

Company No. 818444-T



OCBC Al-Amin Bank Berhad
(Incorporated in Malaysia)

**Basel II Pillar 3 Market Disclosure
31 December 2017**

*The disclosure in this section refers to OCBC Al-Amin Bank Berhad position.
OCBC Al-Amin Bank Berhad is a subsidiary of OCBC Bank (Malaysia) Berhad*

BASEL II PILLAR 3 MARKET DISCLOSURES – 31 DECEMBER 2017

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OCBC Al-Amin Bank Berhad
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**ATTESTATION BY CHIEF EXECUTIVE OFFICER PURSUANT TO CAPITAL
ADEQUACY FRAMEWORK FOR ISLAMIC BANKS (CAFIB - BASEL II) –
DISCLOSURE REQUIREMENTS (PILLAR 3)**

The risk disclosures set out in the Risk Management Chapter and Basel II Pillar 3 Market Disclosure are generally in conformance with the Bank Negara Malaysia Capital Adequacy Framework for Islamic Banks (CAFIB-Basel II) – Disclosure Requirements (Pillar 3) for the Group as at 31 December 2017.

SYED ABDULL AZIZ JAILANI BIN SYED KECHIK
CHIEF EXECUTIVE OFFICER

Kuala Lumpur

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Risk Management

Please refer to the Risk Management chapter of OCBC (M) Group.

Basel II Pillar 3 Market Disclosure

(OCBC Al-Amin Bank Berhad – Position as at 31 December 2017)

The purpose of this disclosure is to provide the information in accordance with BNM Capital Adequacy Framework for Islamic Bank (CAFIB - Basel II) – Disclosure Requirements (Pillar 3) Guideline. 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	-	-
Sovereign & Central Bank	3,994	55
Retail	385	401
Equity	-	-
Securitisation	-	-
Others	38	14
Total Standardised	4,417	470
Amount Absorbed by PSIA (STD Approach)	-	-
Internal Ratings-Based (IRB) Approach		
Foundation IRB		
Corporate	6,670	6,094
Bank	1,785	473
Public Sector Entity	20	2
Advanced IRB		
Residential Mortgage	2,207	413
Qualifying Revolving Retail	-	-
Other Retail - Small Business	1,719	907
Specialised Financing under Supervisory Slotting Criteria	33	40
Total IRB	12,434	7,929
Amount Absorbed by PSIA (IRB Approach)	1,872	1,797
Total Credit Risk After Effects of PSIA²	14,979	6,602
Market Risk		
Standardised Approach		7
Amount Absorbed by PSIA		-
Total Market Risk After Effects of PSIA		7
Operational Risk		
Basic Indicator Approach		867
Total Operational Risk		867
Total RWA		7,476

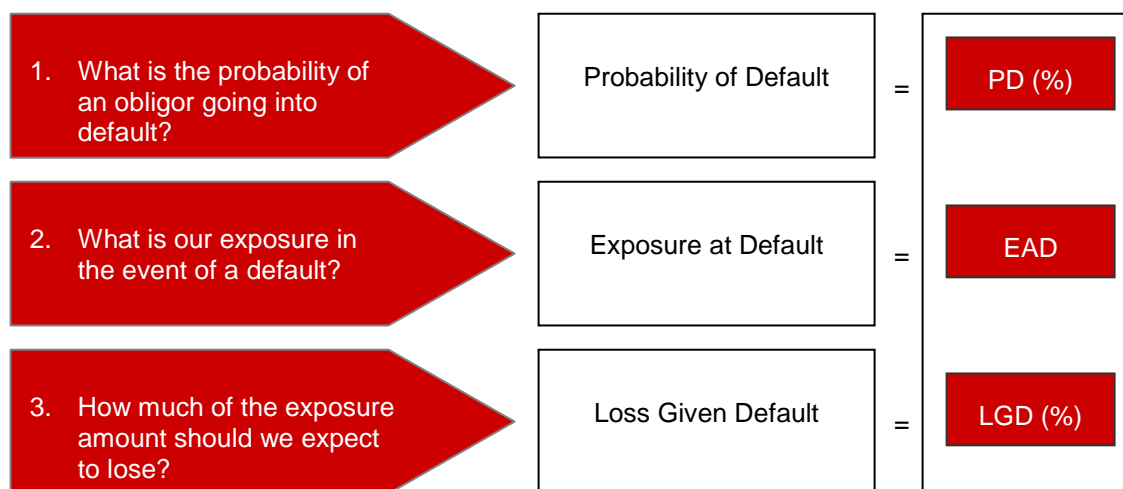
Note:

¹ EAD refers to exposure at default after credit risk mitigation

² Refers to Profit Sharing Investment Account

CREDIT RISK

With Basel II implementation, OCBC Al-Amin Bank Berhad 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, debt securities, personal financing to individuals and other assets. Rated exposures relate to sovereign and debt securities while unrated exposures relate mainly to personal financing and other assets.

Risk Weight	EAD RM million
0%	3,892
20% - 35%	27
50% - 75%	100
100%	367
>100%	31
Total	4,417
Rated exposures	3,994
Unrated exposures	423

Note: Excludes Equity

Specialised Financing Exposures under Supervisory Slotting Criteria

Specialised financing exposures include project financing.

	EAD RM million	Average Risk Weight
Strong	-	-
Good	-	-
Satisfactory	33	122%
Weak	-	-
Default	-	NA
Total	33	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%	170	21%
> 0.05 to 0.5%	1,272	52%
> 0.5 to 2.5%	2,043	83%
> 2.5 to 9%	1,065	153%
> 9%	132	210%
Default	116	NA
Total	4,798	90%

Note: Corporate EAD excludes amount absorbed by PSIA of RM1,872 million

Bank Exposures

PD Range	EAD RM million	Average Risk Weight
up to 0.05%	690	10%
> 0.05 to 0.5%	996	35%
> 0.5 to 2.5%	99	58%
> 2.5 to 9%	-	-
> 9%	-	-
Default	-	NA
Total	1,785	27%

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Public Sector Entity Exposures

PD Range	EAD RM million	Average Risk Weight
up to 0.05%	20	10%
> 0.05 to 0.5%	-	-
> 0.5 to 2.5%	-	-
> 2.5 to 9%	-	-
> 9%	-	-
Default	-	NA
Total	20	10%

Credit Exposures under Advanced Internal Ratings-Based Approach (A-IRBA)

Residential Mortgages are financing to individuals secured by residential properties. Other Retail – Small Business exposures include financing to small businesses and commercial property financings to individuals.

Residential Mortgages

PD Range	EAD RM million	Undrawn Commitment RM million	EAD Weighted Average	
			LGD	Risk Weight
up to 0.5%	1,406	74	12%	8%
> 0.5 to 3%	452	4	13%	17%
> 3 to 10%	112	1	13%	52%
> 10%	171	2	13%	76%
100%	66	1	19%	63%
Total	2,207	82	12%	19%

Other Retail - Small Business Exposures

PD Range	EAD RM million	Undrawn Commitment RM million	EAD Weighted Average	
			LGD	Risk Weight
up to 0.5%	876	130	40%	23%
> 0.5 to 3%	447	8	49%	60%
> 3 to 10%	112	4	44%	72%
> 10%	210	1	49%	108%
100%	74	1	41%	177%
Total	1,719	144	44%	53%

Actual Loss and Expected Loss for Exposures under Foundation and Advanced IRB Approaches

Actual loss refers to net impairment loss allowance and direct write-off to the statement of profit or loss during the year. Expected loss (“EL”) represents model derived and / or regulatory prescribed estimates of future loss on potential defaults over a one-year time horizon. Comparison of the two measures has limitations because they are calculated using different methods. EL computations are based on LGD and EAD estimates that reflect downturn economic conditions and regulatory minimums, and PD estimates that reflect long run through-the-cycle approximation of default rates. Actual loss is based on accounting standards and represents the point-in-time impairment experience for the financial year.

	Actual Loss for 12 months ended 31 December 2017	Regulatory Expected Loss (Non-defaulted) as at 31 December 2016
	RM million	RM million
Corporate	72	36
Bank	-	1
Other Retail - Small Business	9	53
Retail	4	8
Total	84	98

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	-	-	-
Sovereign & Central Bank	-	-	-
Retail	-	-	-
Others	-	-	-
Total	-	-	-
Foundation IRB Approach			
Corporate	220	1,352	32
Bank	-	-	-
Total	220	1,352	32

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 Financing.

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Counterparty Credit Risk Exposure

	RM million
Replacement Cost	#
Potential Future Exposure	#
Less: Effects of Netting	-
EAD under Current Exposure Method	1
Analysed by type:	
Foreign Exchange Contracts	1
Benchmark Rate Contracts	-
Equity Contracts	-
Gold and Precious Metals Contracts	-
Other Commodities Contracts	-
Credit Derivative Contracts	-
Less: Eligible Financial Collateral	-
Net Derivatives Credit Exposure	1

Note: Not all forms of collateral or credit risk mitigation are included for regulatory capital calculations.

"#" represents amount less than RM0.5 million

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	Short Position		
	RM million	RM million		
Benchmark Rate Risk	30	30	1	#
Foreign Currency Risk	1	6	6	#
Equity Risk	-	-	-	-
Commodity Risk	-	-	-	-
Inventory Risk	-	-	-	-
Options Risk	-	-	-	-
Total	31	36	7	1

"#" represents amount less than RM0.5 million

Benchmark Rate Risk in Banking Book

Based on a 50 basis point parallel rise in yield curves on the Bank's exposure to major currency i.e. Malaysian Ringgit, net profit income is estimated to increase by MYR18.6 million, or approximately +5.2% of reported net profit income. The corresponding impact from a 50 basis point decrease is an estimated reduction of MYR19.8 million in net profit income, or approximately -5.5% of reported net profit income.

SHARIAH GOVERNANCE

Non-Shariah compliant events refer to any events which are not in accordance with the rules set by the Shariah Committee of the Bank or by BNM's Shariah Advisory Council. In line with the Guideline on Shariah Governance Framework for Islamic Financial Institutions (IFI), the Bank is managing Shariah Non-compliance risk arising from its activities and operations.

Shariah Governance Disclosures

	Amount in RM million
Non-Shariah compliant income	#

	Number of incidents
Non-Shariah compliant events	3

"#" represents amount less than RM0.5 million