

Company No. 818444-T



OCBC Al-Amin Bank Berhad
(Incorporated in Malaysia)

Basel II Pillar 3 Market Disclosure 31 December 2020

*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 DISCLOSURE – 31 DECEMBER 2020

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OCBC Al-Amin Bank Berhad
(Incorporated in Malaysia)

**ATTESTATION BY CHIEF EXECUTIVE OFFICER PURSUANT TO CAPITAL ADEQUACY
FRAMEWORK FOR ISLAMIC BANKS (CAFIB) – 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 Bank Negara Malaysia Capital Adequacy Framework for Islamic Banks (CAFIB) – Disclosure Requirements (Pillar 3) for the Group as at 31 December 2020.

SYED ABDULL AZIZ JAILANI BIN SYED KECHIK
CHIEF EXECUTIVE OFFICER

Kuala Lumpur

OCBC Al-Amin Bank Berhad
(Incorporated in Malaysia)

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 2020)

The purpose of this disclosure is to provide the information in accordance with BNM Capital Adequacy Framework for Islamic Bank (CAFIB) – Disclosure Requirements (Pillar 3) Guideline. This supplements the disclosure in the Risk Management Chapter as well as 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 (STD) Approach		
Corporate	#	#
Sovereign & Central Bank	2,980	17
Public Sector Entity	327	25
Retail	142	153
Others	44	18
Total Standardised	3,493	213
Amount Absorbed by PSIA ² (STD Approach)	15	-
Internal Ratings-Based (IRB) Approach		
Foundation IRB		
Corporate	8,697	8,035
Bank	1,191	245
Advanced IRB		
Residential Mortgage	2,145	331
Other Retail - Small Business	1,641	795
Specialised Financing under Supervisory Slotting Criteria	9	10
Total IRB	13,683	9,416
Amount Absorbed by PSIA ² (IRB Approach)	1,491	427
Total Credit Risk After Effects of PSIA²	15,670	9,202
Market Risk		
Standardised Approach		4
Amount Absorbed by PSIA ²		-
Total Market Risk After Effects of PSIA²		4
Operational Risk		
Basic Indicator Approach		776
Total Operational Risk		776
Total RWA		9,982

Note:

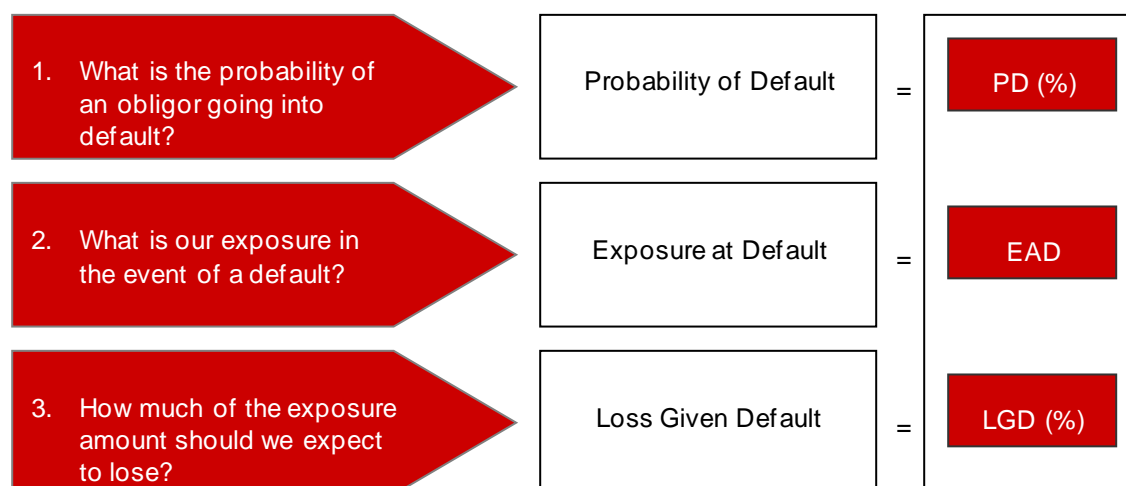
¹ EAD refers to exposure at default after credit risk mitigation

² Refers to Profit Sharing Investment Account

"#" represents amount less than RM0.5 million

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%	3,244
20% - 35%	25
50% - 75%	27
100%	160
>100%	22
Total	3,478
Rated exposures	3,267
Unrated exposures	211

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	9	122%
Weak	-	-
Default	-	-
Total	9	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.

Corporate Exposures

PD Range	EAD RM million	Average Risk Weight
up to 0.05%	#	3%
> 0.05 to 0.5%	1,903	53%
> 0.5 to 2.5%	2,806	106%
> 2.5 to 9%	2,034	159%
> 9%	207	200%
Default	256	NA
Total	7,206	106%

Note: Corporate EAD excludes amount absorbed by PSIA of RM1,491 million.
“#” represents amount less than RM0.5 million

Bank Exposures

PD Range	EAD RM million	Average Risk Weight
up to 0.05%	305	10%
> 0.05 to 0.5%	750	16%
> 0.5 to 2.5%	136	71%
> 2.5 to 9%	-	-
> 9%	-	-
Default	-	NA
Total	1,191	21%

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%	1,340	90	10%	6%
> 0.5 to 3%	424	16	11%	15%
> 3 to 10%	89	3	12%	46%
> 10%	175	2	13%	69%
100%	117	2	22%	16%
Total	2,145	113	11%	15%

Other Retail - Small Business Exposures

PD Range	EAD	Undrawn Commitment	EAD Weighted Average	
	RM million	RM million	LGD	Risk Weight
up to 0.5%	875	280	39%	22%
> 0.5 to 3%	411	54	50%	60%
> 3 to 10%	96	13	48%	77%
> 10%	184	3	45%	102%
100%	75	4	34%	131%
Total	1,641	354	42%	48%

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 the 12 months ended 31 December 2020	Regulatory Expected Loss (Non-defaulted) as at 31 December 2019
	RM million	RM million
Corporate	37	59
Bank	-	1
Other Retail - Small Business	4	23
Retail	21	7
Total	62	90

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	-	-	-
Public Sector Entity	-	-	303
Retail	-	-	-
Others	-	-	-
Total	-	-	303
Foundation IRB Approach			
Corporate	254	1,575	11
Bank	-	-	-
Total	254	1,575	11

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.

Counterparty Credit Risk Exposure

	RM million
Replacement Cost	28
Potential Future Exposure	42
Less: Effects of Netting	-
EAD under Current Exposure Method	70
Analysed by type:	
Foreign Exchange Contracts	9
Benchmark Rate Contracts	60
Equity Contracts	-
Gold and Precious Metals Contracts	-
Other Commodities Contracts	-
Credit Derivative Contracts	-
Less: Eligible Financial Collateral	-
Net Derivatives Credit Exposure	69

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	43	43	#	#
Foreign Currency Risk	3	3	3	#
Equity Risk	-	-	-	-
Commodity Risk	-	-	-	-
Inventory Risk	-	-	-	-
Options Risk	-	-	-	-
Total	46	46	4	#

"#" 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 MYR13.3 million, or approximately +3.8% of reported net profit income. The corresponding impact from a 50 basis point decrease is an estimated reduction of MYR12.6 million in net profit income, or approximately -3.5% of reported net profit income.

SHARIAH GOVERNANCE

Shariah non-compliance events refer to any events which are not in compliance with the rulings of the Shariah Advisory Council of BNM, standards on Shariah matters issued by BNM pursuant to section 29(1) of the IFSA, or decisions or advice of the Shariah committee of the Bank. In line with BNM Shariah Governance Policy, the Bank is managing Shariah non-compliance risk arising from its business operations and activities.

Shariah Governance Disclosures

	Amount in RM million
Shariah non-compliance income	-

	Number of incidents
Shariah non-compliance events	1