

Company No. 295400-W



OCBC Bank (Malaysia) Berhad
(Incorporated in Malaysia)

Basel II Pillar 3 Market Disclosure 30 June 2015

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 2015)

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. This supplements the related information in the Notes to the Financial Statements.

Exposures and Risk Weighted Assets (RWA) by Portfolio

	EAD ¹ RM million	RWA RM million
Credit Risk		
Standardised Approach		
Corporate	23	23
Sovereign & Central Bank	18,230	138
Retail	928	867
Equity	109	109
Securitisation	1	#
Others	699	532
Total Standardised	19,990	1,669
Internal Ratings-Based (IRB) Approach		
Foundation IRB		
Corporate	26,198	19,001
Bank	12,628	1,484
Public Sector Entity	177	29
Advanced IRB		
Residential Mortgage	33,201	4,891
Qualifying Revolving Retail	1,493	543
Other Retail - Small Business	14,798	6,612
Specialised Lending under Supervisory Slotting Criteria	3,214	3,929
Total IRB	91,709	36,489
Total Credit Risk	111,699	38,158
Large Exposure Risk Requirement		47
Market Risk		
Standardised Approach		1,027
Amount Absorbed by PSIA		-
Total Market Risk		1,027
Operational Risk		
Standardised Approach ²		4,125
Total Operational Risk		4,125
Additional RWA due to Application of Capital Floor		-
Total RWA		43,357

Note:

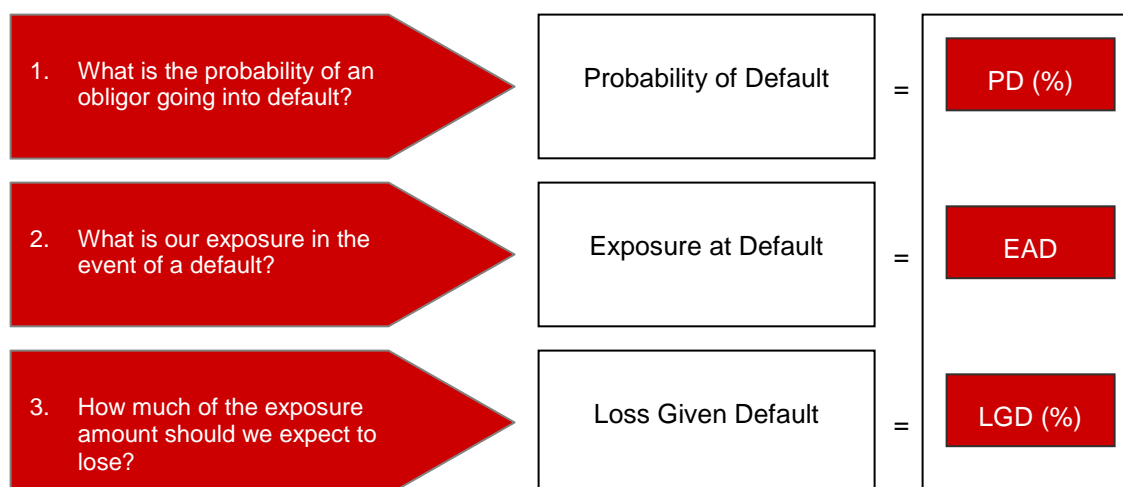
¹ EAD refers to exposure at default after credit risk mitigation

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.

"#" represents amount less than RM0.5 million

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%	18,142
20% - 35%	79
50% - 90%	446
100%	1,167
>100%	47
Total	19,881
Rated exposures	18,230
Unrated exposures	1,651

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
Total	109

Securitisation Exposures Purchased

Risk Weight	EAD RM million	RWA RM million
up to 20%	1	#
> 20% to 50%	-	-
> 50% to 100%	-	-
> 100% to 500%	-	-
> 500%	-	-
Deductions from Tier 1 and Tier 2 Capital	-	-
Total	1	#

"#" represents amount less than RM0.5 million

Specialised Lending Exposures under Supervisory Slotting Criteria

Specialised lending exposures include financing of income producing real estate as well as project and object finance.

	EAD RM million	Average Risk Weight
Strong	2	53%
Good	977	86%
Satisfactory	1,848	122%
Weak	316	265%
Default	71	NA
Total	3,214	122%

Credit Exposures under Foundation Internal Ratings-Based Approach (F-IRBA)

Corporate exposures are mainly exposures to corporate and institutional customers as well as major non-bank financial institutions. 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%	1,496	20%
> 0.05 to 0.5%	8,831	48%
> 0.5 to 2.5%	10,986	82%
> 2.5 to 9%	3,544	128%
> 9%	521	182%
Default	820	NA
Total	26,198	73%

Bank Exposures

PD Range	EAD RM million	Average Risk Weight
up to 0.05%	9,282	9%
> 0.05 to 0.5%	3,185	18%
> 0.5 to 2.5%	161	48%
> 2.5 to 9%	#	119%
> 9%	#	182%
Default	-	NA
Total	12,628	12%

Public Sector Entity Exposures

PD Range	EAD RM million	Average Risk Weight
up to 0.05%	177	16%
> 0.05 to 0.5%	-	0%
> 0.5 to 2.5%	-	0%
> 2.5 to 9%	-	0%
> 9%	-	0%
Default	-	NA
Total	177	16%

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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%	24,297	4,397	13%	8%
> 0.5 to 3%	6,360	823	14%	21%
> 3 to 10%	923	46	13%	52%
> 10%	1,267	54	14%	78%
100%	354	17	17%	35%
Total	33,201	5,337	14%	15%

Qualifying Revolving Retail Exposures

PD Range	EAD	Undrawn Commitment	EAD Weighted Average	
	RM million	RM million	LGD	Risk Weight
up to 0.5%	944	1,511	75%	9%
> 0.5 to 3%	376	285	82%	52%
> 3 to 10%	89	31	76%	125%
> 10%	76	14	75%	197%
100%	8	-	76%	0%
Total	1,493	1,841	77%	36%

Other Retail - Small Business Exposures

PD Range	EAD	Undrawn Commitment	EAD Weighted Average	
	RM million	RM million	LGD	Risk Weight
up to 0.5%	3,351	1,284	35%	16%
> 0.5 to 3%	5,967	826	37%	36%
> 3 to 10%	4,708	356	41%	66%
> 10%	426	11	40%	94%
100%	346	14	39%	122%
Total	14,798	2,491	38%	45%

Exposures Covered by Credit Risk Mitigation

	Eligible Financial Collateral RM million	Other Eligible IRB 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	27	-	-
Others	#	-	-
Total	30	-	-
Foundation IRB Approach			
Corporate	713	8,373	2
Bank	381		
Total	1,094	8,373	2

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	1,351
Potential Future Exposure	2,079
Less: Effects of Netting	-
EAD under Current Exposure Method	3,430
Analysed by type:	
Foreign Exchange Contracts	2,495
Interest Rate Contracts	879
Equity Contracts	26
Gold and Precious Metals Contracts	-
Other Commodities Contracts	-
Credit Derivative Contracts	30
Less: Eligible Financial Collateral	381
Net Derivatives Credit Exposure	3,049

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	444	444
Total	444	444

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	Short Position		
	RM million	RM million	RM million	RM million
Interest Rate Risk	27,962	26,460	765	61
Foreign Currency Risk	50	29	50	4
Equity Risk	65	57	106	9
Commodity Risk	3	3	2	#
Options Risk	8	1	104	8
Total	28,088	26,550	1,027	82

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EQUITY EXPOSURES

Equity exposures comprise of investment in unquoted equity instruments. Equity exposures comprise investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

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 equities	-
Unrealised gains/(losses) included in fair value	-
Total	-

Interest Rate Risk in Banking Book

The interest rate risk in the banking book is monitored on a monthly basis and behavioural assumptions for indeterminate deposits have been implemented. The impact on net interest income of the banking book is simulated under various interest rate assumptions for major currencies. As at 30 June 2015, based on a scenario where MYR interest rates shifted up by 50-basis point on parallel basis, the net interest income is estimated to increase by RM111.3 million. The corresponding impact from a 50-basis point shifted down is estimated to reduce by RM111.1 million in net interest income.