Basel II Pillar 3 Market Disclosure

(OCBC Group – For the financial year ended 31 December 2008)

The purpose of this disclosure is to provide the information in accordance with Pillar 3 directives under MAS Notice 637. This supplements the disclosure in the Risk Management and Capital Management Chapters as well as related information in the Notes to the Financial Statements and Management Discussion and Analysis.

Exposures and Risk Weighted Assets (RWA) by Portfolio

	EAD S$ million	RWA S$ million
Credit Risk		
Standardised Approach		
Corporate	6,308	5,873
Sovereign	20,035	176
Bank	1,429	642
Regulatory Retail	5,067	3,848
Residential Mortgage	605	229
Equity & PE/VC	1,139	1,157
Others	4,749	4,224
Total Standardised	39,332	16,149
Internal Ratings-Based (IRB) Approach		
Foundation IRB		
Corporate	44,069	36,441
Specialised Lending	16,322	18,074
Bank	22,978	3,502
Advanced IRB		
Residential Mortgage	23,590	3,916
Qualifying Revolving Retail	3,085	1,386
Other Retail	1,836	332
Securitisation IRB		
Securitisation	345	481
Total IRB	112,225	64,132
Total Credit Risk	151,557	80,281
Market Risk		
Standardised Approach		9,144
Operational Risk		
Standardised Approach		5,662
Basic Indicator Approach		435
Total Operational Risk		6,097
Total RWA		**95,522**

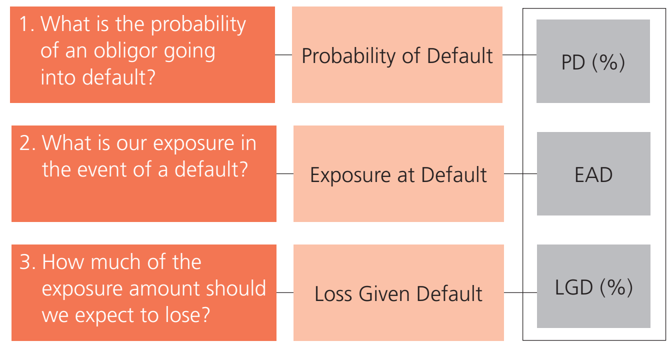
Capital Adequacy Ratio (CAR) for Significant Banking Subsidiaries

Subsidiary	Tier 1 CAR	Total CAR
Bank of Singapore Limited	104.0%	104.0%
OCBC Bank (Malaysia) Berhad	8.4%	11.2%
OCBC Al-Amin Bank Berhad	6.5%	11.0%
OCBC Bank (China) Limited	43.5%	45.6%
P.T. Bank OCBC NISP Tbk	14.2%	17.0%
P.T. Bank OCBC Indonesia	20.5%	32.0%

Note: The capital adequacy ratio of Bank of Singapore Limited is computed based on the standardised approach under the Basel II framework. Capital adequacy ratio computations at the overseas banking subsidiaries are currently based on Basel I requirements.

CREDIT RISK

With Basel II implementation, OCBC Group has adopted the Internal Ratings-Based (IRB) Approach for major credit portfolios, where 3 key parameters – Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) are used to quantify credit risk.



Credit Exposures under Standardised Approach

Credit exposures under standardised approach are mainly exposures to sovereign, debt securities, commercial property loans and lending to small businesses. Rated exposures relate mainly to debt securities and sovereign portfolios while unrated exposures relate mainly to small businesses and other assets.

Risk Weight	EAD S$ million
0%	20,244
20% – 35%	1,281
50% – 75%	6,706
100%	9,794
>100%	168
Total	**38,193**
Rated exposures	20,862
Unrated exposures	17,331

Equity and PE/VC Exposures under Standardised Approach

Equities and private equity venture capital investments for regulatory capital computation were taken at cost and risk weighted and/or deducted from capital in accordance with MAS Notice 637 under the standardised approach. Equity exposure of S$31 million has been deducted from regulatory capital.

Risk Weight	EAD S$ million
100%	1,121
200%	18
Total	**1,139**

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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.

Risk Weight	EAD S$ million
50%	3,429
70%	2,480
90%	894
115%	7,995
250%	1,440
Default	84
Total	**16,322**

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%	5,636	17%
> 0.05 to 0.5%	9,712	43%
> 0.5 to 2.5%	17,214	86%
> 2.5 to 15%	10,115	146%
> 15%	732	222%
Default	660	0%
Total	**44,069**	**83%**

Bank Exposures

PD Range	EAD S$ million	Average Risk Weight
up to 0.05%	19,687	10%
> 0.05 to 0.5%	2,241	27%
> 0.5 to 2.5%	968	82%
> 2.5 to 15%	69	128%
> 15%	3	237%
Default	10	0%
Total	**22,978**	**15%**

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. Other Retail exposures are mainly auto loans in Singapore.

Residential Mortgages

	EAD	Undrawn Commitment	EAD Weighted Average	
PD Range	S$ million	S$ million	LGD	Risk Weight
up to 0.5%	13,059	1,921	11%	5%
> 0.5 to 3%	6,710	681	11%	17%
> 3 to 10%	2,863	169	16%	55%
> 10%	676	7	11%	61%
100%	282	–	16%	60%
Total	**23,590**	**2,778**	**12%**	**17%**

Qualifying Revolving Retail Exposures

	EAD	Undrawn Commitment	EAD Weighted Average	
PD Range	S$ million	S$ million	LGD	Risk Weight
up to 0.5%	1,639	1,236	88%	9%
> 0.5 to 3%	819	444	86%	44%
> 3 to 10%	453	166	90%	115%
> 10%	148	38	90%	237%
100%	26	–	89%	4%
Total	**3,085**	**1,884**	**88%**	**45%**

Other Retail Exposures

	EAD	Undrawn Commitment	EAD Weighted Average	
PD Range	S$ million	S$ million	LGD	Risk Weight
up to 0.5%	1,253	#	26%	11%
> 0.5 to 3%	454	2	27%	29%
> 3 to 10%	87	#	28%	45%
> 10%	39	#	28%	66%
100%	3	–	28%	1%
Total	**1,836**	**2**	**26%**	**18%**

Amount less than $0.5 million.

Actual Loss for Exposures under Foundation and Advanced IRB Approaches

Actual loss refers to specific allowances net of write-backs and recoveries. Discussion of the factors that impacted on the loss experience in the preceding period is not provided as the Group has only operated on IRB approaches since 1 Jan 2008.

	S$ million
Corporate and Specialised Lending	57
Bank	10
Retail	33
Total	**100**

Securitisation Exposures Purchased/Retained

	S$ million			
	EAD			
Risk Weight	Asset-Backed	Others	Total	RWA
up to 20%	142	–	142	21
> 20% to 50%	24	21	45	17
> 50% to 100%	22	73	95	75
> 100% to 500%	–	27	27	123
> 500%	–	36	36	245
Total	**188**	**157**	**345**	**481**
Deductions from Tier 1 and Tier 2 Capital	189	–	189	

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Exposures Covered by Credit Risk Mitigation

Standardised Approach

	Eligible Financial Collateral S$ million
Corporate	116
Sovereign	1,048
Bank	–
Regulatory Retail	241
Residential Mortgage	#
Others	73
Total	**1,479**

Amount less than $0.5 million.

Foundation IRB Approach

	Eligible Financial Collateral S$ million	Other Eligible IRB Collateral S$ million
Corporate	1,583	6,184
Bank	128	–
Total	**1,711**	**6,184**

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.

Counterparty Credit Risk Exposures

	S$ million
Replacement Cost	6,232
Potential Future Exposure	2,062
Effects of Netting	(1,280)
EAD under Current Exposure Method	**7,014**
Analysed by type:	
Foreign Exchange Contracts and Gold	3,491
Interest Rate Contracts	3,123
Equity Contracts	89
Precious Metals Contracts	–
Other Commodities Contracts	12
Credit Derivative Contracts	299
Cash Collateral Held	**75**
Net Derivatives Credit Exposure	**6,939**

Note: Not all forms of collateral or credit risk mitigation are included for regulatory capital calculations.

Credit Derivatives

	S$ million Notional Amount	
	Bought	Sold
Swaps		
for own credit portfolio	1,948	1,821
for intermediation activities	5	–
Total	**1,953**	**1,821**

Note: Credit derivatives for own credit portfolio include trading portfolio and hedges, if any.

MARKET RISK

Capital Requirement by Market Risk Type under Standardised Approach

	S$ million
Interest rate risk	350
Equity position risk	3
Foreign exchange risk	379
Commodity risk	–
Total	**732**

EQUITY EXPOSURES

Disclosures on valuation and accounting treatment of equity holdings can be found in Notes to the Financial Statements 2.2.3, 2.6.2, 2.12.2 and 2.23.3.

Equity exposures comprise equity securities categorised as "Available-for-sale" (AFS) and investments in associates and joint ventures. AFS securities are carried at fair value in the balance sheet of the Group while investments in associates are carried at cost and adjusted for post-acquisition changes of the Group's share of the net asset of the associates.

Equity exposures calculated in accordance with the Accounting Standards differ from the regulatory definition under MAS Notice 637 in the following key areas:

1. Equity investments held by insurance subsidiaries (included below) are not consolidated for regulatory computation.
2. Debt instruments approved for inclusion as Tier 1 capital are treated as equity exposures under MAS Notice 637.

Carrying Value of Equity Exposures

	S$ million
Quoted equity exposure – AFS	1,326
Unquoted equity exposure – AFS	295
Quoted equity exposure – Associates	6
Unquoted equity exposure – Associates	126
Total	**1,753**

Realised and Unrealised Gains and Losses

	S$ million
Gains from disposal of AFS equities	217
Unrealised gains included in fair value reserve	303
Total	**520**