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.

The Group maintained its robust overall credit quality notwithstanding lingering concerns over slowing global economic growth and uncertain developments in the European crisis. Total risk weighted assets ("RWA") were higher compared to 2011, driven mainly by the expansion in credit portfolios. Average risk weights for exposures on the internal ratings-based approach were lower, reflecting the prudent management of loan growth with sound underwriting discipline.

MAS Notice 637 was revised in September 2012 to incorporate the Basel III capital reforms that will take effect from January 2013. The Group continues to enhance our risk management capabilities and is well-positioned to comply with the new regulatory requirements.

Exposures and Risk Weighted Assets ("RWA") by Portfolio

	EAD S$ million	RWA S$ million
Credit Risk		
Standardised Approach		
Corporate	8,424	8,259
Sovereign	34,215	1,059
Bank	914	212
Retail	2,496	1,875
Residential Mortgage	1,776	717
Others	5,794	5,134
Total Standardised	53,619	17,256
Internal Ratings-Based (IRB) Approach		
Foundation IRB		
Corporate	60,744	42,139
Bank	47,785	9,496
Advanced IRB		
Residential Mortgage	43,797	5,023
Qualifying Revolving Retail	4,899	1,117
Small Business	8,072	3,167
Other Retail	1,350	290
Specialised Lending under Supervisory Slotting Criteria	22,406	20,898
Securitisation	87	20
Equity	1,995	6,763
Total IRB	191,135	88,913
Total Credit Risk	244,754	106,169
Market Risk		
Standardised Approach		14,431
Operational Risk		
Standardised Approach		8,307
Basic Indicator Approach		740
Total Operational Risk		9,047
Total RWA		**129,647**

Capital Adequacy Ratio ("CAR") for Significant Banking Subsidiaries

Subsidiary	Tier 1 CAR	Total CAR
Bank of Singapore Limited	16.3%	16.4%
Singapore Island Bank Limited	452.0%	452.0%
OCBC Bank (Malaysia) Berhad	15.9%	18.0%
OCBC Al-Amin Bank Berhad	10.7%	15.2%
OCBC Bank (China) Limited	21.9%	22.0%
PT Bank OCBC NISP Tbk	13.9%	16.4%

Note: The capital adequacy ratios of Bank of Singapore Limited, Singapore Island Bank Limited and PT Bank OCBC NISP Tbk are computed based on the standardised approach under the Basel framework. Capital adequacy ratio computations of OCBC Bank (Malaysia) Berhad and OCBC Al-Amin Bank Berhad are based on the IRB approach. The computations at OCBC Bank (China) Limited is currently based on Basel I requirements.

CREDIT RISK

With Basel 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.

1. What is the probability of an obligor going into default?	Probability of Default	=	PD (%)
2. What is our exposure in the event of a default?	Exposure at Default	=	EAD
3. How much of the exposure amount should we expect to lose?	Loss Given Default	=	LGD (%)

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
0%	32,391
20% - 35%	3,804
50% - 75%	3,652
100%	13,763
>100%	9
Total	**53,619**
Rated exposures	43,208
Unrated exposures	10,411

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

Equity Exposures under Simple Risk Weight Method

Equities for regulatory capital computation are risk weighted and/or deducted from capital in accordance with MAS Notice 637 under the IRB Simple Risk Weight Method. Equity exposures of S$25 million have been deducted from regulatory capital.

	EAD S$ million	Average Risk Weight
Listed securities	1,601	318%
Other equity holdings	394	424%
Total	**1,995**	**339%**

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	7,044	62%
Good	9,225	83%
Satisfactory	4,742	122%
Weak	1,169	265%
Default	226	NA
Total	**22,406**	**93%**

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%	9,288	18%
> 0.05 to 0.5%	21,172	45%
> 0.5 to 2.5%	20,432	83%
> 2.5 to 9%	7,719	138%
> 9%	1,665	201%
Default	468	NA
Total	**60,744**	**69%**

Bank Exposures

PD Range	EAD S$ million	Average Risk Weight
up to 0.05%	30,396	8%
> 0.05 to 0.5%	11,536	26%
> 0.5 to 2.5%	5,477	65%
> 2.5 to 9%	376	109%
> 9%	–	205%
Default	–	NA
Total	**47,785**	**20%**

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. Small Business exposures include lending to small businesses and commercial property loans to individuals in Singapore and Malaysia.

Residential Mortgages

PD Range	EAD S$ million	Undrawn Commitment S$ million	EAD Weighted Average LGD	EAD Weighted Average Risk Weight
up to 0.5%	29,902	3,990	11%	5%
> 0.5 to 3%	8,634	1,337	11%	18%
> 3 to 10%	4,606	332	10%	34%
> 10%	462	13	11%	63%
100%	193	–	16%	76%
Total	**43,797**	**5,672**	**11%**	**11%**

Qualifying Revolving Retail Exposures

PD Range	EAD S$ million	Undrawn Commitment S$ million	EAD Weighted Average LGD	EAD Weighted Average Risk Weight
up to 0.5%	3,807	6,266	81%	7%
> 0.5 to 3%	563	392	78%	41%
> 3 to 10%	395	162	83%	96%
> 10%	112	35	83%	225%
100%	22	–	81%	0%
Total	**4,899**	**6,855**	**81%**	**23%**

Small Business Exposures

PD Range	EAD S$ million	Undrawn Commitment S$ million	EAD Weighted Average LGD	EAD Weighted Average Risk Weight
up to 0.5%	2,871	1,006	29%	14%
> 0.5 to 3%	3,160	510	35%	39%
> 3 to 10%	1,600	181	40%	63%
> 10%	285	33	49%	103%
100%	156	66	43%	141%
Total	**8,072**	**1,796**	**35%**	**39%**

Other Retail Exposures

PD Range	EAD S$ million	Undrawn Commitment S$ million	EAD Weighted Average LGD	EAD Weighted Average Risk Weight
up to 0.5%	845	277	30%	12%
> 0.5 to 3%	333	53	29%	33%
> 3 to 10%	123	4	28%	42%
> 10%	46	1	27%	58%
100%	3	–	32%	34%
Total	**1,350**	**335**	**29%**	**21%**

Actual Loss and Expected Loss for Exposures under Foundation and Advanced IRB Approaches

Actual loss refers to impairment loss allowance and direct write-off to the income statement during the year. Expected loss ("EL") represents model derived and/or regulatory prescribed estimates of future loss on potential defaults over a one-year time horizon. Comparison of the two measures has limitations because they are calculated using different methods. EL computations are based on LGD and EAD estimates that reflect downturn economic conditions and regulatory minimums, and PD estimates that reflect long run through-the-cycle approximation of default rates. Actual loss is based on accounting standards and represents the point-in-time impairment experience for the financial year.

	Actual Loss for the 12 months ended 31 December 2012 S$ million	Regulatory Expected Loss (Non-defaulted) as at 31 December 2011 S$ million
Corporate	26	346
Bank	–	53
Small Business	22	67
Retail	33	103
Total	**81**	**569**

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	2,621	–	–
Sovereign and Bank	2,537	–	–
Retail and Residential Mortgage	280	–	–
Others	2,930	–	–
Total	**8,368**	**–**	**–**
Foundation IRB Approach			
Corporate	3,407	8,405	269
Bank	153	–	–
Total	**3,560**	**8,405**	**269**

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	4,729
Potential Future Exposure	4,683
Less: Effects of Netting	3,951
EAD under Current Exposure Method	**5,461**
Analysed by type:	
Foreign Exchange Contracts and Gold	3,202
Interest Rate Contracts	1,359
Equity Contracts	87
Precious Metals Contracts	–
Other Commodities Contracts	12
Credit Derivative Contracts	801
Less: Eligible Financial Collateral	231
Other Eligible Collateral	–
Net Derivatives Credit Exposure	**5,230**

Credit Derivatives

	S$ million Notional Amount	
	Bought	**Sold**
Credit Default Swaps		
for own credit portfolio	9,426	8,825
for intermediation activities	46	–
Total	**9,472**	**8,825**

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

Securitisation Exposures Purchased

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

		S$ million
Risk Weight	**EAD**	**Capital Charge**
up to 20%	67	1
> 20% to 50%	18	1
> 50% to 100%	–	–
> 100% to 500%	–	–
> 500%	–	–
Deductions from Tier 1 and Tier 2 Capital	2	–
Total	**87**	**2**

MARKET RISK

Capital Requirement by Market Risk Type under Standardised Approach

	S$ million
Interest rate risk	718
Equity position risk	40
Foreign exchange risk	395
Commodity risk	1
Total	**1,154**

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 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 assets of the associates and joint ventures.

Equity exposures categorised and measured in accordance with the Singapore Financial Reporting 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	2,331
Unquoted equity exposure - AFS	180
Quoted equity exposure - Associates	–
Unquoted equity exposure - Associates	355
Total	**2,866**

Realised and Unrealised Gains and Losses

	S$ million
Gains/(losses) from disposal of AFS equities	1,267
Unrealised gains included in fair value reserve	550
Total	**1,817**