

Company No. 295400-W



OCBC Bank (Malaysia) Berhad
(Incorporated in Malaysia)

Basel II Pillar 3 Market Disclosure 30 June 2016

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 2016)

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	18	18
Sovereign & Central Bank	17,370	196
Retail	758	733
Equity	109	109
Securitisation	-	-
Others	658	474
Total Standardised	18,913	1,530
Internal Ratings-Based (IRB) Approach		
Foundation IRB		
Corporate	30,505	26,523
Bank	9,951	1,282
Public Sector Entity	1,004	166
Advanced IRB		
Residential Mortgage	34,006	5,157
Qualifying Revolving Retail	1,471	528
Other Retail - Small Business	13,278	6,506
Specialised Lending under Supervisory Slotting Criteria	163	176
Total IRB	90,378	40,338
Total Credit Risk	109,291	41,868
Large Exposure Risk Requirement		64
Market Risk		
Standardised Approach		1,374
Amount Absorbed by PSIA		-
Total Market Risk		1,374
Operational Risk		
Standardised Approach ²		4,353
Total Operational Risk		4,353
Total RWA		47,659

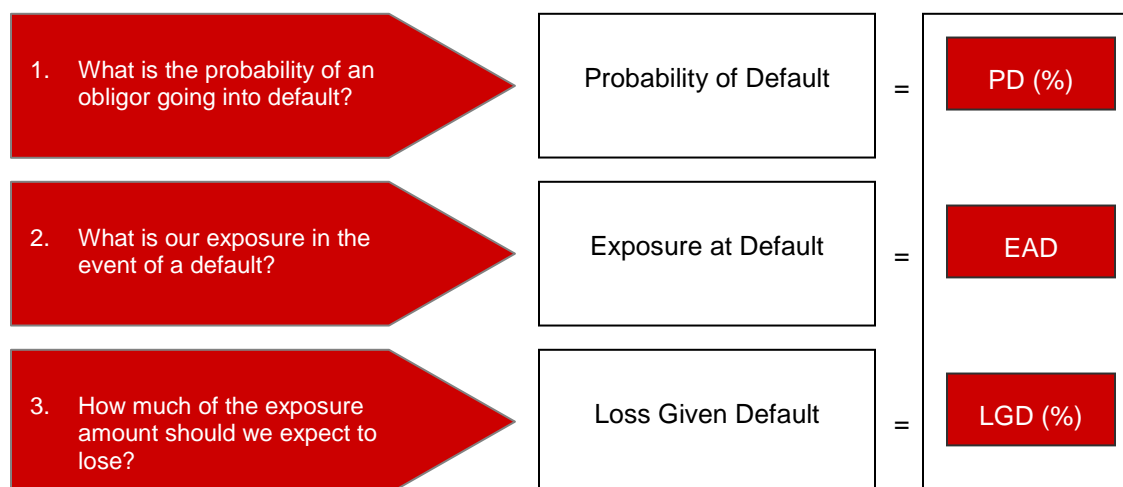
Note:

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%	17,182
20% - 35%	220
50% - 90%	196
100%	1,158
>100%	48
Total	18,804
Rated exposures	17,370
Unrated exposures	1,434

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
200%	-
Total	109

Securitisation Exposures

There is no securitisation and re-securitisation exposure in the banking and trading books as at 30 June 2016.

Specialised Lending Exposures under Supervisory Slotting Criteria

Specialised lending exposures include project and object financing.

	EAD RM million	Average Risk Weight
Strong	-	-
Good	-	-
Satisfactory	144	122%
Weak	-	-
Default	19	NA
Total	163	108%

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%	662	27%
> 0.05 to 0.5%	8,031	46%
> 0.5 to 2.5%	14,107	89%
> 2.5 to 9%	6,431	133%
> 9%	782	201%
Default	492	NA
Total	30,505	87%

Bank Exposures

PD Range	EAD RM million	Average Risk Weight
up to 0.05%	7,149	9%
> 0.05 to 0.5%	2,771	22%
> 0.5 to 2.5%	31	62%
> 2.5 to 9%	#	119%
> 9%	-	-
Default	-	NA
Total	9,951	13%

Public Sector Entity Exposures

PD Range	EAD RM million	Average Risk Weight
up to 0.05%	1,004	17%
> 0.05 to 0.5%	-	-
> 0.5 to 2.5%	-	-
> 2.5 to 9%	-	-
> 9%	-	-
Default	-	NA
Total	1,004	17%

"#" 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%	24,148	3,382	13%	8%
> 0.5 to 3%	6,696	642	13%	20%
> 3 to 10%	1,099	37	14%	53%
> 10%	1,602	62	14%	76%
100%	461	26	18%	43%
Total	34,006	4,149	13%	15%

Qualifying Revolving Retail Exposures

PD Range	EAD RM million	Undrawn Commitment RM million	EAD Weighted Average	
			LGD	Risk Weight
up to 0.5%	953	1,533	75%	9%
> 0.5 to 3%	336	260	81%	50%
> 3 to 10%	92	33	76%	124%
> 10%	82	14	75%	196%
100%	8	-	75%	0%
Total	1,471	1,840	77%	36%

Other Retail - Small Business Exposures

PD Range	EAD RM million	Undrawn Commitment RM million	EAD Weighted Average	
			LGD	Risk Weight
up to 0.5%	2,474	1,087	31%	16%
> 0.5 to 3%	5,616	691	37%	36%
> 3 to 10%	4,382	283	41%	66%
> 10%	420	11	41%	98%
100%	386	10	41%	210%
Total	13,278	2,082	37%	49%

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	30	-	-
Others	#	-	-
Total	33	-	-
Foundation IRB Approach			
Corporate	1,207	10,818	17
Bank	530	-	-
Total	1,737	10,818	17

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

Counterparty Credit Risk Exposures

	RM million
Replacement Cost	1,401
Potential Future Exposure	2,223
Less: Effects of Netting	-
EAD under Current Exposure Method	3,624
Analysed by type:	
Foreign Exchange Contracts	2,594
Interest Rate Contracts	967
Equity Contracts	20
Gold and Precious Metals Contracts	-
Other Commodities Contracts	-
Credit Derivative Contracts	43
Less: Eligible Financial Collateral	530
Net Derivatives Credit Exposure	3,094

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	590	590
Total	590	590

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	26,488	25,312	1,026	82
Foreign Currency Risk	205	130	205	16
Equity Risk	39	14	99	8
Commodity Risk	7	5	8	1
Inventory Risk	-	-	-	-
Options Risk	3	#	36	3
Total	26,742	25,461	1,374	110

"#" represents amount less than RM0.5 million

EQUITY EXPOSURES

Equity exposures comprise of investment in quoted and unquoted equity instruments. Investments 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 reserve	-
Total	-

"#" represents amount less than RM0.5 million

Interest Rate Risk in Banking Book

Based on a 50 basis point parallel rise in yield curves on the OCBC (M) Group's exposure to major currency i.e. Malaysian Ringgit, net interest income is estimated to increase by MYR118.2 million, or approximately +17.8% of reported net interest income. The corresponding impact from a 50 basis point decrease is an estimated reduction of MYR117.5 million in net interest income, or approximately -17.7% of reported net interest income.