Credit Commitments (continued)

Analysed by Industry

	S\$ million
Agriculture, mining and quarrying	1,620
Manufacturing	5,593
Building and construction	5,948
General commerce	11,741
Transport, storage and communication	3,459
Financial institutions, investment and holding companies	15,255
Professionals and individuals	22,993
Others	6,706
	73,315

4.3 Residual Contractual Maturity of Major Types of Credit Exposure

On-Balance Sheet Assets

S\$ million	Within 1 week	1 week to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
Net loans and bills receivable	12,372	14,188	12,036	20,576	27,005	71,003	157,180 ⁽¹⁾
Placements with and loans to banks	3,979	6,381	9,268	12,089	635	#	32,352 ⁽²⁾
Government treasury bills and securities	559	1,942	3,420	3,334	5,254	6,488	20,997 ⁽³⁾
Debt securities	34	776	1,538	3,176	4,656	6,239	16,419 ⁽⁴⁾

⁽¹⁾ Includes assets pledged of \$8 million.

⁽²⁾ Includes assets pledged of \$724 million and excludes bank balances of life assurance fund of \$984 million.

⁽³⁾ Includes assets pledged of \$260 million.

⁽⁴⁾ Includes assets pledged of \$1,153 million.

represents amounts less than \$0.5 million.

Credit Commitments

	S\$ million
Undrawn credit facilities:	
Term to maturity of one year or less	57,409
Term to maturity of more than one year	15,906
	73,315

4.4 Non-Performing Loans, Past-Due Loans, Impairment Allowances

Non-Performing Loans

Analysed by Geography

S\$ million	Singapore	Malaysia	Rest of the World	Total
Substandard	105	274	349	728
Doubtful	72	158	51	281
Loss	53	40	49	142
	230	472	449	1,151

Distribution by geography is determined based on where the credit risk resides.

Non-Performing Loans (continued)

Analysed by Industry

	S\$ million
Agriculture, mining and quarrying	4
Manufacturing	377
Building and construction	168
Housing	209
General commerce	123
Transport, storage and communication	109
Financial institutions, investment and holding companies	50
Professionals and individuals	89
Others	22
	1,151

Analysed by Period Overdue

\$ million	S\$ million
Over 180 days	317
Over 90 days to 180 days	80
30 days to 90 days	113
Less than 30 days	9
Past due	519
No overdue	632
Total	1,151

Past-Due Loans

Analysed by Industry

	S\$ million
Agriculture, mining and quarrying	21
Manufacturing	150
Building and construction	71
General commerce	123
Transport, storage and communication	34
Financial institutions, investment and holding companies	65
Professionals and individuals (include housing)	416
Others	47
	927

Analysed by Geography

	S\$ million
Singapore	168
Malaysia	510
Rest of the World	249
	927

Distribution by geography is determined based on where the credit risk resides.

Past-Due Loans (continued)

Loans Past Due but Not Impaired

Certain loans and advances are past due but not impaired as the collateral values of these loans are in excess of the principal and interest outstanding. Allowances for these loans may have been set aside on a portfolio basis.

Analysed by Period Overdue

	S\$ million
Past due	
Less than 30 days	186
30 to 90 days	289
Over 90 days	71
Past due but not impaired	546

Impairment Allowances for Loans and Bills Receivable

Analysed by Geography

S\$ million	Specific allowances	Portfolio allowances
Singapore	72	614
Malaysia	124	330
Indonesia	26	152
Greater China	2	181
Other Asia Pacific	21	88
Rest of the World	6	73
	251	1,438

Distribution by geography is determined based on where the credit risk resides.

Analysed by Industry

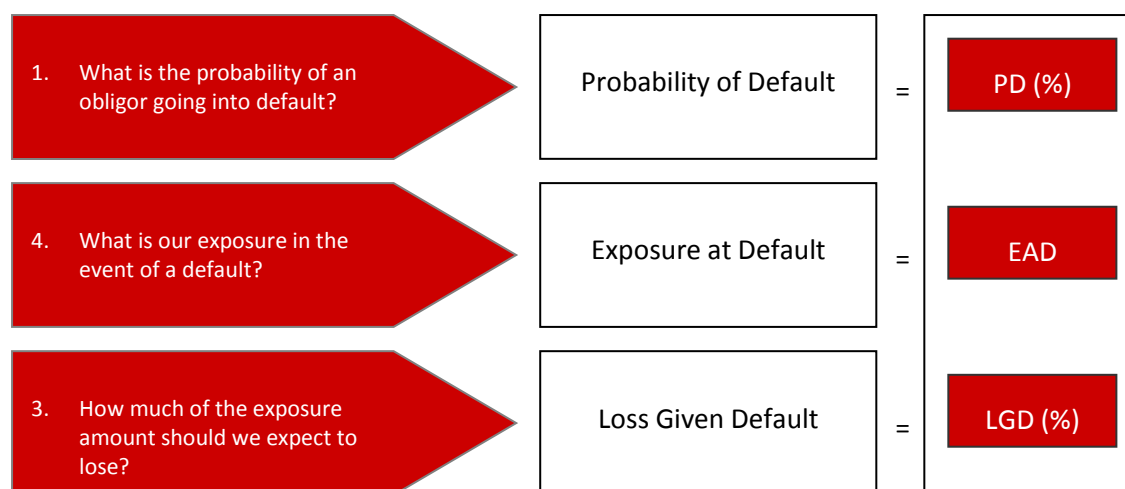
S\$ million	Cumulative specific allowances	Specific allowances charged/(write-back) to income statements
Agriculture, mining and quarrying	2	#
Manufacturing	48	(4)
Building and construction	21	(15)
Housing	34	(1)
General commerce	34	5
Transport, storage and communication	27	2
Financial institutions, investment and holding companies	8	(#)
Professionals and individuals	60	28
Others	17	(2)
	251	13

represents amounts less than \$0.5 million.

Impairment Allowances for Loans and Bills Receivable (continued)
Reconciliation of Changes in Impairment Allowances

S\$ million	Specific Allowances
At 1 January 2013	303
Currency translation	(1)
Bad debts written off	(63)
Recovery of amounts previously provided for Allowances for loans	(19)
Net allowances charged to income statements	32
Interest recognition on impaired loans	13
At 30 June 2013	251

S\$ million	Portfolio Allowances
At 1 January 2013	1,351
Currency translation	(2)
Allowances charged to income statements	89
At 30 June 2013	1,438

KEY PARAMETERS USED TO QUANTIFY CREDIT RISK


4.5 Exposures and Risk Weighted Assets (“RWA”) by Portfolio

	EAD S\$ million	RWA S\$ million
Credit Risk		
Standardised Approach		
Corporate	7,702	7,687
Sovereign	29,934	990
Bank	1,260	365
Retail	1,685	1,267
Residential Mortgage	1,521	642
Others	9,825	9,108
Total Standardised	51,928	20,059
Internal Ratings-Based (IRB) Approach		
Foundation IRB		
Corporate	67,270	42,953
Bank	55,444	16,121
Advanced IRB		
Residential Mortgage	47,282	5,454
Qualifying Revolving Retail	5,022	1,144
Small Business	8,566	3,415
Other Retail	1,290	267
Specialised Lending under Supervisory Slotting Criteria	23,191	21,311
Securitisation	69	38
Equity	1,319	4,534
Total IRB	209,454	95,239
Credit Valuation Adjustments		1,784 ⁽¹⁾
Credit RWA pursuant to paragraph 6.1.3(p)(iii)		5,756 ⁽²⁾
Total Credit Risk	261,382	122,838
Market Risk		
Standardised Approach		15,943
Operational Risk		
Standardised Approach		8,524
Basic Indicator Approach		826
Total Operational Risk		9,350
Total RWA		148,131

⁽¹⁾ New disclosed item starting in 2013

⁽²⁾ New disclosed item starting in 2013, refers to Credit RWA for Total Investment in Unconsolidated Major Stake Companies within the prescribed threshold amount in accordance with MAS Notice 637 paragraph 6.1.3 (p)(iii).

4.6 Credit Exposures under Standardised Approach

Credit exposures under the standardised approach comprise mainly exposures to sovereigns, private banking customers in Bank of Singapore and fixed assets. Rated exposures relate mainly to debt securities and sovereign portfolios while unrated exposures relate mainly to individuals and fixed assets.

Risk Weight	EAD S\$ million	RWA S\$ million
0%	28,940	-
20% - 35%	2,766	753
50% - 75%	2,709	1,787
100%	17,500	17,500
>100%	13	19
Total	51,928	20,059
Rated exposures	38,478	8,676
Unrated exposures	13,450	11,383

4.7 Credit Exposures subject to Supervisory Risk Weights under Internal Ratings-Based Approach

Equity Exposures under IRB Approach ⁽¹⁾

Equities for regulatory capital computation are risk weighted and/or deducted from capital in accordance with MAS Notice 637 under IRB Approach. Equity exposures of S\$182 million have been deducted from regulatory capital.

	IRB Approach			
	(SRW)		(PD/LGD)	
	EAD S\$ million	Average Risk Weight %	EAD S\$ million	Average Risk Weight %
Listed securities	1,000	318%	-	-
Other equity holdings	265	424%	54	424%
Total	1,265	340%	54	424%

⁽¹⁾ Starting in 2013, Equity Exposures are reported under the IRB approach using Simple Risk Weight (SRW) and PD/LGD methods.

Specialised Lending Exposures under Supervisory Slotting Criteria

Specialised lending exposures include financing of income-producing real estate as well as project, object and commodity finance.

	EAD S\$ million	Average Risk Weight
Strong	7,647	62%
Good	9,379	84%
Satisfactory	4,933	122%
Weak	1,007	265%
Default	225	NA
Total	23,191	92%

4.8 Credit Exposures under Foundation Internal Ratings-Based Approach (F-IRBA)

Corporate exposures are mainly exposures to corporate and institutional customers as well as major non-bank financial institutions. Bank exposures are exposures to banks and eligible public sector entities.

Corporate Exposures

PD Range	EAD S\$ million	Average Risk Weight
up to 0.05%	10,178	20%
> 0.05 to 0.5%	29,316	48%
> 0.5 to 2.5%	20,829	85%
> 2.5 to 9%	5,617	142%
> 9%	759	161%
Default	571	NA
Total	67,270	64%

Bank Exposures

PD Range	EAD S\$ million	Average Risk Weight
up to 0.05%	31,032	11%
> 0.05 to 0.5%	17,054	39%
> 0.5 to 2.5%	6,862	79%
> 2.5 to 9%	476	120%
> 9%	20	214%
Default	-	NA
Total	55,444	29%

4.9 Credit Exposures under Advanced Internal Ratings Based Approach (A-IRBA)

Residential Mortgages are loans to individuals secured by residential properties. Qualifying Revolving Retail exposures are revolving unsecured loans to individuals e.g. credit cards. Small Business exposures include lending to small businesses and commercial property loans to individuals in Singapore and Malaysia. Other Retail exposures are mainly auto loans in Singapore.

Residential Mortgages

PD Range	EAD S\$ million	Undrawn Commitment S\$ million	EAD Weighted Average	
			LGD	Risk Weight
up to 0.5%	32,292	4,491	11%	5%
> 0.5 to 3%	9,327	1,677	11%	19%
> 3 to 10%	4,899	284	10%	34%
> 10%	559	23	11%	62%
100%	205	-	15%	82%
Total	47,282	6,475	11%	12%

Qualifying Revolving Retail Exposures

PD Range	EAD S\$ million	Undrawn Commitment S\$ million	EAD Weighted Average	
			LGD	Risk Weight
up to 0.5%	3,933	6,495	81%	6%
> 0.5 to 3%	541	391	78%	40%
> 3 to 10%	398	166	82%	97%
> 10%	127	36	82%	224%
100%	23	-	81%	0%
Total	5,022	7,088	81%	23%

Small Business Exposures

PD Range	EAD S\$ million	Undrawn Commitment S\$ million	EAD Weighted Average	
			LGD	Risk Weight
up to 0.5%	2,995	1,032	30%	14%
> 0.5 to 3%	3,350	528	36%	39%
> 3 to 10%	1,786	178	41%	65%
> 10%	288	27	49%	104%
100%	147	56	44%	150%
Total	8,566	1,821	35%	40%

Other Retail Exposures

PD Range	EAD S\$ million	Undrawn Commitment S\$ million	EAD Weighted Average	
			LGD	Risk Weight
up to 0.5%	865	290	29%	12%
> 0.5 to 3%	293	50	29%	34%
> 3 to 10%	90	5	29%	45%
> 10%	40	-	27%	61%
100%	2	-	28%	5%
Total	1,290	345	29%	21%

4.10 Exposures Covered by Credit Risk Mitigation

	Eligible Financial Collateral S\$ million	Other Eligible Collateral S\$ million	Amount by which exposures have been reduced by eligible credit protection S\$ million
Standardised Approach			
Corporate	2,967	-	-
Sovereign and Bank	2,449	-	-
Retail and Residential Mortgage	314	-	-
Others	3,535	-	-
Total	9,265	-	-
Foundation IRB Approach			
Corporate	3,722	9,589	505
Bank	397	-	118
Total	4,119	9,589	623

Note:

1. Not all forms of collateral or credit risk mitigation are included for regulatory capital calculations.
2. Does not include collateral for exposures under Advanced IRB Approach and Specialised Lending.

4.11 Counterparty Credit Risk Exposures

Net Derivatives Exposure

	S\$ million
Replacement Cost	4,302
Potential Future Exposure	4,963
Less: Effects of Netting	3,593
EAD under Current Exposure Method	5,672
Analysed by type:	
Foreign Exchange Contracts and Gold	3,489
Interest Rate Contracts	1,150
Equity Contracts	151
Precious Metals Contracts	-
Other Commodities Contracts	31
Credit Derivative Contracts	851
Less: Eligible Financial Collateral	426
Other Eligible Collateral	-
Net Derivatives Credit Exposure	5,246

Credit Derivatives Exposure

	S\$ million	
	Notional Amount	
	<u>Bought</u>	<u>Sold</u>
Credit Default Swaps		
for own credit portfolio	11,447	10,214
for intermediation activities	45	45
Total	11,492	10,259

4.12 Securitisation Exposures Purchased

There are no re-securitisation exposures and all the securitisation exposures are in the banking book.

Risk Weight	S\$ million	
	EAD	Capital Charge
up to 20%	50	1
> 20% to 50%	17	1
> 50% to 100%	-	-
> 100% to 500%	-	-
> 500%	-	-
1250%	2	2
Total	69	4

5. MARKET RISK

Capital Requirement by Market Risk Type under Standardised Approach

	S\$ million
Interest rate risk	786
Equity position risk	41
Foreign exchange risk	447
Commodity risk	1
Total	1,275

6. EQUITY EXPOSURES IN BANKING BOOK

Disclosures on valuation and accounting treatment of equity holdings can be found in Notes 2.2.3, 2.6.2 and 2.23.3 in the Notes to the Financial Statements of the 2012 Annual Report.

Carrying Value of Equity Exposures

	S\$ million
Quoted equity exposure - AFS	2,268
Unquoted equity exposure - AFS	527
Quoted equity exposure - Associates	–
Unquoted equity exposure - Associates	352
Total	3,147

Realised and Unrealised Gains and Losses

	S\$ million
Gains/(losses) from disposal of AFS equities	52
Unrealised gains included in fair value reserve	404
Total	456

7. INTEREST RATE RISK IN THE BANKING BOOK

A description of the nature of interest rate risk in the banking book and key assumptions made by the Group can be found in Note 39.3 in the Notes to the Financial Statements of the 2012 Annual Report.

Based on a 100 bp parallel rise in yield curves on the Group's exposure to major currencies i.e. Singapore Dollar, US Dollar and Malaysian Ringgit, net interest income is estimated to increase by \$364 million. The corresponding impact from a 100 bp decrease is an estimated reduction of \$123 million in net interest income. As a percentage of reported net interest income (on an annualised basis), the maximum exposure for the three major currencies is estimated to be approximately -3.3 %.