

Company No. 295400-W



OCBC Bank (Malaysia) Berhad
(Incorporated in Malaysia)

Basel II Pillar 3 Market Disclosure 30 June 2019

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 2019)

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	98	98
Sovereign & Central Bank	14,606	81
Public Sector Entities	1,248	129
Retail	293	304
Equity	102	102
Securitisation	-	-
Others	640	463
Total Standardised	16,987	1,177
Internal Ratings-Based (IRB) Approach		
Foundation IRB		
Corporate	41,140	34,876
Bank	4,107	594
Advanced IRB		
Residential Mortgage	28,885	3,772
Qualifying Revolving Retail	1,855	612
Other Retail - Small Business	9,785	3,346
Specialised Lending under Supervisory Slotting Criteria	145	176
Total IRB	85,917	43,376
Total Credit Risk	102,904	44,553
Market Risk		
Standardised Approach		1,228
Amount Absorbed by PSIA		-
Total Market Risk		1,228
Operational Risk		
Standardised Approach ²		4,743
Total Operational Risk		4,743
Total RWA		50,524

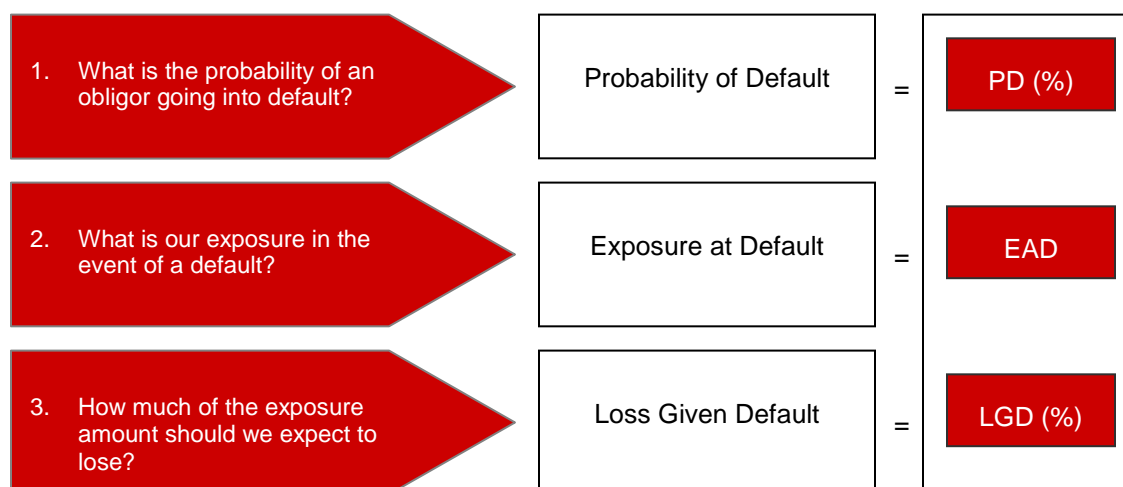
Note:

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, 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%	15,618
20% - 35%	54
50% - 90%	336
100%	845
>100%	32
Total	16,885

Rated exposures	15,884
Unrated exposures	1,001

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%	102
Total	102

Securitisation Exposures

There is no securitisation and re-securitisation exposure in the banking and trading books as at 30 June 2019.

Specialised Lending Exposures under Supervisory Slotting Criteria

Specialised lending exposures include project and object financing.

	EAD RM million	Average Risk Weight
Strong	-	-
Good	-	-
Satisfactory	145	122%
Weak	-	-
Default	-	NA
Total	145	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.

Corporate Exposures

PD Range	EAD RM million	Average Risk Weight
up to 0.05%	963	13%
> 0.05 to 0.5%	14,137	45%
> 0.5 to 2.5%	15,692	92%
> 2.5 to 9%	8,062	137%
> 9%	1,384	201%
Default	902	NA
Total	41,140	85%

Bank Exposures

PD Range	EAD RM million	Average Risk Weight
up to 0.05%	2,299	10%
> 0.05 to 0.5%	1,776	19%
> 0.5 to 2.5%	32	94%
> 2.5 to 9%	#	155%
> 9%	-	-
Default	-	NA
Total	4,107	14%

"#" 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%	21,237	1,707	12%	7%
> 0.5 to 3%	4,820	239	12%	17%
> 3 to 10%	920	16	13%	49%
> 10%	1,335	16	13%	71%
100%	573	23	19%	24%
Total	28,885	2,001	12%	13%

Qualifying Revolving Retail Exposures

PD Range	EAD	Undrawn Commitment	EAD Weighted Average	
	RM million	RM million	LGD	Risk Weight
up to 0.5%	1,274	2,056	76%	10%
> 0.5 to 3%	363	244	74%	44%
> 3 to 10%	149	47	76%	129%
> 10%	63	17	77%	212%
100%	6	-	75%	0%
Total	1,855	2,364	76%	33%

Other Retail - Small Business Exposures

PD Range	EAD	Undrawn Commitment	EAD Weighted Average	
	RM million	RM million	LGD	Risk Weight
up to 0.5%	6,398	1,563	32%	18%
> 0.5 to 3%	1,929	115	42%	50%
> 3 to 10%	352	31	35%	57%
> 10%	787	21	38%	81%
100%	319	14	42%	131%
Total	9,785	1,744	35%	34%

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	15	-	-
Sovereign & Central Bank	-	-	-
Public Sector Entities	-	-	1,029
Retail	27	-	-
Others	-	-	-
Total	42	-	1,029
Foundation IRB Approach			
Corporate	1,010	11,529	320
Bank	234	-	-
Total	1,244	11,529	320

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	710
Potential Future Exposure	1,945
Less: Effects of Netting	826
EAD under Current Exposure Method	1,829
Analysed by type:	
Foreign Exchange Contracts	1,047
Interest Rate Contracts	705
Equity Contracts	26
Gold and Precious Metals Contracts	-
Other Commodities Contracts	1
Credit Derivative Contracts	50
Less: Eligible Financial Collateral	234
Net Derivatives Credit Exposure	1,595

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	606	606
Total	606	606

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	24,800	21,363	903	72
Foreign Currency Risk	142	303	312	25
Equity Risk	-	2	3	#
Commodity Risk	-	-	-	-
Inventory Risk	-	-	-	-
Options Risk	1	#	10	1
Total	24,943	21,668	1,228	98

"#" represents amount less than RM0.5 million

EQUITY EXPOSURES

Equity exposures comprised investments in unquoted equity instruments. There is no exposure to quoted equity as at 30 June 2019.

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 2018.

Carrying Value of Equity Exposures

	RM million
Quoted equity exposure - AFS	-
Unquoted equity exposure - AFS	102
Quoted equity exposure - Associates	-
Unquoted equity exposure - Associates	-
Total	102

Realised and Unrealised Gains and Losses

	RM million
Gains/(losses) from disposal of AFS equities	-
Unrealised gains/(losses) included in fair value reserve	88
Total	88

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 MYR156.8 million, or approximately +20.8% of reported net interest income. The corresponding impact from a 50 bp decrease is an estimated reduction of MYR150.4 million in net interest income, or approximately -19.9% of reported net interest income.