

Company No. 295400-W



OCBC Bank (Malaysia) Berhad  
(Incorporated in Malaysia)

## **Basel II Pillar 3 Market Disclosure 30 June 2021**

*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 2021)

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	256	193
Sovereign & Central Bank	18,714	115
Public Sector Entities	1,124	748
Retail	147	148
Equity	116	116
Securitisation	-	-
Others	561	416
<b>Total Standardised</b>	<b>20,918</b>	<b>1,736</b>
Internal Ratings-Based (IRB) Approach		
Foundation IRB		
Corporate	39,528	35,948
Bank	4,684	681
Advanced IRB		
Residential Mortgage	26,375	3,217
Qualifying Revolving Retail	1,781	578
Other Retail - Small Business	9,203	3,531
Specialised Lending under Supervisory Slotting Criteria	209	255
<b>Total IRB</b>	<b>81,780</b>	<b>44,210</b>
<b>Total Credit Risk</b>	<b>102,698</b>	<b>45,946</b>
<b>Market Risk</b>		
Standardised Approach		1,233
<b>Total Market Risk</b>		<b>1,233</b>
<b>Operational Risk</b>		
Standardised Approach <sup>2</sup>		5,100
<b>Total Operational Risk</b>		<b>5,100</b>
<b>Total RWA</b>		<b>52,279</b>

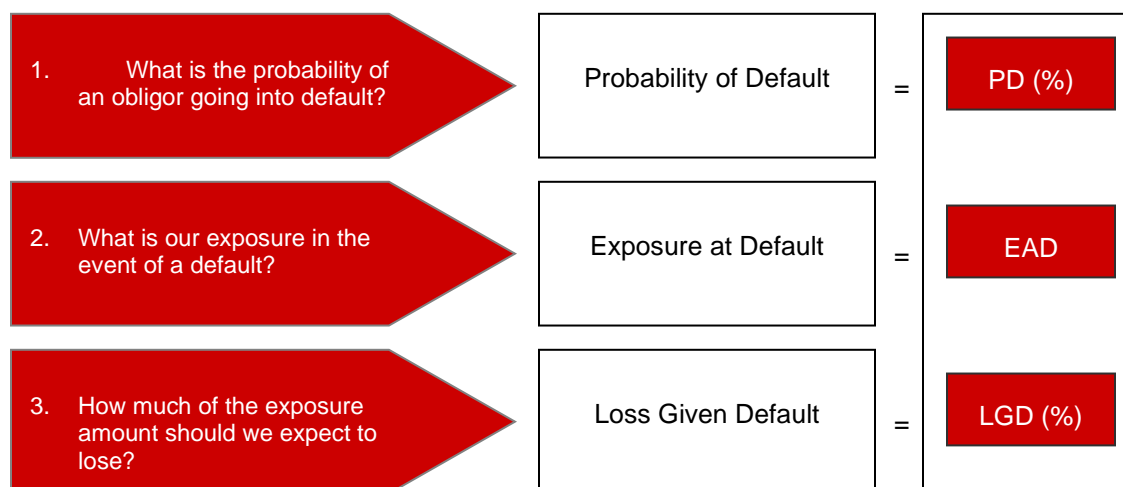
Note:

<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%	18,935
20% - 35%	31
50% - 90%	459
100%	1,369
>100%	8
<b>Total</b>	<b>20,802</b>
Rated exposures	19,287
Unrated exposures	1,515

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%	116
<b>Total</b>	<b>116</b>

### Securitisation Exposures

There is no securitisation and re-securitisation exposure in the banking and trading books as at 30 June 2021.

### Specialised Lending Exposures under Supervisory Slotting Criteria

Specialised lending exposures include project and object financing.

	EAD RM million	Average Risk Weight
Strong	-	-
Good	-	-
Satisfactory	209	122%
Weak	-	-
Default	-	NA
<b>Total</b>	<b>209</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%	509	19%
> 0.05 to 0.5%	11,724	48%
> 0.5 to 2.5%	15,829	100%
> 2.5 to 9%	7,854	134%
> 9%	1,953	199%
Default	1,659	NA
<b>Total</b>	<b>39,528</b>	<b>91%</b>

#### *Bank Exposures*

PD Range	EAD RM million	Average Risk Weight
up to 0.05%	2,453	11%
> 0.05 to 0.5%	2,198	18%
> 0.5 to 2.5%	33	98%
> 2.5 to 9%	-	-
> 9%	#	194%
Default	-	NA
<b>Total</b>	<b>4,684</b>	<b>15%</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 RM million	Undrawn Commitment RM million	EAD Weighted Average	
			LGD	Risk Weight
up to 0.5%	18,479	1,620	9%	5%
> 0.5 to 3%	4,500	306	10%	15%
> 3 to 10%	945	20	12%	43%
> 10%	1,651	18	11%	62%
100%	800	17	19%	21%
<b>Total</b>	<b>26,375</b>	<b>1,981</b>	<b>9%</b>	<b>12%</b>

#### *Qualifying Revolving Retail Exposures*

PD Range	EAD RM million	Undrawn Commitment RM million	EAD Weighted Average	
			LGD	Risk Weight
up to 0.5%	1,229	2,153	75%	11%
> 0.5 to 3%	344	355	68%	41%
> 3 to 10%	143	75	75%	127%
> 10%	61	27	75%	210%
100%	4	-	75%	0%
<b>Total</b>	<b>1,781</b>	<b>2,610</b>	<b>74%</b>	<b>32%</b>

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

PD Range	EAD RM million	Undrawn Commitment RM million	EAD Weighted Average	
			LGD	Risk Weight
up to 0.5%	5,340	1,629	31%	17%
> 0.5 to 3%	2,127	170	40%	48%
> 3 to 10%	476	63	42%	68%
> 10%	945	25	43%	96%
100%	315	6	37%	116%
<b>Total</b>	<b>9,203</b>	<b>1,893</b>	<b>35%</b>	<b>38%</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	16	-	-
Sovereign & Central Bank	-	-	-
Public Sector Entities	-	-	303
Retail	22	-	-
Others	#	-	-
<b>Total</b>	<b>38</b>	<b>-</b>	<b>303</b>
<b>Foundation IRB Approach</b>			
Corporate	930	9,906	111
Bank	174	-	-
<b>Total</b>	<b>1,104</b>	<b>9,906</b>	<b>111</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	928
Potential Future Exposure	1,693
Less: Effects of Netting	911
<b>EAD under Current Exposure Method</b>	<b>1,710</b>
Analysed by type:	
Foreign Exchange Contracts	890
Interest Rate Contracts	710
Equity Contracts	94
Gold and Precious Metals Contracts	-
Other Commodities Contracts	3
Credit Derivative Contracts	13
Less: Eligible Financial Collateral	175
<b>Net Derivatives Credit Exposure</b>	<b>1,535</b>

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	386	385
<b>Total</b>	<b>386</b>	<b>385</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 RM million	Short Position RM million		
Interest Rate Risk	23,836	21,110	1,065	85
Foreign Currency Risk	150	112	152	12
Equity Risk	-	9	11	1
Commodity Risk	-	-	-	-
Inventory Risk	-	-	-	-
Options Risk	#	#	5	#
<b>Total</b>	<b>23,986</b>	<b>21,231</b>	<b>1,233</b>	<b>98</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 2020.

### Carrying Value of Equity Exposures

	RM million
Quoted equity exposure - Fair value through profit or loss ("FVTPL")	-
Unquoted equity exposure - Fair value through other comprehensive income ("FVOCI")	116
Quoted equity exposure - Associates	-
Unquoted equity exposure - Associates	-
<b>Total</b>	<b>116</b>

### Realised and Unrealised Gains and Losses

	RM million
Gains/(losses) from disposal of equities	-
Unrealised gains/(losses) included in fair value reserve	103
<b>Total</b>	<b>103</b>

### Interest Rate Risk in Banking Book

Based on a 100 bps parallel rise in yield curves on the OCBCM's exposure to major currency i.e., Malaysian Ringgit and US Dollar, net interest income is estimated to increase by MYR150.5 million, or approximately +19.0% of reported net interest income. The corresponding impact from a 100 bps decrease is an estimated reduction of MYR148.1 million in net interest income, or approximately -18.8% of reported net interest income.