

Company No. 818444-T



OCBC Al-Amin Bank Berhad
(Incorporated in Malaysia)

**Basel II Pillar 3 Market Disclosure
31 December 2019**

*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 DISCLOSURE – 31 DECEMBER 2019

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OCBC Al-Amin Bank Berhad
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**ATTESTATION BY CHIEF EXECUTIVE OFFICER PURSUANT TO CAPITAL ADEQUACY
FRAMEWORK FOR ISLAMIC BANKS (CAFIB) – 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 Bank Negara Malaysia Capital Adequacy Framework for Islamic Banks (CAFIB) – Disclosure Requirements (Pillar 3) for the Group as at 31 December 2019.

SYED ABDULL AZIZ JAILANI BIN SYED KECHIK
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 2019)

The purpose of this disclosure is to provide the information in accordance with BNM Capital Adequacy Framework for Islamic Bank (CAFIB) – Disclosure Requirements (Pillar 3) Guideline. This supplements the disclosure in the Risk Management Chapter as well as 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	3,604	17
Public Sector Entity	252	-
Retail	183	190
Others	67	18
Total Standardised	4,106	225
Amount Absorbed by PSIA (STD Approach)	-	-
Internal Ratings-Based (IRB) Approach		
Foundation IRB		
Corporate	8,952	8,242
Bank	1,537	311
Advanced IRB		
Residential Mortgage	2,169	372
Other Retail - Small Business	1,599	714
Specialised Financing under Supervisory Slotting Criteria	16	20
Total IRB	14,273	9,659
Amount Absorbed by PSIA (IRB Approach)	2,027	1,413
Total Credit Risk After Effects of PSIA²	16,352	8,471
Market Risk		
Standardised Approach		10
Amount Absorbed by PSIA		-
Total Market Risk After Effects of PSIA		10
Operational Risk		
Basic Indicator Approach		791
Total Operational Risk		791
Total RWA		9,272

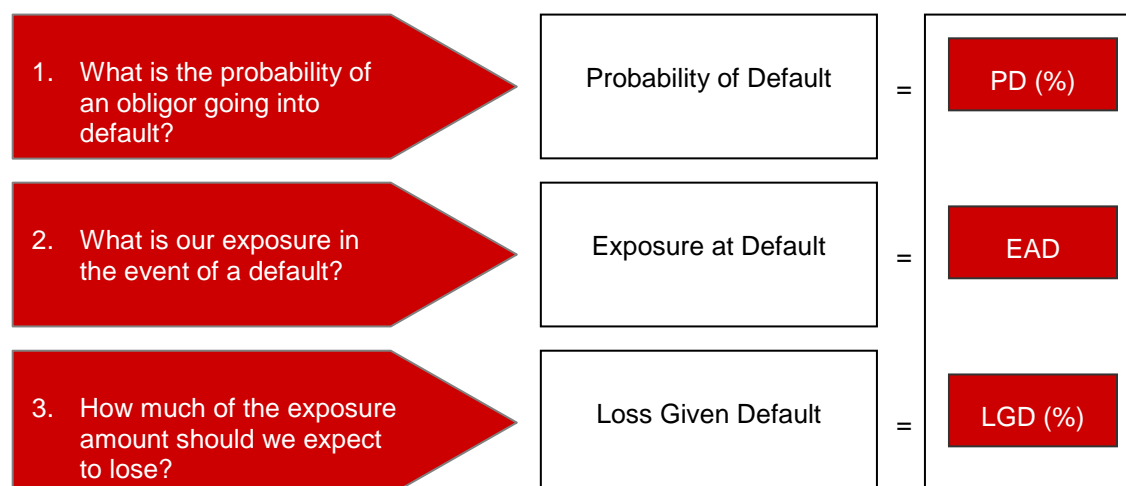
Note:

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%	3,854
20% - 35%	26
50% - 75%	35
100%	172
>100%	19
Total	4,106
Rated exposures	3,856
Unrated exposures	250

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	16	122%
Weak	-	-
Default	-	-
Total	16	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%	#	13%
> 0.05 to 0.5%	1,789	50%
> 0.5 to 2.5%	2,861	99%
> 2.5 to 9%	2,028	147%
> 9%	69	198%
Default	178	NA
Total	6,925	99%

Note: Corporate EAD excludes amount absorbed by PSIA of RM2,027 million.

"#" represents amount less than RM0.5 million

Bank Exposures

PD Range	EAD RM million	Average Risk Weight
up to 0.05%	514	10%
> 0.05 to 0.5%	847	18%
> 0.5 to 2.5%	176	62%
> 2.5 to 9%	-	-
> 9%	-	-
Default	-	NA
Total	1,537	20%

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%	1,424	81	12%	8%
> 0.5 to 3%	425	16	12%	17%
> 3 to 10%	89	1	14%	51%
> 10%	155	2	15%	82%
100%	76	1	20%	25%
Total	2,169	101	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%	922	218	41%	23%
> 0.5 to 3%	420	35	51%	60%
> 3 to 10%	56	1	43%	70%
> 10%	122	2	43%	98%
100%	79	5	35%	122%
Total	1,599	261	43%	45%

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 the 12 months ended 31 December 2019 RM million	Regulatory Expected Loss (Non-defaulted) as at 31 December 2018 RM million
Corporate	40	64
Bank	-	1
Other Retail - Small Business	1	32
Retail	6	7
Total	47	104

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			
Sovereign & Central Bank	-	-	-
Public Sector Entity	-	-	252
Retail	-	-	-
Others	-	-	-
Total	-	-	252
Foundation IRB Approach			
Corporate	245	1,456	1
Bank	-	-	-
Total	245	1,456	1

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.

Counterparty Credit Risk Exposure

	RM million
Replacement Cost	13
Potential Future Exposure	39
Less: Effects of Netting	-
EAD under Current Exposure Method	52
Analysed by type:	
Foreign Exchange Contracts	12
Benchmark Rate Contracts	40
Equity Contracts	-
Gold and Precious Metals Contracts	-
Other Commodities Contracts	-
Credit Derivative Contracts	-
Less: Eligible Financial Collateral	-
Net Derivatives Credit Exposure	52

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	39	38	1	#
Foreign Currency Risk	9	#	9	1
Equity Risk	-	-	-	-
Commodity Risk	-	-	-	-
Inventory Risk	-	-	-	-
Options Risk	-	-	-	-
Total	48	38	10	1

"#" represents amount less than RM0.5 million

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 MYR21.4 million, or approximately +6.2% of reported net profit income. The corresponding impact from a 50 basis point decrease is an estimated reduction of MYR20.1 million in net profit income, or approximately -5.9% of reported net profit income.

SHARIAH GOVERNANCE

Shariah non-compliance events refer to any events which are not in compliance with the rulings of the Shariah Advisory Council of BNM, standards on Shariah matters issued by BNM pursuant to section 29(1) of the IFSA, or decisions or advice of the Shariah committee of the Bank. In line with BNM Shariah Governance Policy, the Bank is managing Shariah non-compliance risk arising from its business operations and activities.

Shariah Governance Disclosures

	Amount in RM million
Shariah non-compliance income	-

	Number of incidents
Shariah non-compliance events	1