Company No. 295400-W

OCBC Bank (Malaysia) Berhad
(Incorporated in Malaysia)

Basel II Pillar 3 Market Disclosure
30 June 2017

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 2017)

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.

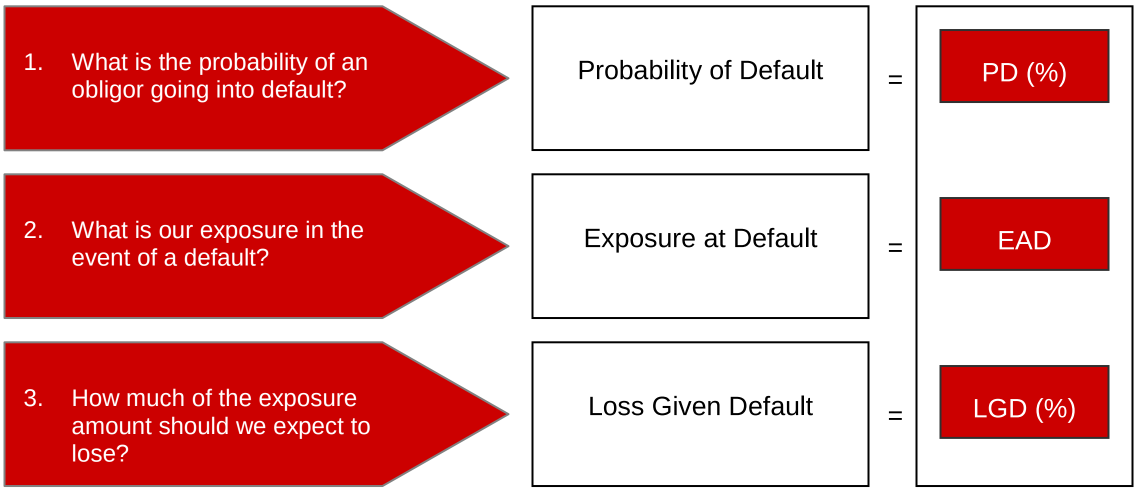
Exposures and Risk Weighted Assets (RWA) by Portfolio

	EAD[1] RM million	RWA RM million
Credit Risk		
Standardised Approach		
Corporate	24	24
Sovereign & Central Bank	14,319	81
Retail	513	528
Equity	109	109
Securitisation	-	-
Others	626	453
Total Standardised	**15,591**	**1,195**
Internal Ratings-Based (IRB) Approach		
Foundation IRB		
Corporate	33,912	29,407
Bank	8,635	1,381
Public Sector Entity	791	60
Advanced IRB		
Residential Mortgage	32,691	4,455
Qualifying Revolving Retail	1,638	562
Other Retail - Small Business	11,350	4,311
Specialised Lending under Supervisory Slotting Criteria	42	51
Total IRB	**89,059**	**40,227**
Total Credit Risk	**104,650**	**41,422**
Market Risk		
Standardised Approach		957
Amount Absorbed by PSIA		-
Total Market Risk		**957**
Operational Risk		
Standardised Approach[2]		4,492
Total Operational Risk		**4,492**
Total RWA		**46,871**

Note:
[1] EAD refers to exposure at default after credit risk mitigation
[2] OCBC Bank (M) Berhad Group and OCBC Bank (M) Berhad have adopted the Standardised Approach, with effect from 2012, 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%	14,264
20% - 35%	110
50% - 90%	169
100%	884
>100%	55
Total	**15,482**
Rated exposures	14,319
Unrated exposures	1,163

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.

Risk Weight	EAD RM million
100%	109
200%	-
Total	**109**

Securitisation Exposures

There is no securitisation and re-securitisation exposure in the banking and trading books as at 30 June 2017.

Specialised Lending Exposures under Supervisory Slotting Criteria

Specialised lending exposures include project and object financing.

	EAD RM million	Average Risk Weight
Strong	-	-
Good	-	-
Satisfactory	42	122%
Weak	-	-
Default	-	NA
Total	**42**	**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. Public sector entity exposures refer to exposures to administrative bodies of federal/state/local governments.

Corporate Exposures

PD Range	EAD RM million	Average Risk Weight
up to 0.05%	970	23%
> 0.05 to 0.5%	10,057	48%
> 0.5 to 2.5%	14,422	87%
> 2.5 to 9%	6,604	142%
> 9%	1,188	203%
Default	671	NA
Total	**33,912**	**87%**

Bank Exposures

PD Range	EAD RM million	Average Risk Weight
up to 0.05%	5,750	11%
> 0.05 to 0.5%	2,862	25%
> 0.5 to 2.5%	23	84%
> 2.5 to 9%	#	119%
> 9%	-	-
Default	-	NA
Total	**8,635**	**16%**

Public Sector Entity Exposures

PD Range	EAD RM million	Average Risk Weight
up to 0.05%	756	6%
> 0.05 to 0.5%	35	47%
> 0.5 to 2.5%	-	-
> 2.5 to 9%	-	-
> 9%	-	-
Default	-	NA
Total	**791**	**8%**

"#" 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

	EAD	Undrawn Commitment	EAD Weighted Average	
PD Range	**RM million**	**RM million**	**LGD**	**Risk Weight**
up to 0.5%	23,594	2,361	12%	7%
> 0.5 to 3%	6,047	393	12%	18%
> 3 to 10%	1,038	27	13%	49%
> 10%	1,403	40	13%	71%
100%	609	22	18%	45%
Total	**32,691**	**2,843**	**12%**	**14%**

Qualifying Revolving Retail Exposures

	EAD	Undrawn Commitment	EAD Weighted Average	
PD Range	**RM million**	**RM million**	**LGD**	**Risk Weight**
up to 0.5%	1,124	1,771	77%	9%
> 0.5 to 3%	321	267	77%	52%
> 3 to 10%	102	46	78%	124%
> 10%	85	16	75%	199%
100%	6	-	75%	0%
Total	**1,638**	**2,100**	**77%**	**34%**

Other Retail - Small Business Exposures

	EAD	Undrawn Commitment	EAD Weighted Average	
PD Range	**RM million**	**RM million**	**LGD**	**Risk Weight**
up to 0.5%	7,349	1,621	33%	18%
> 0.5 to 3%	2,190	102	40%	49%
> 3 to 10%	512	35	40%	64%
> 10%	907	8	41%	92%
100%	392	22	43%	199%
Total	**11,350**	**1,788**	**35%**	**38%**

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	3	-	-
Sovereign & Central Bank	-	-	-
Retail	33	-	-
Others	#	-	-
Total	**36**	**-**	**-**
Foundation IRB Approach			
Corporate	1,315	10,875	21
Public Sector Entity	-	-	591
Bank	621	-	-
Total	**1,936**	**10,875**	**612**

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.

"#" represents amount less than RM0.5 million

Counterparty Credit Risk Exposures

	RM million
Replacement Cost	1,406
Potential Future Exposure	2,117
Less: Effects of Netting	-
EAD under Current Exposure Method	**3,523**
Analysed by type:	
Foreign Exchange Contracts	2,474
Interest Rate Contracts	1,009
Equity Contracts	14
Gold and Precious Metals Contracts	-
Other Commodities Contracts	4
Credit Derivative Contracts	22
Less: Eligible Financial Collateral	621
Net Derivatives Credit Exposure	**2,902**

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	283	283
Total	**283**	**283**

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

Exposure by Market Risk Type under Standardised Approach

	Gross Exposure		Risk Weighted Assets	Min. Capital Requirement
	Long Position RM million	Short Position RM million	RM million	RM million
Interest Rate Risk	27,810	26,250	759	61
Foreign Currency Risk	72	122	122	10
Equity Risk	-	16	19	2
Commodity Risk	4	2	5	#
Inventory Risk	-	-	-	-
Options Risk	#	4	52	4
Total	**27,886**	**26,394**	**957**	**77**

“#” represents amount less than RM0.5 million

EQUITY EXPOSURES

Equity exposures as at 30 June 2017 comprised investments in unquoted equity instruments which were stated at cost due to the lack of quoted prices in an active market and/or the fair value of the investments cannot be reliably measured.

Carrying Value of Equity Exposures

	RM million
Quoted equity exposure - AFS	-
Unquoted equity exposure - AFS	109
Quoted equity exposure - Associates	-
Unquoted equity exposure - Associates	-
Total	**109**

Realised and Unrealised Gains and Losses

	RM million
Gains/(losses) from disposal of AFS	-
Unrealised gains/(losses) included in fair value reserve	95
Total	**95**

Interest Rate Risk in Banking Book

Based on a 50 basis point parallel rise in yield curves on the OCBC (M) Group's exposure to major currency i.e. Malaysian Ringgit, net interest income is estimated to increase by MYR140.4 million, or approximately +20.3% of reported net interest income. The corresponding impact from a 50 basis point decrease is an estimated reduction of MYR140.6 million in net interest income, or approximately -20.4% of reported net interest income.