

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**

| <b>CONTENTS</b>                     | <b>PAGE</b> |
|-------------------------------------|-------------|
| CEO ATTESTATION STATEMENT           | 3           |
| RISK MANAGEMENT                     | 4           |
| BASEL II PILLAR 3 MARKET DISCLOSURE | 5 – 11      |

**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 <sup>1</sup><br>RM million | RWA<br>RM million |
|--|--------------------------------|-------------------|
| <b>Credit Risk</b>   |                                |                   |
| Standardised Approach                                      |                                |                   |
| Sovereign & Central Bank                                   | 3,919                          | 38                |
| Public Sector Entity                                       | 186                            | -                 |
| Retail   | 278                            | 281               |
| Others   | 45                             | 14                |
| <b>Total Standardised</b>                                  | <b>4,428</b>                   | <b>333</b>        |
| 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                |
| <b>Total IRB</b>   | <b>13,089</b>                  | <b>9,384</b>      |
| Amount Absorbed by PSIA (IRB Approach)                     | 1,393                          | 1,450             |
| <b>Total Credit Risk After Effects of PSIA<sup>2</sup></b> | <b>16,124</b>                  | <b>8,267</b>      |
| <b>Market Risk</b>   |                                |                   |
| Standardised Approach                                      |                                | 3                 |
| Amount Absorbed by PSIA                                    |                                | -                 |
| <b>Total Market Risk After Effects of PSIA</b>             |                                | <b>3</b>          |
| <b>Operational Risk</b>                                    |                                |                   |
| Basic Indicator Approach                                   |                                | 818               |
| <b>Total Operational Risk</b>                              |                                | <b>818</b>        |
| <b>Total RWA</b>   |                                | <b>9,088</b>      |

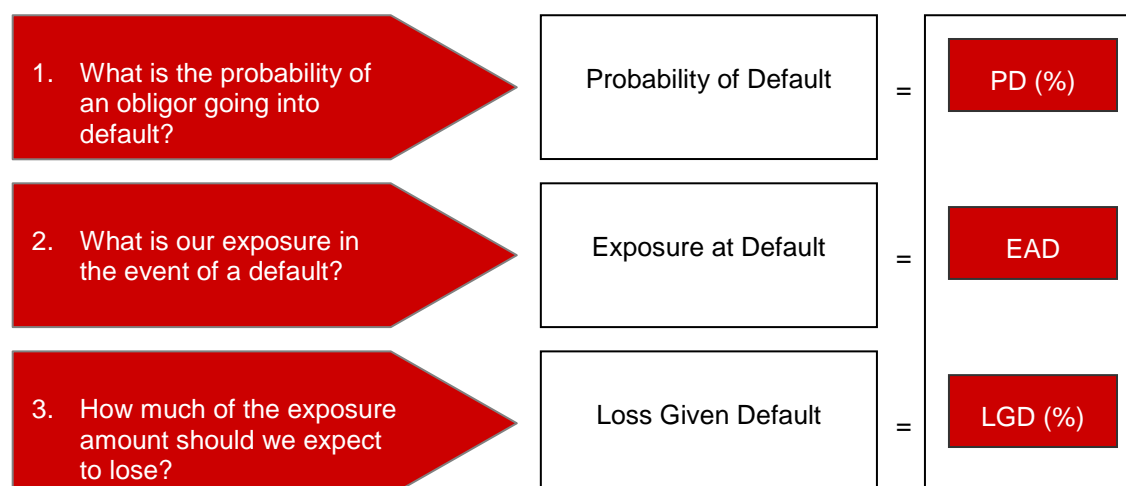
Note:

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

<sup>2</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.

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

Note: Excludes Equity

### Specialised Financing Exposures under Supervisory Slotting Criteria

Specialised financing exposures include project financing.

|              | EAD<br>RM million | Average<br>Risk Weight |
|--------------|-------------------|------------------------|
| Strong       | -                 | -                      |
| Good         | -                 | -                      |
| Satisfactory | 32                | 122%                   |
| Weak         | -                 | -                      |
| Default      | -                 | NA                     |
| <b>Total</b> | <b>32</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<br>RM million | Average<br>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                     |
| <b>Total</b>   | <b>6,640</b>      | <b>98%</b>             |

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

#### *Bank Exposures*

| PD Range       | EAD<br>RM million | Average<br>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                     |
| <b>Total</b>   | <b>1,325</b>      | <b>24%</b>             |

"#" 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<br>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%         |
| <b>Total</b> | <b>2,157</b> | <b>82</b>             | <b>13%</b>           | <b>17%</b>  |

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

| PD Range     | EAD          | Undrawn<br>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%        |
| <b>Total</b> | <b>1,542</b> | <b>169</b>            | <b>42%</b>           | <b>47%</b>  |



**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.

|                               | <b>Actual Loss for 12 months<br/>ended 31 December 2018</b> | <b>Regulatory Expected Loss<br/>(Non-defaulted)<br/>as at 31 December 2017</b> |
|-------------------------------|---|--|
|                               | <b>RM million</b>   | <b>RM million</b>  |
| Corporate                     | 84  | 42   |
| Bank                          | -   | 2  |
| Other Retail - Small Business | (4)   | 42   |
| Retail                        | 1   | 7  |
| <b>Total</b>                  | <b>81</b>   | <b>93</b>  |

**Exposures Covered by Credit Risk Mitigation**

|                                | <b>Eligible Financial<br/>Collateral<br/>RM million</b> | <b>Other Eligible<br/>Collateral<br/>RM million</b> | <b>Amount by which<br/>credit exposures<br/>have been reduced by<br/>eligible credit protection<br/>RM million</b> |
|--------------------------------|---|---|--|
| <b>Standardised Approach</b>   |   |   |  |
| Corporate                      | -   | -   | -  |
| Sovereign & Central Bank       | -   | -   | -  |
| Public Sector Entity           | -   | -   | 187  |
| Retail                         | -   | -   | -  |
| Others                         | -   | -   | -  |
| <b>Total</b>                   | <b>-</b>  | <b>-</b>  | <b>187</b>   |
| <b>Foundation IRB Approach</b> |   |   |  |
| Corporate                      | 254   | 1,417   | 148  |
| Bank                           | -   | -   | -  |
| <b>Total</b>                   | <b>254</b>  | <b>1,417</b>  | <b>148</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                         | 2          |
| Potential Future Exposure                | 33         |
| Less: Effects of Netting                 | -          |
| <b>EAD under Current Exposure Method</b> | <b>35</b>  |
| 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      | -          |
| <b>Net Derivatives Credit Exposure</b>   | <b>35</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<br>Assets<br>RM million | Min. Capital<br>Requirement<br>RM million |
|-----------------------|-----------------------------|------------------------------|---------------------------------------|---|
|                       | Long Position<br>RM million | Short Position<br>RM million |                                       |   |
| Benchmark Rate Risk   | 83                          | 84                           | #                                     | #   |
| Foreign Currency Risk | 2                           | 3                            | 3                                     | #   |
| Equity Risk           | -                           | -                            | -                                     | -   |
| Commodity Risk        | -                           | -                            | -                                     | -   |
| Inventory Risk        | -                           | -                            | -                                     | -   |
| Options Risk          | -                           | -                            | -                                     | -   |
| <b>Total</b>          | <b>85</b>                   | <b>87</b>                    | <b>3</b>                              | <b>#</b>                                  |

"#" 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**

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

|                                     | <b>Number<br/>of incidents</b> |
|-------------------------------------|--------------------------------|
| <b>Non-Shariah compliant events</b> | 1                              |