

Company No. 818444-T



OCBC Al-Amin Bank Berhad
(Incorporated in Malaysia)

**Basel II Pillar 3 Market Disclosure
31 December 2014**

*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 2014

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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 2014.

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 2014)

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	3,783	79
Retail	829	767
Equity	-	-
Securitisation	-	-
Others	86	74
Total Standardised	4,698	920
Internal Ratings-Based (IRB) Approach		
Foundation IRB		
Corporate	4,464	2,896
Bank	437	99
Public Sector Entity	20	5
Advanced IRB		
Residential Mortgage	1,789	322
Qualifying Revolving Retail	-	-
Other Retail - Small Business	2,861	1,583
Specialised Financing under Supervisory Slotting Criteria	233	359
Total IRB	9,804	5,264
Amount Absorbed by PSIA (IRB Approach)	1,129	581
Total Credit Risk After Effects of PSIA²	13,373	5,603
Market Risk		
Standardised Approach	-	8
Amount Absorbed by PSIA	-	-
Total Market Risk After Effects of PSIA	-	8
Operational Risk		
Basic Indicator Approach	-	611
Total Operational Risk	-	611
Total RWA	-	6,222

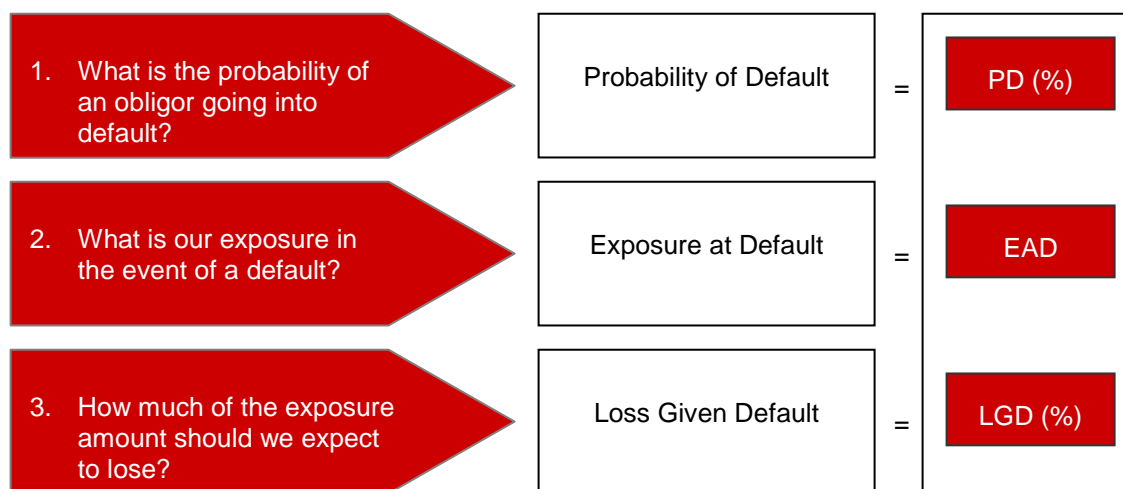
Note:

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%	3,606
20% - 35%	104
50% - 75%	357
100%	604
>100%	27
Total	4,698
Rated exposures	3,783
Unrated exposures	915

Note: Exclude Equity

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	3	95%
Satisfactory	177	122%
Weak	53	265%
Default	-	NA
Total	233	154%

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%	119	10%
> 0.05 to 0.5%	1,507	46%
> 0.5 to 2.5%	1,201	87%
> 2.5 to 9%	380	147%
> 9%	5	214%
Default	123	NA
Total	3,335	69%

Note: Corporate EAD excludes amount absorbed by PSIA of RM1129 million

Bank Exposures

PD Range		Average Risk Weight
up to 0.05%	206	7%
> 0.05 to 0.5%	131	30%
> 0.5 to 2.5%	100	46%
> 2.5 to 9%	-	-
> 9%	-	-
Default	-	NA
Total	437	23%

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Public Sector Entity Exposures

PD Range		Average Risk Weight
up to 0.05%	20	24%
> 0.05 to 0.5%	-	-
> 0.5 to 2.5%	-	-
> 2.5 to 9%	-	-
> 9%	-	-
Default	-	NA
Total	20	24%

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	Undrawn Commitment	EAD Weighted Average	
	RM million	RM million	LGD	Risk Weight
up to 0.5%	1,142	249	15%	9%
> 0.5 to 3%	561	103	17%	29%
> 3 to 10%	52	13	16%	74%
> 10%	25	2	15%	78%
100%	9	#	16%	15%
Total	1,789	367	15%	18%

"#" represents amount less than RM0.5 million

Other Retail - Small Business Exposures

PD Range	EAD	Undrawn Commitment	EAD Weighted Average	
	RM million	RM million	LGD	Risk Weight
up to 0.5%	826	66	57%	24%
> 0.5 to 3%	969	48	53%	53%
> 3 to 10%	942	72	49%	79%
> 10%	75	1	55%	125%
100%	49	#	52%	68%
Total	2,861	187	53%	55%

"#" 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 2014	Regulatory Expected Loss (Non-defaulted) as at 31 December 2013
	RM million	RM million
Corporate	3	20
Bank	-	1
Other Retail - Small Business	32	37
Retail	1	2
Total	36	60

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	-	-	-
Sovereign & Central Bank	-	-	-
Retail	-	-	-
Others	-	-	-
Total	-	-	-
Foundation IRB Approach			
Corporate	16	498	-
Bank	-	-	-
Total	16	498	-

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	4
Potential Future Exposure	3
Less: Effects of Netting	
EAD under Current Exposure Method	7
Analysed by type:	
Foreign Exchange Contracts	7
Benchmark Rate Contracts	-
Equity Contracts	-
Gold and Precious Metals Contracts	-
Other Commodities Contracts	-
Credit Derivative Contracts	-
Less: Eligible Financial Collateral	-
Net Derivatives Credit Exposure	7

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

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	223	223	1	#
Foreign Currency Risk	7	1	7	1
Equity Risk	-	-	-	-
Commodity Risk	-	-	-	-
Inventory Risk	-	-	-	-
Options Risk	-	-	-	-
Total	230	224	8	1

"#" 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 2014, 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 5.3 million. The corresponding impact from a 50-basis point shifted down is estimated to reduce by RM 5.4 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	10

"#" represents amount less than RM0.5 million