

Company No. 818444-T



OCBC Al-Amin Bank Berhad  
(Incorporated in Malaysia)

**Basel II Pillar 3 Market Disclosure  
31 December 2011**

*The disclosure in this section refers to OCBC Al-Amin Bank Berhad position.  
OCBC Al-Amin Bank Berhad is a subsidiary of OCBC Bank (Malaysia) Berhad.*

**BASEL II PILLAR 3 MARKET DISCLOSURES – 31 DECEMBER 2011**

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**OCBC Al-Amin Bank Berhad  
(Incorporated in Malaysia)**

**ATTESTATION BY CHIEF EXECUTIVE OFFICER PURSUANT TO CAPITAL  
ADEQUACY FRAMEWORK FOR ISLAMIC BANKS (CAFIB - BASEL II) –  
DISCLOSURE REQUIREMENTS (PILLAR 3)**

The risk disclosures set out in the Risk Management Chapter and Basel II Pillar 3 Market Disclosure are generally in conformance with the Bank Negara Malaysia Capital Adequacy Framework for Islamic Banks (CAFIB-Basel II) – Disclosure Requirements (Pillar 3) for the Group as at 31 December 2011.

**SYED ABDULL AZIZ JAILANI BIN SYED KECHIK  
DIRECTOR & CHIEF EXECUTIVE OFFICER**

Kuala Lumpur

**OCBC Al-Amin Bank Berhad  
(Incorporated in Malaysia)**

# **Risk Management**

Please refer to the Risk Management chapter of OCBC (M) Group.

## Basel II Pillar 3 Market Disclosure

(OCBC Al Amin Bank Berhad – Position as at 31 December 2011)

The purpose of this disclosure is to provide the information in accordance with BNM Capital Adequacy Framework for Islamic Bank (CAFIB - Basel II) – Disclosure Requirements (Pillar 3) Guideline. This supplements the related information in the Notes to the Financial Statements.

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

	EAD <sup>1</sup> after CRM <sup>2</sup> RM million	RWA RM million
<b>Credit Risk</b>		
Standardised Approach		
Corporate	78	73
Sovereign & Central Bank	1,909	40
Retail	708	562
Equity	-	-
Securitisation	-	-
Others	13	13
<b>Total Standardised</b>	<b>2,708</b>	<b>688</b>
Internal Ratings-Based (IRB) Approach		
Foundation IRB		
Corporate	2,256	2,219
Bank	422	104
Public Sector Entity	-	-
Advanced IRB		
Residential Mortgage	161	26
Qualifying Revolving Retail	-	-
Other Retail - Small Business	467	247
Specialised Financing under Supervisory Slotting Criteria	124	151
<b>Total IRB</b>	<b>3,430</b>	<b>2,747</b>
Amount Absorbed by PSIA (IRB Approach)	236	204
<b>Total Credit Risk After Effects of PSIA<sup>3</sup></b>	<b>5,902</b>	<b>3,231</b>
<b>Large Exposure Risk Requirement</b>		<b>-</b>
<b>Market Risk</b>		
Standardised Approach		8
Amount Absorbed by PSIA		-
<b>Total Market Risk After Effects of PSIA</b>		<b>8</b>
<b>Operational Risk</b>		
Basic Indicator Approach		254
<b>Total Operational Risk</b>		<b>254</b>
<b>Total RWA</b>		<b>3,493</b>

Note:

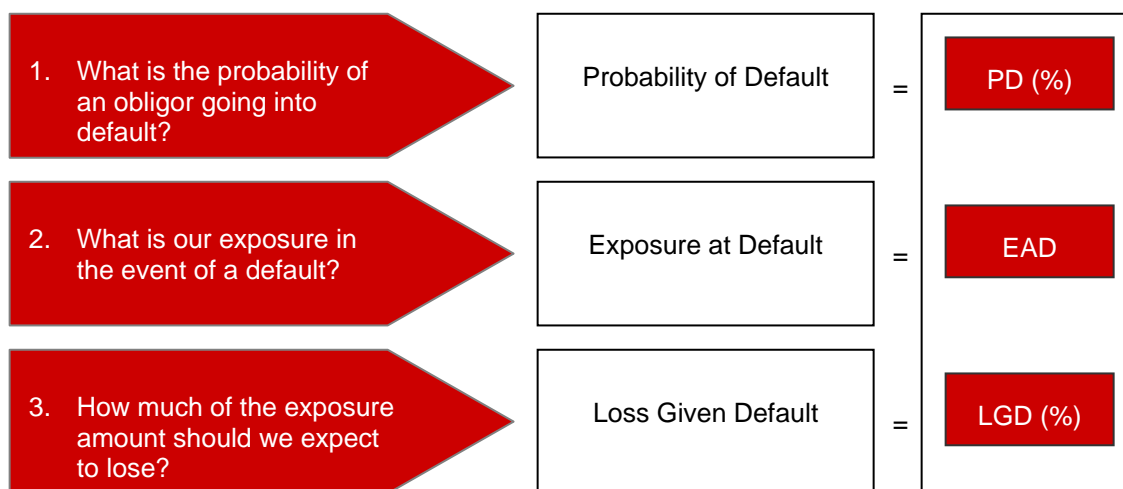
<sup>1</sup> EAD refers to exposure at default after credit risk mitigation in this entire document

<sup>2</sup> Refers to credit risk mitigation

<sup>3</sup> Refers to Profit Sharing Investment Account

## CREDIT RISK

With Basel II implementation, OCBC AI-Amin Bank Berhad 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, personal financing to individuals and other assets. Rated exposures relate to sovereign and debt securities while unrated exposures relate mainly to personal financing and other assets.

<b>Risk Weight</b>	<b>EAD RM million</b>
0%	1,796
20% - 35%	92
50% - 75%	612
100%	198
>100%	10
<b>Total</b>	<b>2,708</b>
Rated exposures	1,898
Unrated exposures	810

Note: Exclude Equity

**Specialised Financing Exposures under Supervisory Slotting Criteria**

Specialised financing exposures include financing of income producing real estate as well as project and object finance. For income producing real estate, mapping is made to supervisory categories based on their obligor grades. For other specialised financing exposures, a simplified approach of slotting to the 'Satisfactory' category has been adopted as an interim measure.

	<b>EAD RM million</b>	<b>Average Risk Weight</b>
Strong	-	-
Good	-	-
Satisfactory	124	122%
Weak	-	-
Default	-	NA
<b>Total</b>	<b>124</b>	<b>122%</b>

**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 mainly exposures to commercial banks.

***Corporate Exposures***

<b>PD Range</b>	<b>EAD RM million</b>	<b>Average Risk Weight</b>
up to 0.05%	155	22%
> 0.05 to 0.5%	432	66%
> 0.5 to 2.5%	1,207	98%
> 2.5 to 9%	408	157%
> 9%	33	221%
Default	21	NA
<b>Total</b>	<b>2,256</b>	<b>98%</b>

Note: Corporate EAD includes amount absorbed by PSIA of RM236 million

***Bank Exposures***

<b>PD Range</b>	<b>EAD RM million</b>	<b>Average Risk Weight</b>
up to 0.05%	164	10%
> 0.05 to 0.5%	184	25%
> 0.5 to 2.5%	74	56%
> 2.5 to 9%	-	-
> 9%	-	-
Default	-	NA
<b>Total</b>	<b>422</b>	<b>25%</b>

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

Residential Mortgages are financing to individuals secured by residential properties. Other Retail – Small Business exposures include financing to small businesses and commercial property financings to individuals.

***Residential Mortgages***

PD Range	EAD	Undrawn Commitment	EAD Weighted Average	
	RM million	RM million	LGD	Risk Weight
up to 0.5%	116	4	13%	8%
> 0.5 to 3%	32	3	17%	30%
> 3 to 10%	6	1	14%	51%
> 10%	4	1	14%	69%
100%	3	-	18%	43%
<b>Total</b>	<b>161</b>	<b>9</b>	<b>14%</b>	<b>16%</b>

***Other Retail - Small Business Exposures***

PD Range	EAD	Undrawn Commitment	EAD Weighted Average	
	RM million	RM million	LGD	Risk Weight
up to 0.5%	113	13	47%	20%
> 0.5 to 3%	147	6	44%	43%
> 3 to 10%	177	14	43%	66%
> 10%	13	1	40%	101%
100%	17	-	40%	180%
<b>Total</b>	<b>467</b>	<b>34</b>	<b>44%</b>	<b>53%</b>



**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.

	<b>Actual Loss for the year ended 31 December 2011 RM million</b>	<b>Regulatory Expected Loss (Non-defaulted) as at 31 December 2010 RM million</b>
Corporate	1	24
Bank	-	#
Other Retail - Small Business	3	NA
Retail	#	#
<b>Total</b>	<b>4</b>	<b>25</b>

“#” represents amount less than RM0.5 million

Note: Other Retail – Small Business portfolio was migrated to the IRB approach with effect from 2011. There was hence no Regulatory EL as at end of 2010.

**Exposures Covered by Credit Risk Mitigation**

	<b>Eligible Financial Collateral RM million</b>	<b>Other Eligible IRB Collateral RM million</b>	<b>Amount by which credit exposures have been reduced by eligible credit protection RM million</b>
<b>Standardised Approach</b>			
Corporate	-	-	-
Sovereign & Central Bank	-	-	-
Retail	-	-	-
Others	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Foundation IRB Approach</b>			
Corporate	4	160	-
Bank	-	-	-
<b>Total</b>	<b>4</b>	<b>160</b>	<b>-</b>

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 Financing.

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**Counterparty Credit Risk Exposure**

	RM million
Replacement Cost	20
Potential Future Exposure	12
Less: Effects of Netting	-
<b>EAD under Current Exposure Method</b>	<b>32</b>
Analysed by type:	
Foreign Exchange Contracts and Gold	32
Benchmark Rate Contracts	-
Equity Contracts	-
Precious Metals Contracts	-
Other Commodities Contracts	-
Credit Derivative Contracts	-
Less: Eligible Financial Collateral	-
<b>Net Derivatives Credit Exposure</b>	<b>32</b>

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

**MARKET RISK**

**Exposure, Risk Weighted Assets and Capital Requirement by Market Risk Type under Standardised Approach**

	<u>Gross Exposure</u>		Risk Weighted Assets RM million	Min. Capital Requirement RM million
	Long Position RM million	Short Position RM million		
Benchmark Rate Risk	1,002	1,002	2	#
Foreign Currency Risk	6	#	6	#
Equity Risk	-	-	-	-
Commodity Risk	-	-	-	-
Inventory Risk	-	-	-	-
Options Risk	-	-	-	-
<b>Total</b>	<b>1,008</b>	<b>1,002</b>	<b>8</b>	<b>1</b>

"#" represents amount less than RM0.5 million

**Benchmark Rate Risk in Banking Book**

The benchmark rate risk in the banking book is monitored on a monthly basis and behavioural assumptions for indeterminate deposits have been implemented. The impact on net profit income of the banking book is simulated under various benchmark rate assumptions for major currencies. As at end-Dec 2011, based on a 50-basis point increase in MYR benchmark rate, the net profit income is estimated to reduce by RM1.0 million. The corresponding impact from a 50-basis point decrease is an estimated increase of RM1.0 million in net profit income.

## **SHARIAH GOVERNANCE**

Non-Shariah compliant events refer to any events which are not in accordance with the rules set by the Shariah Committee of the Bank or by BNM's Shariah Advisory Council. In line with the Guideline on Shariah Governance Framework for Islamic Financial Institutions (IFI), the Bank is managing Shariah Non-compliance risk arising from its activities and operations.

### **Shariah Governance Disclosures**

	<b>Amount in RM million</b>
<b>Non-Shariah compliant income</b>	-

	<b>Number of incidents</b>
<b>Non-Shariah compliant events</b>	-