

Disclosure under Basel II Pillar III

Purpose of disclosure:

The Notification of the Bank of Thailand No: SorNorSor. 25/2552 dated 14 December 2009, Re: Disclosure of Information on Capital Fund Maintenance for Banks in Thailand, requires banks in Thailand to disclose the information on Capital Fund maintenance and their risks. This is to enable market participants to assess the scope of application, capital, risk exposure, risk assessment process and the capital adequacy of the banks.

Capital

Section 1: Capital Structure

Oversea-Chinese Banking Corporation Limited-Bangkok Branch (“Bangkok Branch”) is a branch of Oversea-Chinese Banking Corporation Limited (OCBC Bank) incorporated and domiciled in Singapore. As of 31 December 2009, “Bangkok Branch” has the capital fund structure as follows:

Structure of capital fund of Oversea-Chinese Banking Corporation Limited-Bangkok Branch

Item	Unit : Baht	
	31/12/2009	30/06/2009
1. Assets required to be maintained under Section 32	3,143,231,860.47	3,191,524,430.74
2 Sum of net capital for maintenance of assets under Section 32 and net balance of inter-office accounts (2.1+2.2)	4,002,367,149.39	3,323,025,357.68
2.1 Capital for maintenance of assets under Section 32	3,001,172,901.85	3,001,172,901.85
2.2 Net balance of inter-office accounts which the branch is the debtor (the creditor) to the head office and other branches located in other countries, the parent company and subsidiaries of the head office.	1,001,194,247.54	321,852,455.83
3. Total regulatory capital (3.1-3.2)	3,001,172,901.85	3,001,172,901.85
3.1 Total regulatory capital before deductions (The lowest amount among item 1 item 2 and item 2.1)	3,001,172,901.85	3,001,172,901.85
3.2 Deductions		

Section 2: Capital Adequacy

To promote the banks to establish a good risk management system and to maintain sufficient capital to cope with unexpected loss in the future, the Bank of Thailand has stipulated capital supervisory guidelines for the banks which are stipulated in the **Notification no. Sor.Nor.Sor.87/2551, Re: Supervisory Guideline on Capital Provision for Commercial Banks**. The Notification requires banks to maintain minimum capital requirements at no less than 7.5% of aggregated risk weighted assets of the three major risks, i.e. credit risk, market risk and operational risk (known as Basel II Pillar I).

Per the Notification, the computation of risk-weighted assets for credit risk shall include credit risk and counterparty credit risk of the following exposures:

- Assets and off-balance sheet items in banking book,
- Off-balance items pertaining to OTC derivatives and repo style transactions for trading book items calculated for counterparty credit risk,
- Position pertaining to unsettled payment and non-delivery (unsettled transaction),
- Assets and off-balance sheets items in trading book that do not meet the threshold level as stipulated in the Notification of the Bank of Thailand

Re:Supervisory Guideline on Market Risk and Capital Maintenance to cope with Market risk of the banks.

The Bank of Thailand permits banks to use two calculation methods for credit risk weighted assets,: Standardized Approach or Internal Rating Based Approach (IRB).

For market risks, the risks may arise from movements of interest rate, foreign exchange rates and prices of instruments in the money and capital markets which may negatively affect the Bank. The minimum capital requirement for market risk is required for positions in trading book, including interest rate risk from interest rate exposure in trading account, equity instrument price risk from exposures pertaining to equity instrument in trading account, foreign exchange risk from all exposures pertaining to foreign currencies and commodity price risk from all exposures pertaining to commodity products. The Bank of Thailand permits banks to use three methods to calculate capital requirement for market risks, Standardized method, Model method and Hybrid method between standardized and model methods.

For operational risks, the Bank of Thailand permits banks to use two methods for calculation of equivalent risk-weighted asset: Basic Indicator Approach (BIA) and Standardized Approach (SA-OR).

OCBC Bangkok Branch has adopted the Standardized Approach (SA) for Credit Risk, Market Risk and Operational Risk. For Credit Risk, Bangkok branch has obtained approval from the Bank of Thailand to apply 100% risk weight to all exposure to corporates.

Minimum capital requirement for credit risk classified by type of assets under the SA

Unit : Baht

Minimum capital requirement for credit risk classified by type of assets under the SA	31/12/2009	30/06/2009
Performing claims		
1. Claims on sovereigns and central banks, multilateral development banks (MDBs), and non-central government public sector entities (PSEs) treated as claims on sovereigns	-	-
2. Claims on financial institutions , non-central government public sector entities (PSEs) treated as claims on financial institutions, and securities firms	1,571,410.36	6,185,525.87
3. Claims on corporates , non-central government public sector entities (PSEs) treated as claims on corporate	590,547,730.36	597,842,393.82
4. Claims on retail portfolios	-	-
5. Claims on housing loans	-	-
6. Other assets	4,116,080.81	6,246,205.70
Non-performing claims	24,574,444.77	20,626,161.43
First-to-default credit derivatives and Securitisation		
Total minimum capital requirement for credit risk under the SA	620,809,666.30	630,900,286.82

Minimum capital requirement for market risk for positions in the trading book (Standardized measurement approach)

Unit : Baht

Minimum capital requirement for market risk (positions in the trading book)	31/12/2009	30/06/2009
1. Standardised approach	1,210,339.07	4,740,465.79
2. Internal model approach		
Total minimum capital requirement for market risk	1,210,339.07	4,740,465.79

Minimum capital requirement for operational risk (BIA / SA / ASA)

Unit : Baht

Minimum capital requirement for operational risk	31/12/2009	30/06/2009
1. Calculate by Basic Indicator Approach		
2. Calculate by Standardised Approach	44,503,257.67	43,067,715.72
3. Calculate by Alternative Standardised Approach		
Total minimum capital requirement for operational risk	44,503,257.67	43,067,715.72

Total risk-weighted capital ratio and Tier 1 risk-weighted capital ratio

Unit : %

Ratio	Current period	Previous period
1. Total capital to risk-weighted assets	33.77	33.16
2. Tier 1 capital to risk-weighted assets *		

*Disclosed only in case of locally incorporated commercial banks

Risk exposure and assessment of banks

Credit risk disclosure

As a Branch of OCBC Bank, Bangkok Branch adopts and is guided by our Head Office on risk management policies, processes as well as risk measurement and monitoring. Please refer to our risk management policies as per link appended below.

<http://www.ocbc.com/download/2010/Risk%20Management.pdf>

Definition of Default

A borrower is recognized to be in default when evidenced by either non-payment (failure to pay any sum due), unlikely to repay in full or to meet any criteria as prescribed in the Notification of the Bank of Thailand no. **SorNorSor. 31/2008** (please refer to the BOT website as per link appended)

<http://www2.bot.or.th/fips/Documents/FPG/2551/ThaiPDF/25510321.pdf>

Definition of Impairment

An asset is impaired when its carrying amount exceeds its recoverable amount whereas carry amount refer to amount at which an asset is recognised in the balance sheet after deducting accumulated depreciation and accumulated impairment losses and recoverable amount refers to the higher of an asset's fair value less the costs to sell (sometimes called

net selling price) and its value in use. Please refer to TAS no.36, Re: Impairment of assets.

Loan Loss Provisioning

Specific Provision

For specific provision, Bangkok Branch adopts the more stringent between IAS39 and the Notification of the Bank of Thailand no. SorNorSor. 31/2008 (clause 5.2.4 of the Notification as per link appended above) that requires bank to make 100 percent provision for the difference between the carrying value and the present value of the cash flows expected to be received from the debtors or the present value of the cash flows expected to be received from the disposal of collateral resulting from calculating the present value of cash flows expected to be received from debtors, or the present value of cash flows expected to be received from the disposal of collateral in accordance with the Notification of the Bank of Thailand as prescribed on attachment 2 of the Notification .

General Provision

To be in line with the Notification of the Bank of Thailand no. SorNorSor. 31/2008 (clause 5.2.4 (3) of the Notification as per link appended above), Bangkok Branch has set provision of 1% and 2% based on the outstanding balance of the principal for loans classified as Pass and Special Mention respectively.

Set C : Risk exposure and assessment of commercial banks

Credit risk

Item 1 General information on credit risk*

Outstanding amounts of significant on-balance sheet assets and off-balance sheet items before adjustments by credit risk

mitigation

Unit : Baht

	Average outstanding balance	Ending Balance
Item	31/12/2009	31/12/2009
1. On-balance sheet assets (1.1 + 1.2 + 1.3)		11,431,150,092.39
1.1 Net loans ^{1/}	7,553,939,581.00	7,713,043,656.83
1.2 Net Investment in debt securities ^{2/}	4,044,813,080.00	3,675,530,342.40
1.3 Deposits (including accrued interest receivables)	36,609,455.00	42,576,093.16
2. Off-balance sheet items ^{3/} (2.1 + 2.2 + 2.3)		3,132,215,148.20
2.1 Aval of bills, guarantees, and letter of credits	NA	205,085,562.86
2.2 OTC derivatives ^{4/}	NA	2,706,796,770.34
2.3 Undrawn committed line	NA	220,332,815.00

* Commercial banks shall disclose position in banking book and trading book. Assets on balance sheet does not include equity exposures. Off-balance sheet items include equity exposures

** If the period-end outstanding amount is not significantly different from the average outstanding amount over the period, commercial banks need not disclose the average outstanding amount over the period

^{1/} Including accrued interest receivables and net of deferred incomes, allowances for doubtful accounts and allowances for revaluation from debt restructuring and including net loans of interbank and money market.

^{2/} Excluding accrued interest receivables and net of allowances for revaluation of securities and allowances for impairment of securities

^{3/} Before multiplying credit conversion factor

^{4/} Including equity-related derivatives

Outstanding amounts of on-balance sheet assets and off-balance sheet items before adjustments by credit risk mitigation classified by country or geographic area of debtor*

2009

Unit : Baht

Country or geographic area of debtor	On-balance sheet assets				Off-balance sheet items ^y			
	Total	Net loans ^{1/}	Net Investment in debt securities ^{2/}	Deposits (including accrued interest receivables)	Total	Aval of bills, guarantees of borrowings, and letter of credits	OTC derivatives	Undrawn committed line
1. Thailand	11,407,152,476.59	7,713,043,656.83	3,675,530,342.40	18,578,477.36	3,116,638,095.88	205,085,562.86	2,691,219,718.02	220,332,815.00
2. Asia Pacific (exclude Thailand)	-	-	-	-	15,577,052.32	-	15,577,052.32	-
3. North America and Latin America	21,247,299.16	-	-	21,247,299.16	-	-	-	-
4. Africa and Middle East	-	-	-	-	-	-	-	-
5. Europe	2,750,316.64	-	-	2,750,316.64	-	-	-	-
Total	11,431,150,092.39	7,713,043,656.83	3,675,530,342.40	42,576,093.16	3,132,215,148.20	205,085,562.86	2,706,796,770.34	220,332,815.00

Outstanding amounts of on-balance sheet assets and off balance sheet items before credit risk mitigation classified by residual maturity

Unit : Baht

Item	31/12/2009		
	Maturity not exceeding 1 year	Maturity exceeding 1 year	Total
1. On-balance sheet assets (1.1 + 1.2 + 1.3)	6,830,305,805.45	4,600,844,286.94	11,431,150,092.39
1.1 Net loans ^{1/}	5,078,875,921.97	2,634,167,734.86	7,713,043,656.83
1.2 Net Investment in debt securities ^{2/}	1,708,853,790.32	1,966,676,552.08	3,675,530,342.40
1.3 Deposits (including accrued interest receivables)	42,576,093.16	-	42,576,093.16
2. Off-balance sheet items^{3/} (2.1 + 2.2 + 2.3)	2,561,882,333.20	570,332,815.00	3,132,215,148.20
2.1 Aval of bills, guarantees of borrowings, and letter of credits	205,085,562.86	-	205,085,562.86
2.2 OTC derivatives	2,356,796,770.34	350,000,000.00	2,706,796,770.34
2.3 Undrawn committed line	-	220,332,815.00	220,332,815.00

^{1/} Including accrued interest receivables and net of deferred incomes, allowances for doubtful accounts and allowances for revaluation

from debt restructuring and including net loans of interbank and money market.

^{2/} Excluding accrued interest receivables and net of allowances for revaluation of securities and allowances for impairment of securities

^{3/} Before multiplying credit conversion factor

Outstanding amounts of loans including accrued interest receivables and investment in debt securities before adjustments by credit risk mitigation classified by country or geographical area of debtor* and asset classification as prescribed by the Bank of Thailand

2009

Unit : Baht

Country or geographic area of debtor	Loans including accrued interest receivables ^y						Investment in Debt Securities Classified as Doubtful Loss
	Normal	Special mentioned	Substandard	Doubtful	Doubtful loss	Total	
1. Thailand	5,168,030,493.64	2,319,945,768.36	82,441,000.00	-	584,790,758.69	8,155,208,020.69	-
2. Asia Pacific (exclude Thailand)	-	-	-	-	-	-	-
3. North America and Latin America	-	-	-	-	-	-	-
4. Africa and Middle East	-	-	-	-	-	-	-
5. Europe	-	-	-	-	-	-	-
Total	5,168,030,493.64	2,319,945,768.36	82,441,000.00	-	584,790,758.69	8,155,208,020.69	-

Provisions (General provision and Specific provision) and bad debts written-off during period for loan including accrued interest receivables and investment in debt securities classified by country or geographic area*

2009

Unit : Baht

Country or geographic area of debtor	Loans including accrued interest receivables ^{1/}			Specific provision for Investment in Debt Securities
	General provision ^{2/}	Specific provision	Bad debt written-off during period	
1. Thailand		339,572,494.13		
2. Asia Pacific (exclude Thailand)				
3. North America and Latin America				
4. Africa and Middle East				
5. Europe				
Total	102,591,104.26	339,572,494.13	-	-

Outstanding amount of loans including accrued interests* before adjustments by credit risk mitigation classified by type of business

2009

Unit : Baht

Type of business	Normal	Special mentioned	Substandard	Doubtful	Doubtful loss	Total
- Agriculture and mining						
- Manufacturing and commerce	3,238,780,329.60	783,691,744.06	62,374,000.00		569,257,882.40	4,654,103,956.06
- Real estate business and construction	940,459,376.85	141,451,631.98				1,081,911,008.83
- Public utilities and services	498,813,862.14	1,354,253,538.00				1,853,067,400.14
- Housing loans						-
-Others (Commercial banks shall use their owns discretion to determine materiality)	489,976,925.05	40,548,854.32	20,067,000.00		15,532,876.29	566,125,655.66
-						-
-						-
Total	5,168,030,493.64	2,319,945,768.36	82,441,000.00	-	584,790,758.69	8,155,208,020.69

Provisions (General provision and Specific provision) and bad debts written-off during period for loans including accrued interest receivables* classified by types of business

Unit : Baht

Type of business	2009		
	General provision ^{1/}	Specific provision	Bad debt written-off during period
- Agriculture and mining			
- Manufacturing and commerce		330,118,579.79	
- Real estate business and construction			
- Public utilities and services			
- Housing loans			
-Others (Commercial banks shall use their owns discretion to determine significance)		9,453,914.34	
-			
-			
Total	102,591,104.26	339,572,494.13	-

* Including outstanding amount of loans including accrued interest receivables of interbank and money market

1/ Disclosed in total amount

Reconciliation of change in provisions (General provision and Specific provision) for loans including accrued interest receivables*

Item	2009		
	General provision	Specific provision	Total
Provisions at the beginning of the period	102,591,104.26	302,899,547.55	405,490,651.81
Bad debts written-off during the period	-	-	-
Increases or Decreases of provisions during the period	-	36,672,946.58	36,672,946.58
Other provisions (provisions for losses from foreign exchange, provisions for merger and sale of businesses)	-	-	-
Provisions at the end of the period	102,591,104.26	339,572,494.13	442,163,598.39

* Including outstanding amount of loans including accrued interest receivables of interbank and money market

Outstanding amounts of on-balance sheet assets and off-balance sheet items* classified by type of assets under the SA

Unit : Baht

Type of asset	2009		Total
	On balance sheet assets	Off balance sheet item **	
1. Performing claims			-
1.1 Claims on sovereigns and central banks, multilateral development banks (MDBs), and non-central government public sector entities (PSEs) treated as claims on sovereigns	1,817,494,162.94		1,817,494,162.94
1.2 Claims on financial institutions, non-central government public sector entities (PSEs) treated as claims on financial institutions, and securities firms	1,059,738,615.73	25,043,824.95	1,084,782,440.68
1.3 Claims on corporates, non-central government public sector entities (PSEs) treated as claims on corporate	8,371,064,682.11	450,933,405.57	8,821,998,087.68
1.4 Claims on retail portfolios			-
1.5 Housing loans			-
1.6 Other assets	100,201,414.51		100,201,414.51
2. Non-performing claims	327,659,263.56		327,659,263.56
3. First-to-default credit derivatives and Securitisation			
Total	11,676,158,138.85	475,977,230.52	12,152,135,369.37

* After multiplying with credit conversion factor and specific provision

** Including all Repo-style transactions (including Reverse repo transactions)

Credit Risk Exposures

In compliance with the Notification of the Bank of Thailand, no. No.: SorNorSor. 90/2551, Re: Regulations for Credit Risk Asset Calculations for Commercial Banks using the Standardised Approach (SA Approach), Bangkok Branch has classified the assets of the Branch into 9 categories as follows:-

- (1.1) Claims on sovereigns and central banks
- (1.2) Claims on provincial administrations, government entities, and state enterprises (PSEs)
- (1.3) Claims on multilateral development banks (MDBs) (N/A)
- (1.4) Claims on financial institutions
- (1.5) Claims on securities firms
- (1.6) Claims on corporates
- (1.7) Claims in the retail portfolios (NA)
- (1.8) Residential mortgage loans (NA)
- (1.9) Other assets

Bangkok Branch uses the country risk rating of either Moody's Investors Service, Standard and Poor's or Fitch Rating for the computation of risk weighted assets of claims on banks/financial institutions or PSEs that are classified as financial institutions, according to the Notification of the Bank of Thailand No. SorNorSor. 90/ 2551.

Bangkok Branch has obtained approval from the Bank of Thailand to apply 100% risk weight to all claims on corporates.

Item 2 Credit risk exposures classified by method the commercial bank uses for maintaining minimum capital fund

2.1 Credit risk exposures under the SA*

Outstanding amount of net on-balance sheet assets and off-balance sheet items** after adjustments by credit risk mitigation for each type of asset, classified by risk weight under the SA

Unit: Baht

Type of asset	2009													
	Rated outstanding amount					Unrated outstanding amount								
Risk weight (%)	0	20	50	100	150	0	20	50	35	75	100	625	937.5	100/8.5% ²
Performing claims														
1. Claims on sovereigns and central banks, multilateral development banks (MDBs), and non-central government public sector entities (PSEs) treated as claims on sovereigns	3,351,875,153.60													
2. Claims on financial institutions, non-central government public sector entities (PSEs) treated as claims on financial institutions, and securities firms		36,016,479.57		13,748,842.17										
3. Claims on corporates, non-central government public sector entities (PSEs) treated as claims on corporate											7,873,969,738.15			
4. Claims on retail portfolios														
5. Claims on housing loans						45,320,336.99					54,881,077.52			
6. Other assets										75				
Risk weight (%)			50	100	150									
Non-performing claims^{1/}				327,659,263.56										

Capital deduction items prescribed by the Bank of Thailand

* Including insignificant credit portfolios using the SA of the commercial banks that use the IRB

** After multiplying credit conversion factor

^{1/} For the portion claims with no credit risk mitigation of which risk weight are determined by the proportion of provision to total amount of claims

^{2/} For foreign bank branches, the risk weight shall be equal to 100 divided by 7.5%

Credit Risk Mitigation

The Notification of the Bank of Thailand no. SorNorSor. 90/ 2551 permits banks to use credit risk mitigation for Standardized Approach as follow:

1. Financial Collateral
2. On-Balance Sheet Netting (netting method between assets (loans) and debts (deposits) with the same counterparty)
3. Guarantees and Credit Derivatives (banks shall meet criteria as prescribed under attachment 7 of the Notification).

Item 3 Credit risk mitigation under SA and IRB

Quantity disclosure

3.1 Credit risk mitigation* under SA

Part of outstanding that is secured by collateral under SA classified by type of assets and collateral**

Unit : Baht

Type of asset	31/12/2009	
	Eligible financial collateral ^{1/}	Guarantee and credit derivatives
Performing assets		
1 Claims on sovereigns and central banks, multilateral development banks (MDBs), and non-central government public sector entities (PSEs) treated as claims on sovereigns	-	-
2 Claims on financial institutions , non-central government public sector entities (PSEs) treated as claims on financial institutions, and securities firms		1,035,017,118.94
3 Claims on corporates , non-central government public sector entities (PSEs) treated as claims on corporate	455,613,228.31	499,363,871.72
4 Claims on retail portfolios		
5 Claims on housing loans		
6 Other assets		
Substandard assets		
Total	455,613,228.31	1,534,380,990.66

* Excluding securitisation.

** Values after on-balance sheets and off-balance sheets netting

^{1/} Eligible financial collateral that the Bank of Thailand allows to use for risk mitigation. Commercial banks applying the comprehensive approach shall disclose the value after haircut.

Disclosure on market risk for trading book position

Market Risk^{2/} refer to the risks which banks may encounter due to the changes on the on and the off balance sheet position as a result of the variation on interest rate, price of equity instruments, foreign exchange rate and price of commodities. The variation on interest rate and price of equity instrument may be caused by general market risk and/or specific risk of the issuers.

Bangkok Branch does not engage in commodity and debt instruments for trading purposes. However, according to the notification of the Bank of Thailand no. **SorNorSor. 94/2008, Re: Guideline on Supervision of Market Risk and Capital Requirement for Market Risk of Financial Institutions**, Bangkok Branch is required to calculate risk weighted assets for transactions relating to foreign exchange position. Bangkok Branch has adopted the Standardized Approach for computation of the risk weighted assets for market risk.

4.1 Market risk under the Standardised Approach

Minimum capital requirements for each type of market risk under the Standardised Approach

Unit: Baht

Minimum capital requirements for market risk under the Standardized Approach	31/12/2009	30/06/2009
Interest rate risk	213,502.55	234,982.69
Equity position risk		-
Foreign exchange rate risk	996,836.52	4,505,483.10
Commodity risk		-
Total minimum capital requirements	1,210,339.07	4,740,465.79

Item 6 Equity exposures in banking book
Equity exposures in banking book

Unit: Baht

Equity exposures	2009
1. Equity exposures	NIL
1.1 Equities listed and publicly traded in the Stock Exchange	
- Book value	
- Fair value	
1.2 Other equities (both within the country and abroad)	
2. Gains (losses) of sale of equities in the reporting period	
3. Net surplus (deficit) from revaluation of available for sale equities	
4. Minimum capital requirements for equity exposures classified by the calculation methods	
- SA	
- IRB	
5. Equity values for commercial banks applying IRB which the Bank of Thailand allows to use SA	

Item 7 Interest rate risk in the banking book
The effect of changes in interest rates* to net earnings

Unit: Baht

Currency	2009
	Effect to net earnings
Baht	13,727,398.00
USD	-24,996.00
JPY	-256,837.00
Others	
Total effect of interest rate changes	13,445,565.00

* Commercial banks shall use the percentage changes in interest rates of 100 bps .

Disclosure on operational risk

Operational risks refer to the potential risks from damages that may arise from inadequacy or impairment of the Bank's internal controls, processes, personal and work system or due to external events, including legal risk, but excluding strategic risk and reputation risk.

Under the Bank of Thailand's notification no. **SorNorSor 95/2551**, banks are allowed to select either Basic Indicator Approach (BIA) or Standardized Approach (SA-OR) for the computation of risk weighted assets for operational risks.

Bangkok Branch has adopted SA-OR for the computation of risk weighted assets. To obtain the risk weighted assets for operational risk, Bangkok Branch allocates gross income to each business as prescribed by the Bank of Thailand and apply constant beta value to its respective business line.

Remark: Please refer to the information of Basel II Pillar III Disclosure of Oversea-Chinese Banking Corporation Limited as per link appended below.

<http://ocbc.com/download/2010/Basel%20II%20Pillar%203%20Market%20Disclosure.pdf>

