

Company No. 295400-W



OCBC Bank (Malaysia) Berhad
(Incorporated in Malaysia)

Basel II Pillar 3 Market Disclosure 30 June 2018

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 2018)

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	26	26
Sovereign & Central Bank	16,370	124
Retail	433	435
Equity	96	96
Securitisation	-	-
Others	749	597
Total Standardised	17,674	1,278
Internal Ratings-Based (IRB) Approach		
Foundation IRB		
Corporate	37,491	31,604
Bank	4,478	953
Public Sector Entity	679	155
Advanced IRB		
Residential Mortgage	30,554	3,906
Qualifying Revolving Retail	1,665	511
Other Retail - Small Business	10,254	3,658
Specialised Lending under Supervisory Slotting Criteria	45	55
Total IRB	85,166	40,842
Total Credit Risk	102,840	42,120
Market Risk		
Standardised Approach		1,059
Total Market Risk		1,059
Operational Risk		
Standardised Approach ²		4,659
Total Operational Risk		4,659
Total RWA		47,838

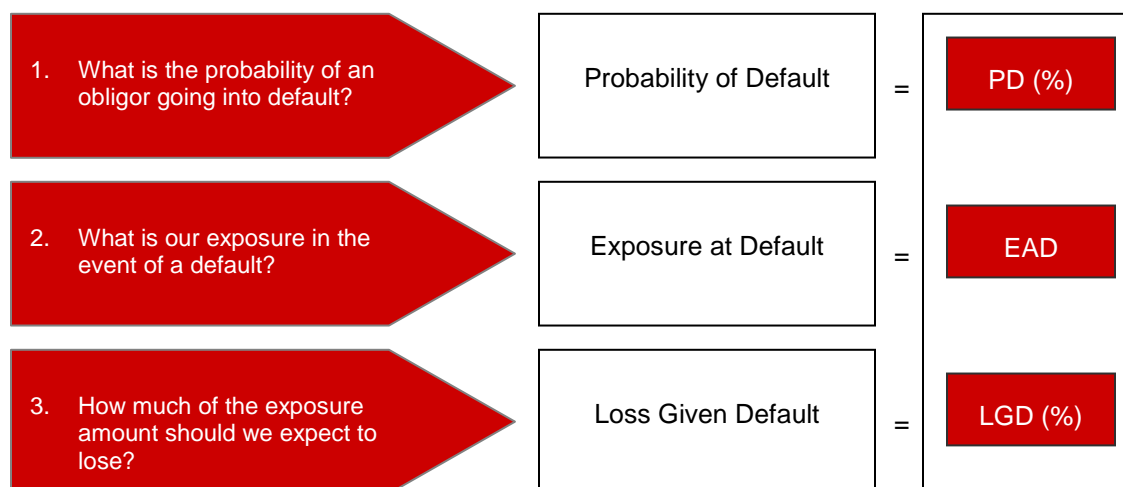
Note:

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%	16,211
20% - 35%	136
50% - 90%	258
100%	935
>100%	38
Total	17,578

Rated exposures	16,370
Unrated exposures	1,208

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%	96
200%	-
Total	96

Securitisation Exposures

There is no securitisation and re-securitisation exposure in the banking and trading books as at 30 June 2018.

Specialised Lending Exposures under Supervisory Slotting Criteria

Specialised lending exposures include project and object financing.

	EAD RM million	Average Risk Weight
Strong	-	-
Good	-	-
Satisfactory	45	122%
Weak	-	-
Default	-	NA
Total	45	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%	2,007	17%
> 0.05 to 0.5%	12,250	48%
> 0.5 to 2.5%	15,251	94%
> 2.5 to 9%	6,169	137%
> 9%	1,248	205%
Default	566	NA
Total	37,491	84%

Bank Exposures

PD Range	EAD RM million	Average Risk Weight
up to 0.05%	2,716	15%
> 0.05 to 0.5%	1,599	29%
> 0.5 to 2.5%	163	50%
> 2.5 to 9%	#	119%
> 9%	-	-
Default	-	NA
Total	4,478	21%

Public Sector Entity Exposures

PD Range	EAD RM million	Average Risk Weight
up to 0.05%	663	23%
> 0.05 to 0.5%	16	25%
> 0.5 to 2.5%	-	-
> 2.5 to 9%	-	-
> 9%	-	-
Default	-	NA
Total	679	23%

"#" 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%	22,294	1,846	11%	6%
> 0.5 to 3%	5,208	193	11%	16%
> 3 to 10%	1,036	22	12%	46%
> 10%	1,450	16	12%	68%
100%	566	18	19%	35%
Total	30,554	2,095	11%	13%

Qualifying Revolving Retail Exposures

PD Range	EAD RM million	Undrawn Commitment RM million	EAD Weighted Average	
			LGD	Risk Weight
up to 0.5%	1,235	1,923	77%	9%
> 0.5 to 3%	246	190	76%	49%
> 3 to 10%	102	47	79%	126%
> 10%	76	14	75%	198%
100%	6	-	75%	0%
Total	1,665	2,174	77%	31%

Other Retail - Small Business Exposures

PD Range	EAD RM million	Undrawn Commitment RM million	EAD Weighted Average	
			LGD	Risk Weight
up to 0.5%	6,753	1,606	32%	17%
> 0.5 to 3%	1,937	103	39%	48%
> 3 to 10%	418	48	39%	62%
> 10%	832	8	38%	83%
100%	314	21	43%	198%
Total	10,254	1,786	34%	36%

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	5	-	-
Sovereign & Central Bank	-	-	-
Retail	32	-	-
Others	#	-	-
Total	37	-	-
Foundation IRB Approach			
Corporate	1,181	10,672	108
PSE	-	-	101
Bank	341	-	-
Total	1,522	10,672	209

Note:

- Not all forms of collateral or credit risk mitigation are included for regulatory capital calculations.
 - 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	883
Potential Future Exposure	1,844
Less: Effects of Netting	-
EAD under Current Exposure Method	2,727
Analysed by type:	
Foreign Exchange Contracts	1,662
Interest Rate Contracts	1,010
Equity Contracts	13
Gold and Precious Metals Contracts	-
Other Commodities Contracts	5
Credit Derivative Contracts	37
Less: Eligible Financial Collateral	343
Net Derivatives Credit Exposure	2,384

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	438	438
Total	438	438

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	Min. Capital Requirement
	Long Position RM million	Short Position RM million		
Interest Rate Risk	24,436	22,418	963	78
Foreign Currency Risk	59	64	64	5
Equity Risk	-	-	-	-
Commodity Risk	20	19	15	1
Inventory Risk	-	-	-	-
Options Risk	1	#	17	1
Total	24,516	22,501	1,059	85

"#" represents amount less than RM0.5 million

EQUITY EXPOSURES

Equity exposures comprised investments in quoted and unquoted equity instruments. The Group does not have any quoted equity exposures as at 30 June 2018.

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 2017.

Carrying Value of Equity Exposures

	RM million
Quoted equity exposure - AFS	-
Unquoted equity exposure - AFS	96
Quoted equity exposure - Associates	-
Unquoted equity exposure - Associates	-
Total	96

Realised and Unrealised Gains and Losses

	RM million
Gains/(losses) from disposal of AFS equities	-
Unrealised gains/(losses) included in fair value reserve	83
Total	83

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 MYR130.8 million, or approximately +17.8% of reported net interest income. The corresponding impact from a 50 bp decrease is an estimated reduction of MYR130.4 million in net interest income, or approximately -17.8% of reported net interest income.