

Company No. 295400-W



OCBC Bank (Malaysia) Berhad  
(Incorporated in Malaysia)

## **Basel II Pillar 3 Market Disclosure 30 June 2013**

*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 2013)

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 <sup>1</sup> after CRM <sup>2</sup> RM million	RWA RM million
<b>Credit Risk</b>		
Standardised Approach		
Corporate	36	36
Sovereign & Central Bank	13,946	92
Retail	800	686
Equity	109	109
Securitisation	1	#
Others	623	482
<b>Total Standardised</b>	<b>15,515</b>	<b>1,405</b>
Internal Ratings-Based (IRB) Approach		
Foundation IRB		
Corporate	21,442	18,790
Bank	7,508	1,907
Public Sector Entity	28	2
Advanced IRB		
Residential Mortgage	22,957	3,220
Qualifying Revolving Retail	1,141	304
Other Retail - Small Business	13,253	5,410
Specialised Lending under Supervisory Slotting Criteria	3,156	4,037
<b>Total IRB</b>	<b>69,485</b>	<b>33,670</b>
<b>Total Credit Risk</b>	<b>85,000</b>	<b>35,075</b>
<b>Market Risk</b>		
Standardised Approach		838
<b>Total Market Risk</b>		<b>838</b>
<b>Operational Risk</b>		
Standardised Approach <sup>3</sup>		3,723
<b>Total Operational Risk</b>		<b>3,723</b>
<b>Total RWA</b>		<b>39,636</b>

Note:

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

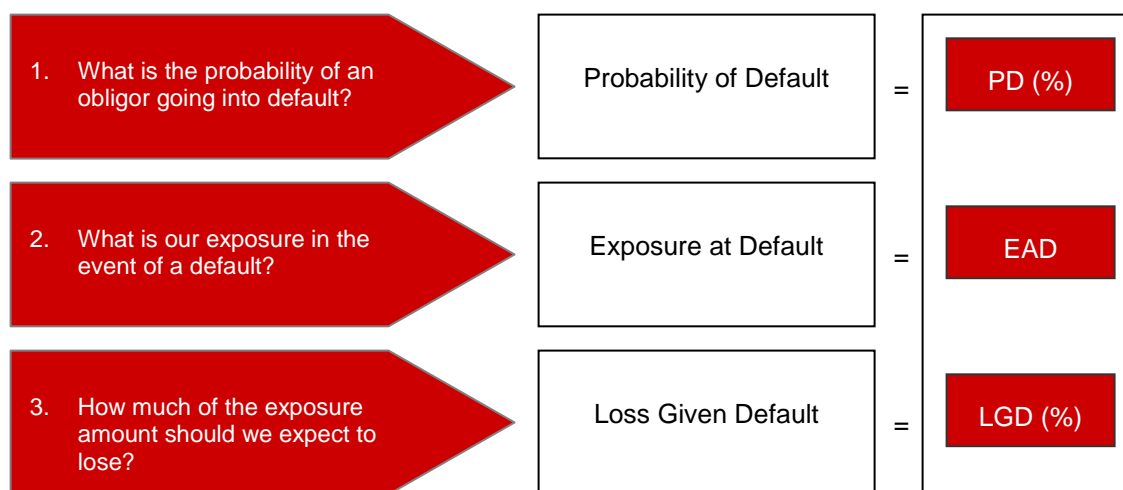
<sup>2</sup> CRM refers to credit risk mitigation

<sup>3</sup> OCBC Bank (M) Berhad Group and OCBC Bank (M) Berhad have adopted 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%	13,959
20% - 35%	48
50% - 75%	514
100%	856
>100%	30
<b>Total</b>	<b>15,407</b>

Rated exposures	13,865
Unrated exposures	1,542

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.

<b>Risk Weight</b>	<b>EAD RM million</b>
100%	109
200%	-
<b>Total</b>	<b>109</b>

### Securitisation Exposures Purchased

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

"#" 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 finance.

	<b>EAD RM million</b>	<b>Average Risk Weight</b>
Strong	159	63%
Good	394	88%
Satisfactory	2,191	122%
Weak	347	265%
Default	65	NA
<b>Total</b>	<b>3,156</b>	<b>128%</b>

### 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%	574	21%
> 0.05 to 0.5%	5,591	45%
> 0.5 to 2.5%	8,982	83%
> 2.5 to 9%	5,277	148%
> 9%	413	206%
Default	605	NA
<b>Total</b>	<b>21,442</b>	<b>88%</b>

#### Bank Exposures

PD Range	EAD RM million	Average Risk Weight
up to 0.05%	3,730	9%
> 0.05 to 0.5%	2,952	33%
> 0.5 to 2.5%	778	70%
> 2.5 to 9%	48	109%
> 9%	#	194%
Default	-	NA
<b>Total</b>	<b>7,508</b>	<b>25%</b>

#### Public Sector Entity Exposures

PD Range	EAD RM million	Average Risk Weight
up to 0.05%	28	8%
> 0.05 to 0.5%	-	-
> 0.5 to 2.5%	-	-
> 2.5 to 9%	-	-
> 9%	-	-
Default	-	NA
<b>Total</b>	<b>28</b>	<b>8%</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%	16,352	2,969	13%	7%
> 0.5 to 3%	5,331	617	15%	25%
> 3 to 10%	651	35	14%	62%
> 10%	356	6	14%	80%
100%	267	#	20%	46%
<b>Total</b>	<b>22,957</b>	<b>3,627</b>	<b>13%</b>	<b>14%</b>

#### *Qualifying Revolving Retail Exposures*

PD Range	EAD RM million	Undrawn Commitment RM million	EAD Weighted Average	
			LGD	Risk Weight
up to 0.5%	880	571	83%	9%
> 0.5 to 3%	165	57	90%	46%
> 3 to 10%	55	13	90%	126%
> 10%	34	8	90%	224%
100%	7	-	90%	0%
<b>Total</b>	<b>1,141</b>	<b>649</b>	<b>85%</b>	<b>27%</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%	4,025	1,043	34%	15%
> 0.5 to 3%	5,208	777	35%	36%
> 3 to 10%	3,407	279	40%	64%
> 10%	316	13	37%	89%
100%	297	#	39%	168%
<b>Total</b>	<b>13,253</b>	<b>2,112</b>	<b>36%</b>	<b>41%</b>

"#" represents amount less than RM0.5 million

## 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
<b>Standardised Approach</b>			
Corporate	-	-	-
Sovereign & Central Bank	-	-	-
Retail	48	-	-
Others	4	-	-
<b>Total</b>	<b>52</b>	<b>-</b>	<b>-</b>
<b>Foundation IRB Approach</b>			
Corporate	881	4,801	4
Bank	83	-	-
<b>Total</b>	<b>964</b>	<b>4,801</b>	<b>4</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 Lending.

## Counterparty Credit Risk Exposures

	RM million
Replacement Cost	625
Potential Future Exposure	2,015
Less: Effects of Netting	-
<b>EAD under Current Exposure Method</b>	<b>2,640</b>
Analysed by type:	
Foreign Exchange Contracts and Gold	1,611
Interest Rate Contracts	806
Equity Contracts	52
Precious Metals Contracts	-
Other Commodities Contracts	29
Credit Derivative Contracts	142
Less: Eligible Financial Collateral	83
<b>Net Derivatives Credit Exposure</b>	<b>2,557</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
<b>Credit Derivatives Swap</b>		
For own credit portfolio	510	-
For intermediation activities	1,355	1,355
<b>Total</b>	<b>1,865</b>	<b>1,355</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	31,909	30,777	647	52
Foreign Currency Risk	94	34	94	7
Equity Risk	245	248	8	1
Commodity Risk	-	-	-	-
Inventory Risk	-	-	-	-
Options Risk	7	-	89	7
<b>Total</b>	<b>32,255</b>	<b>31,059</b>	<b>838</b>	<b>67</b>

### 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 2013, based on a 50-basis point increase in MYR interest rate, the net interest income is estimated to increase by RM88.1 million. The corresponding impact from a 50-basis point decrease is an estimated reduction of RM87.5 million in net interest income.



## EQUITY EXPOSURES IN BANKING BOOK

Equity exposures comprise investment in quoted and 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

	<b>RM million</b>
Quoted equity exposure - Available For Sale	-
Unquoted equity exposure - Available For Sale	109
<b>Total</b>	<b>109</b>

### Realised and Unrealised Gains and Losses

	<b>RM million</b>
Gains/(losses) from disposal of AFS equities	21
<b>Total</b>	<b>21</b>