

Company No. 818444-T



OCBC Al-Amin Bank Berhad
(Incorporated in Malaysia)

**Basel II Pillar 3 Market Disclosure
31 December 2018**

*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 2018

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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 2018.

SYED ABDULL AZIZ JAILANI BIN SYED KECHIK
CHIEF EXECUTIVE OFFICER

Kuala Lumpur

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 2018)

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 ¹ RM million	RWA RM million
Credit Risk		
Standardised Approach		
Sovereign & Central Bank	3,919	38
Public Sector Entity	186	-
Retail	278	281
Others	45	14
Total Standardised	4,428	333
Amount Absorbed by PSIA (STD Approach)	-	-
Internal Ratings-Based (IRB) Approach		
Foundation IRB		
Corporate	8,033	7,929
Bank	1,325	324
Advanced IRB		
Residential Mortgage	2,157	374
Other Retail - Small Business	1,542	719
Specialised Financing under Supervisory Slotting Criteria	32	38
Total IRB	13,089	9,384
Amount Absorbed by PSIA (IRB Approach)	1,393	1,450
Total Credit Risk After Effects of PSIA²	16,124	8,267
Market Risk		
Standardised Approach		3
Amount Absorbed by PSIA		-
Total Market Risk After Effects of PSIA		3
Operational Risk		
Basic Indicator Approach		818
Total Operational Risk		818
Total RWA		9,088

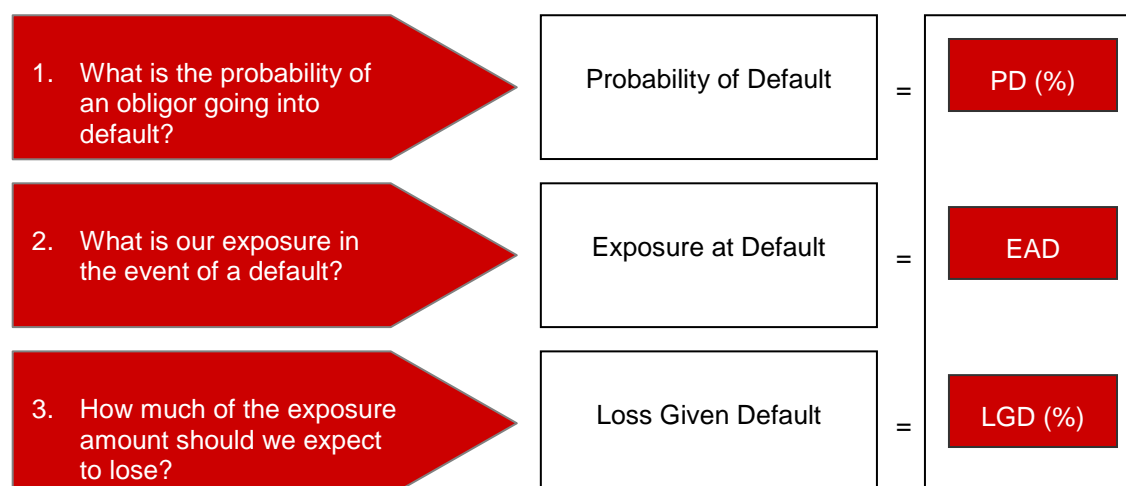
Note:

¹ EAD refers to exposure at default after credit risk mitigation

² 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.

Risk Weight	EAD RM million
0%	4,045
20% - 35%	27
50% - 75%	88
100%	249
>100%	19
Total	4,428
Rated exposures	3,919
Unrated exposures	509

Note: Excludes Equity

Specialised Financing Exposures under Supervisory Slotting Criteria

Specialised financing exposures include project financing.

	EAD RM million	Average Risk Weight
Strong	-	-
Good	-	-
Satisfactory	32	122%
Weak	-	-
Default	-	NA
Total	32	122%

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

Corporate exposures are mainly exposures to corporate and institutional customers, major non-bank financial institutions, as well as financing of income-producing real estate. Bank exposures are mainly exposures to commercial banks.

Corporate Exposures

PD Range	EAD RM million	Average Risk Weight
up to 0.05%	147	0%
> 0.05 to 0.5%	1,450	53%
> 0.5 to 2.5%	3,215	92%
> 2.5 to 9%	1,326	149%
> 9%	306	253%
Default	196	NA
Total	6,640	98%

Note: Corporate EAD excludes amount absorbed by PSIA of RM1,393 million.

Bank Exposures

PD Range	EAD RM million	Average Risk Weight
up to 0.05%	429	8%
> 0.05 to 0.5%	778	29%
> 0.5 to 2.5%	118	56%
> 2.5 to 9%	-	-
> 9%	#	182%
Default	-	NA
Total	1,325	24%

"#" represents amount less than RM0.5 million

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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%	1,399	71	12%	8%
> 0.5 to 3%	433	8	13%	18%
> 3 to 10%	120	1	14%	54%
> 10%	137	-	14%	75%
100%	68	2	19%	26%
Total	2,157	82	13%	17%

Other Retail - Small Business Exposures

PD Range	EAD	Undrawn Commitment	EAD Weighted Average	
	RM million	RM million	LGD	Risk Weight
up to 0.5%	854	146	40%	22%
> 0.5 to 3%	334	13	50%	60%
> 3 to 10%	98	5	44%	71%
> 10%	167	1	43%	92%
100%	89	4	38%	120%
Total	1,542	169	42%	47%

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

Actual loss refers to net impairment loss allowance and direct write-off to the statement of profit or loss 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 12 months ended 31 December 2018	Regulatory Expected Loss (Non-defaulted) as at 31 December 2017
	RM million	RM million
Corporate	84	42
Bank	-	2
Other Retail - Small Business	(4)	42
Retail	1	7
Total	81	93

Exposures Covered by Credit Risk Mitigation

	Eligible Financial Collateral RM million	Other Eligible Collateral RM million	Amount by which credit exposures have been reduced by eligible credit protection RM million
Standardised Approach			
Corporate	-	-	-
Sovereign & Central Bank	-	-	-
Public Sector Entity	-	-	187
Retail	-	-	-
Others	-	-	-
Total	-	-	187
Foundation IRB Approach			
Corporate	254	1,417	148
Bank	-	-	-
Total	254	1,417	148

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	2
Potential Future Exposure	33
Less: Effects of Netting	-
EAD under Current Exposure Method	35
Analysed by type:	
Foreign Exchange Contracts	1
Benchmark Rate Contracts	34
Equity Contracts	-
Gold and Precious Metals Contracts	-
Other Commodities Contracts	-
Credit Derivative Contracts	-
Less: Eligible Financial Collateral	-
Net Derivatives Credit Exposure	35

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	83	84	#	#
Foreign Currency Risk	2	3	3	#
Equity Risk	-	-	-	-
Commodity Risk	-	-	-	-
Inventory Risk	-	-	-	-
Options Risk	-	-	-	-
Total	85	87	3	#

"#" represents amount less than RM0.5 million

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Benchmark Rate Risk in Banking Book

Based on a 50 basis point parallel rise in yield curves on the Bank's exposure to major currency i.e. Malaysian Ringgit, net profit income is estimated to increase by MYR18.3 million, or approximately +5.3% of reported net profit income. The corresponding impact from a 50 basis point decrease is an estimated reduction of MYR18.0 million in net profit income, or approximately -5.2% of reported 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

	Amount in RM million
Non-Shariah compliant income	-

	Number of incidents
Non-Shariah compliant events	1