

Company No. 818444-T



OCBC Al-Amin Bank Berhad
(Incorporated in Malaysia)

**Basel II Pillar 3 Market Disclosure
31 December 2016**

*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 2016

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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 2016.

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 2016)

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	4,420	127
Retail	571	572
Equity	-	-
Securitisation	-	-
Others	47	27
Total Standardised	5,038	726
Amount Absorbed by PSIA (STD Approach)	39	-
Internal Ratings-Based (IRB) Approach		
Foundation IRB		
Corporate	5,694	5,366
Bank	838	183
Public Sector Entity	20	3
Advanced IRB		
Residential Mortgage	2,307	460
Qualifying Revolving Retail	-	-
Other Retail - Small Business	2,142	1,190
Specialised Financing under Supervisory Slotting Criteria	16	20
Total IRB	11,017	7,222
Amount Absorbed by PSIA (IRB Approach)	1,333	1,492
Total Credit Risk After Effects of PSIA²	14,683	6,456
Market Risk		
Standardised Approach		5
Amount Absorbed by PSIA		-
Total Market Risk After Effects of PSIA		5
Operational Risk		
Basic Indicator Approach		863
Total Operational Risk		863
Total RWA		7,324

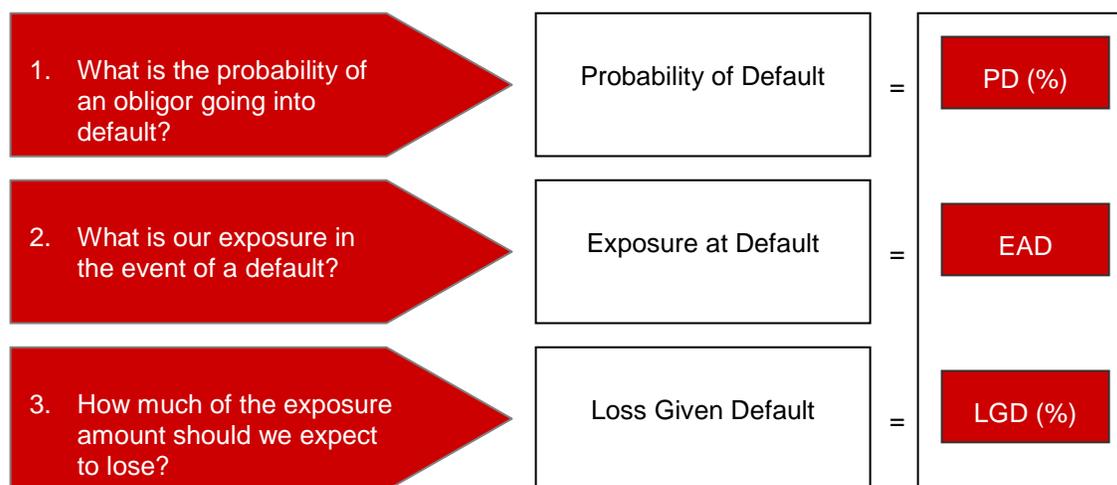
Note:

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%	4,263
20% - 35%	15
50% - 75%	77
100%	602
>100%	42
Total	4,999
Rated exposures	4,381
Unrated exposures	618

Note:

1. Exclude Equity
2. EAD excludes amount absorbed by PSIA of RM39 million

Specialised Financing Exposures under Supervisory Slotting Criteria

Specialised financing exposures include project financing.

	EAD RM million	Average Risk Weight
Strong	-	-
Good	-	-
Satisfactory	16	122%
Weak	-	-
Default	-	-
Total	16	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%	236	30%
> 0.05 to 0.5%	1,109	47%
> 0.5 to 2.5%	1,840	85%
> 2.5 to 9%	887	152%
> 9%	164	223%
Default	125	NA
Total	4,361	89%

Note: Corporate EAD excludes amount absorbed by PSIA of RM1,333 million

Bank Exposures

PD Range	EAD RM million	Average Risk Weight
up to 0.05%	295	8%
> 0.05 to 0.5%	493	28%
> 0.5 to 2.5%	50	45%
> 2.5 to 9%	-	-
> 9%	-	-
Default	-	NA
Total	838	22%

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Public Sector Entity Exposures

PD Range	EAD RM million	Average Risk Weight
up to 0.05%	20	13%
> 0.05 to 0.5%	-	-
> 0.5 to 2.5%	-	-
> 2.5 to 9%	-	-
> 9%	-	-
Default	-	NA
Total	20	13%

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%	1,482	130	13%	9%
> 0.5 to 3%	521	19	15%	21%
> 3 to 10%	95	4	15%	58%
> 10%	149	3	15%	84%
100%	60	2	18%	70%
Total	2,307	158	14%	20%

Other Retail - Small Business Exposures

PD Range	EAD RM million	Undrawn Commitment RM million	EAD Weighted Average	
			LGD	Risk Weight
up to 0.5%	989	89	43%	25%
> 0.5 to 3%	642	14	50%	61%
> 3 to 10%	146	2	47%	76%
> 10%	288	2	48%	107%
100%	77	1	46%	173%
Total	2,142	108	46%	56%

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 2016	Regulatory Expected Loss (Non-defaulted) as at 31 December 2015
	RM million	RM million
Corporate	(3)	38
Bank	-	#
Other Retail - Small Business	22	55
Retail	5	7
Total	24	100

"#" represents amount less than RM0.5 million

Exposures Covered by Credit Risk Mitigation

	Eligible Financial Collateral	Other Eligible 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	72	1,359	1
Bank	-	-	-
Total	72	1,359	1

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 RM million	Short Position RM million		
Benchmark Rate Risk	19	20	#	#
Foreign Currency Risk	5	5	5	#
Equity Risk	-	-	-	-
Commodity Risk	-	-	-	-
Inventory Risk	-	-	-	-
Options Risk	-	-	-	-
Total	24	25	5	#

"#" 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 MYR17.3 million, or approximately +4.2% of reported net profit income. The corresponding impact from a 50 basis point decrease is an estimated reduction of MYR17.3 million in net profit income, or approximately -4.2% 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	6

"#" represents amount less than RM0.5 million