

Company No. 818444-T



OCBC Al-Amin Bank Berhad
(Incorporated in Malaysia)

**Basel II Pillar 3 Market Disclosure
31 December 2013**

*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 2013

CONTENTS	PAGE
CEO ATTESTATION STATEMENT	3
RISK MANAGEMENT	4
BASEL II PILLAR 3 MARKET DISCLOSURE	5 – 11

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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 2013.

SYED ABDULL AZIZ JAILANI BIN SYED KECHIK
DIRECTOR & 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 2013)

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 after CRM ² RM million	RWA RM million
Credit Risk		
Standardised Approach		
Sovereign & Central Bank	2,599	71
Retail	769	598
Others	38	24
Total Standardised	3,406	693
Internal Ratings-Based (IRB) Approach		
Foundation IRB		
Corporate	3,670	2,663
Bank	572	116
Advanced IRB		
Residential Mortgage	895	146
Other Retail - Small Business	2,284	1,223
Specialised Financing under Supervisory Slotting Criteria	214	288
Total IRB	7,635	4,436
Amount Absorbed by PSIA (IRB Approach)	648	302
Total Credit Risk After Effects of PSIA³	10,393	4,827
Market Risk		
Standardised Approach	-	4
Amount Absorbed by PSIA	-	-
Total Market Risk After Effects of PSIA	-	4
Operational Risk		
Basic Indicator Approach	-	443
Total Operational Risk	-	443
Total RWA	-	5,274

Note:

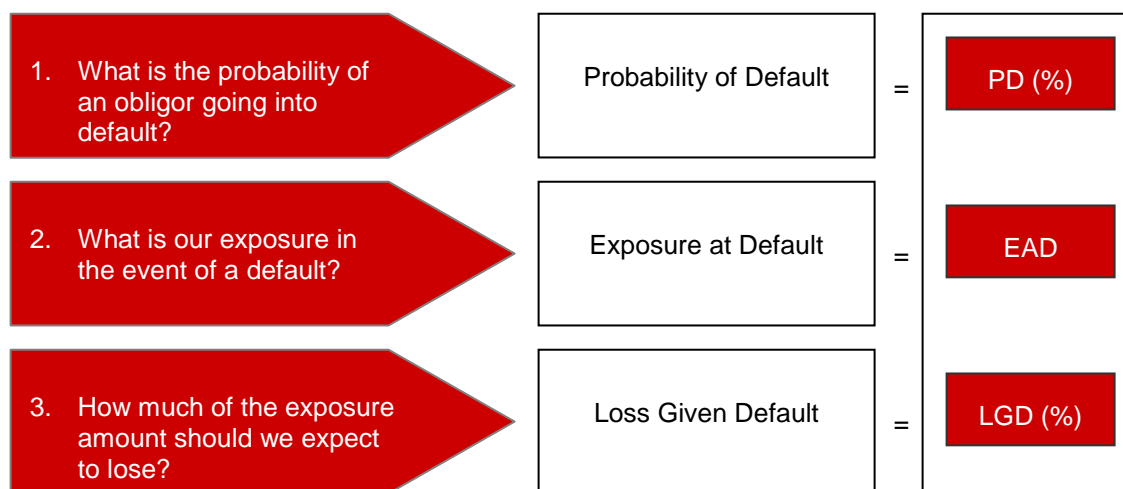
¹ EAD refers to exposure at default after credit risk mitigation

² CRM refers to credit risk mitigation

³ Refers to Profit Sharing Investment Account

CREDIT RISK

With Basel II implementation, OCBC AI-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%	2,461
20% - 35%	101
50% - 75%	687
100%	157
>100%	#
Total	3,406
Rated exposures	2,548
Unrated exposures	858

Note: Exclude Equity

"#" represents amount less than RM0.5 million

Specialised Financing Exposures under Supervisory Slotting Criteria

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

	EAD RM million	Average Risk Weight
Strong	-	-
Good	1	95%
Satisfactory	194	122%
Weak	19	265%
Default	-	NA
Total	214	135%

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.

Corporate Exposures

PD Range	EAD RM million	Average Risk Weight
up to 0.05%	239	12%
> 0.05 to 0.5%	1,642	50%
> 0.5 to 2.5%	1,193	81%
> 2.5 to 9%	495	152%
> 9%	43	222%
Default	58	NA
Total	3,670	73%

Note: Corporate EAD includes amount absorbed by PSIA of RM648 million

Bank Exposures

PD Range	EAD RM million	Average Risk Weight
up to 0.05%	402	8%
> 0.05 to 0.5%	150	25%
> 0.5 to 2.5%	#	58%
> 2.5 to 9%	-	0%
> 9%	20	243%
Default	-	NA
Total	572	20%

"#" represents amount less than RM0.5 million

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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

	EAD	Undrawn Commitment	<u>EAD Weighted Average</u>	
PD Range	RM million	RM million	LGD	Risk Weight
up to 0.5%	624	147	15%	9%
> 0.5 to 3%	244	47	17%	28%
> 3 to 10%	17	4	16%	71%
> 10%	7	#	14%	75%
100%	3	-	17%	47%
Total	895	198	16%	16%

"#" represents amount less than RM0.5 million

Other Retail - Small Business Exposures

	EAD	Undrawn Commitment	<u>EAD Weighted Average</u>	
PD Range	RM million	RM million	LGD	Risk Weight
up to 0.5%	845	50	59%	23%
> 0.5 to 3%	608	35	53%	53%
> 3 to 10%	753	48	51%	81%
> 10%	46	#	54%	136%
100%	32	-	50%	94%
Total	2,284	133	55%	54%

"#" represents amount less than RM0.5 million

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 2013	Regulatory Expected Loss (Non-defaulted) as at 31 December 2012
	RM million	RM million
Corporate	#	22
Bank	-	#
Other Retail - Small Business	10	14
Retail	#	#
Total	10	36

“#” represents amount less than RM0.5 million

Exposures Covered by Credit Risk Mitigation

	Eligible Financial Collateral	Other Eligible IRB Collateral	Amount by which credit exposures have been reduced by eligible credit protection
	RM million	RM million	RM million
Standardised Approach			
Corporate	-	-	-
Sovereign & Central Bank	-	-	-
Retail	-	-	-
Others	-	-	-
Total	-	-	-
Foundation IRB Approach			
Corporate	10	192	-
Bank	-	-	-
Total	10	192	-

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	#
Analysed by type:	
Foreign Exchange Contracts	#
Benchmark Rate Contracts	-
Equity Contracts	-
Gold and Precious Metals Contracts	-
Other Commodities Contracts	-
Credit Derivative Contracts	-
Less: Eligible Financial Collateral	-
Net Derivatives Credit Exposure	#

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	Min. Capital Requirement
	Long Position	Short Position		
	RM million	RM million	RM million	RM million
Benchmark Rate Risk	6	5	#	#
Foreign Currency Risk	4	1	4	#
Equity Risk	-	-	-	-
Commodity Risk	-	-	-	-
Inventory Risk	-	-	-	-
Options Risk	-	-	-	-
Total	10	6	4	#

"#" represents amount less than RM0.5 million

Benchmark Rate Risk in Banking Book

The benchmark 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 profit income of the banking book is simulated under various benchmark rate assumptions for major currencies. As at 31 Dec 2013, based on a scenario where MYR benchmark rate shifted up by 50-basis point on parallel basis, the net profit income is estimated to increase by RM 2.5 million. The corresponding impact from a 50-basis point shifted down is estimated to reduce by RM 2.5 million in 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	14

"#" represents amount less than RM0.5 million