

Company No. 295400-W



OCBC Bank (Malaysia) Berhad  
(Incorporated in Malaysia)

## **Basel II Pillar 3 Market Disclosure 30 June 2020**

*The disclosure in this section refers to OCBC Bank (M) Berhad Group position. OCBC Bank (M) Berhad Group consists of OCBC Bank (Malaysia) Berhad and OCBC Al-Amin Bank Berhad which are members of the Overseas-Chinese Banking Corporation Group in Singapore.*

## Basel II Pillar 3 Market Disclosure

(OCBC Bank (M) Berhad Group – Position as at 30 June 2020)

The purpose of this disclosure is to provide the information in accordance with BNM Risk Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3) and Capital Adequacy Framework for Islamic Bank (CAFIB - Basel II) – Disclosure Requirements (Pillar 3) Guidelines.

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

	EAD <sup>1</sup> RM million	RWA RM million
<b>Credit Risk</b>		
Standardised Approach		
Corporate	160	149
Sovereign & Central Bank	17,427	138
Public Sector Entities	629	154
Retail	217	224
Equity	110	110
Securitisation	-	-
Others	666	495
<b>Total Standardised</b>	<b>19,209</b>	<b>1,270</b>
Internal Ratings-Based (IRB) Approach		
Foundation IRB		
Corporate	40,004	34,538
Bank	3,973	671
Advanced IRB		
Residential Mortgage	28,010	3,759
Qualifying Revolving Retail	1,882	584
Other Retail - Small Business	9,812	3,526
Specialised Lending under Supervisory Slotting Criteria	204	248
<b>Total IRB</b>	<b>83,885</b>	<b>43,326</b>
<b>Total Credit Risk</b>	<b>103,094</b>	<b>44,596</b>
<b>Market Risk</b>		
Standardised Approach		1,194
<b>Total Market Risk</b>		<b>1,194</b>
<b>Operational Risk</b>		
Standardised Approach <sup>2</sup>		4,947
<b>Total Operational Risk</b>		<b>4,947</b>
<b>Total RWA</b>		<b>50,737</b>

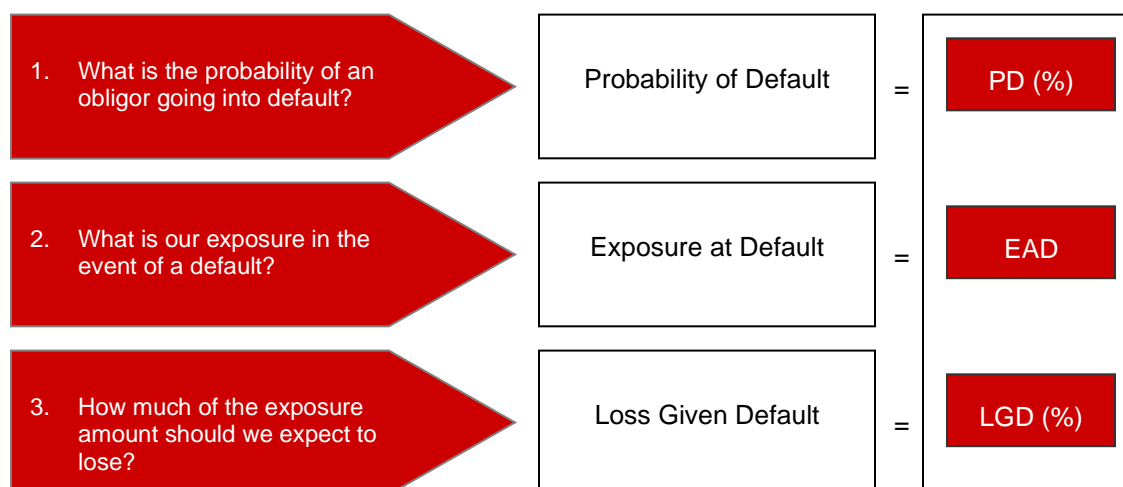
Note:

<sup>1</sup> EAD refers to exposure at default after credit risk mitigation

<sup>2</sup> OCBC Bank (M) Berhad Group and OCBC Bank (M) Berhad have adopted the Standardised Approach, while OCBC Al-Amin Bank Berhad is on the Basic Indicator Approach.

## CREDIT RISK

With Basel II implementation, OCBC Bank (M) Berhad 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.



### Credit Exposures under Standardised Approach

Credit exposures under standardised approach are mainly exposures to sovereign and central bank. Rated exposures relate mainly to sovereign and central bank while unrated exposures relate mainly to Islamic personal financing and other assets.

Risk Weight	EAD RM million
0%	17,661
20% - 35%	87
50% - 90%	455
100%	869
>100%	27
<b>Total</b>	<b>19,099</b>
Rated exposures	18,134
Unrated exposures	965

Note: Excludes Equity

### Equity Exposures under Standardised Approach

Equity exposures for regulatory capital computation are risk weighted in accordance with BNM Risk-Weighted Capital Adequacy Framework (Basel II – Risk-Weighted Assets Computation) under the standardised approach.

<b>Risk Weight</b>	<b>EAD RM million</b>
100%	110
<b>Total</b>	<b>110</b>

### Securitisation Exposures

There is no securitisation and re-securitisation exposure in the banking and trading books as at 30 June 2020.

### Specialised Lending Exposures under Supervisory Slotting Criteria

Specialised lending exposures include project and object financing.

	<b>EAD RM million</b>	<b>Average Risk Weight</b>
Strong	-	-
Good	-	-
Satisfactory	204	122%
Weak	-	-
Default	-	NA
<b>Total</b>	<b>204</b>	<b>122%</b>

### 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%	545	14%
> 0.05 to 0.5%	13,386	45%
> 0.5 to 2.5%	15,300	96%
> 2.5 to 9%	7,945	137%
> 9%	1,511	193%
Default	1,317	NA
<b>Total</b>	<b>40,004</b>	<b>86%</b>

#### *Bank Exposures*

PD Range	EAD RM million	Average Risk Weight
up to 0.05%	1,666	10%
> 0.05 to 0.5%	2,260	20%
> 0.5 to 2.5%	47	96%
> 2.5 to 9%	-	-
> 9%	#	194%
Default	-	NA
<b>Total</b>	<b>3,973</b>	<b>17%</b>

"#" represents amount less than RM0.5 million

### 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 credit card facilities to individuals. Other Retail – Small Business exposures include lending to small businesses and commercial property loans to individuals.

#### *Residential Mortgages*

PD Range	EAD	Undrawn Commitment	EAD Weighted Average	
	RM million	RM million	LGD	Risk Weight
up to 0.5%	20,743	1,749	12%	7%
> 0.5 to 3%	4,418	277	12%	17%
> 3 to 10%	841	20	13%	50%
> 10%	1,438	18	13%	74%
100%	570	13	19%	24%
<b>Total</b>	<b>28,010</b>	<b>2,077</b>	<b>12%</b>	<b>13%</b>

#### *Qualifying Revolving Retail Exposures*

PD Range	EAD	Undrawn Commitment	EAD Weighted Average	
	RM million	RM million	LGD	Risk Weight
up to 0.5%	1,319	2,233	76%	10%
> 0.5 to 3%	357	298	72%	42%
> 3 to 10%	143	52	75%	127%
> 10%	57	19	76%	209%
100%	6	-	74%	0%
<b>Total</b>	<b>1,882</b>	<b>2,602</b>	<b>75%</b>	<b>31%</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%	6,343	1,699	34%	19%
> 0.5 to 3%	1,999	133	47%	55%
> 3 to 10%	398	40	39%	62%
> 10%	809	22	40%	90%
100%	263	13	37%	103%
<b>Total</b>	<b>9,812</b>	<b>1,907</b>	<b>37%</b>	<b>36%</b>

## 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
<b>Standardised Approach</b>			
Corporate	17	-	-
Sovereign & Central Bank	-	-	-
Public Sector Entities	-	-	370
Retail	19	-	-
Others	#	-	-
<b>Total</b>	<b>36</b>	<b>-</b>	<b>370</b>
<b>Foundation IRB Approach</b>			
Corporate	1,146	9,714	180
Bank	266	-	-
<b>Total</b>	<b>1,412</b>	<b>9,714</b>	<b>180</b>

"#" represents amount less than RM0.5 million

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

	RM million
Replacement Cost	1,387
Potential Future Exposure	1,896
Less: Effects of Netting	1,245
<b>EAD under Current Exposure Method</b>	<b>2,038</b>
Analysed by type:	
Foreign Exchange Contracts	1,092
Interest Rate Contracts	904
Equity Contracts	17
Gold and Precious Metals Contracts	-
Other Commodities Contracts	#
Credit Derivative Contracts	25
Less: Eligible Financial Collateral	266
<b>Net Derivatives Credit Exposure</b>	<b>1,772</b>

"#" represents amount less than RM0.5 million

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

## Credit Derivatives

	Notional Amount RM million	
	Bought	Sold
Credit Derivatives Swap		
for own credit portfolio	-	-
for intermediation activities	508	508
<b>Total</b>	<b>508</b>	<b>508</b>

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

## 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	Short Position		
	RM million	RM million		
Interest Rate Risk	32,463	28,913	996	80
Foreign Currency Risk	47	108	108	9
Equity Risk	3	33	46	4
Commodity Risk	2	2	2	#
Inventory Risk	-	-	-	-
Options Risk	2	1	42	3
<b>Total</b>	<b>32,517</b>	<b>29,057</b>	<b>1,194</b>	<b>96</b>

"#" represents amount less than RM0.5 million



## EQUITY EXPOSURES

Equity exposures comprised investments in quoted and unquoted equity instruments.

Disclosures on accounting policy and fair value measurement of equity securities in these unaudited condensed interim financial statements are the same with the audited financial statements for the financial year ended 31 December 2019.

### Carrying Value of Equity Exposures

	RM million
Quoted equity exposure - Fair value through profit or loss ("FVTPL")	3
Unquoted equity exposure - Fair value through other comprehensive income ("FVOCI")	110
Quoted equity exposure - Associates	-
Unquoted equity exposure - Associates	-
<b>Total</b>	<b>113</b>

### Realised and Unrealised Gains and Losses

	RM million
Gains/(losses) from disposal of equities	-
Unrealised gains/(losses) included in fair value reserve	96
<b>Total</b>	<b>96</b>

### Interest Rate Risk in Banking Book

Based on a 50 bp parallel rise in yield curves on the OCBCM's exposure to major currency i.e. Malaysian Ringgit, net interest income is estimated to increase by MYR150.3 million, or approximately +20.3% of reported net interest income. The corresponding impact from a 50 bp decrease is an estimated reduction of MYR144.4 million in net interest income, or approximately -19.5% of reported net interest income.