

Company No. 295400-W



OCBC Bank (Malaysia) Berhad
(Incorporated in Malaysia)

Basel II Pillar 3 Market Disclosure 30 June 2012

The disclosure in this section refers to OCBC Bank (M) Berhad Group position. OCBC Bank (M) Berhad Group consists of OCBC Bank (Malaysia) Berhad and OCBC Al-Amin Bank Berhad which are members of the Overseas-Chinese Banking Corporation Group in Singapore.

Basel II Pillar 3 Market Disclosure

(OCBC Bank (M) Berhad Group – Position as at 30 June 2012)

The purpose of this disclosure is to provide the information in accordance with BNM Risk Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3) and Capital Adequacy Framework for Islamic Bank (CAFIB - Basel II) – Disclosure Requirements (Pillar 3) Guidelines. 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		
Corporate	21	21
Sovereign & Central Bank	14,957	98
Retail	894	722
Equity	123	123
Securitisation	1	#
Others	952	836
Total Standardised	16,948	1,800
Internal Ratings-Based (IRB) Approach		
Foundation IRB		
Corporate	20,390	19,069
Bank	11,346	2,019
Public Sector Entity	6	#
Advanced IRB		
Residential Mortgage	18,226	2,525
Qualifying Revolving Retail	936	306
Other Retail - Small Business	10,115	4,047
Specialised Lending under Supervisory Slotting Criteria	3,481	4,190
Total IRB	64,500	32,156
Total Credit Risk	81,448	33,956
Large Exposure Risk Requirement		-
Market Risk		
Standardised Approach		1,362
Total Market Risk		1,362
Operational Risk		
The Standardised Approach ³		3,482
Total Operational Risk		3,482
Total RWA		38,800

Note:

¹ EAD refers to exposure at default after credit risk mitigation in this entire document

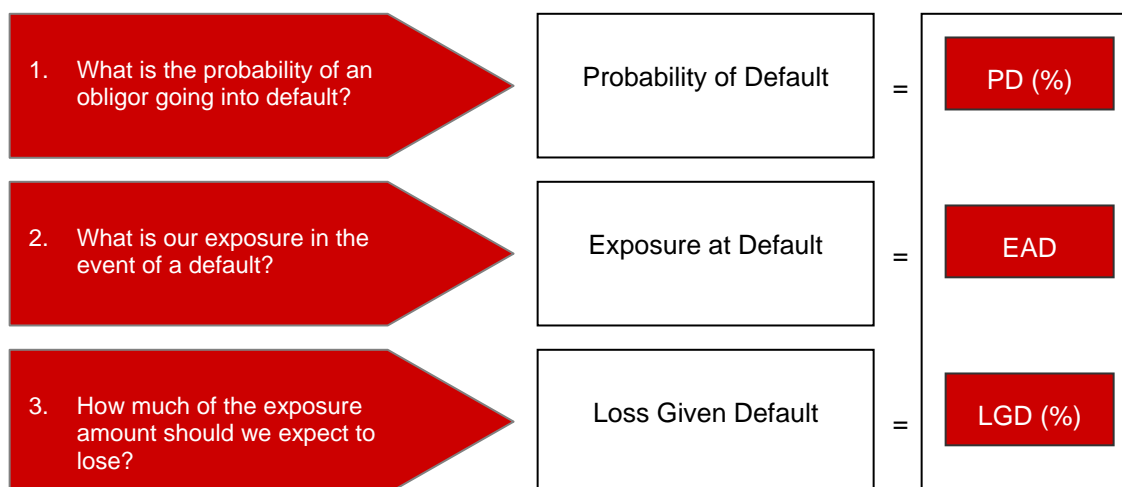
² Refers to credit risk mitigation

³ OCBC Bank (M) Berhad Group and OCBC Bank (M) Berhad have adopted The Standardised Approach, with effect from Q1 2012, while OCBC Al-Amin Bank Berhad is on the Basic Indicator Approach.

"#" represents amount less than RM0.5 million

CREDIT RISK

With Basel II implementation, OCBC Bank (M) Berhad Group 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 and central bank. Rated exposures relate mainly to sovereign and central bank while unrated exposures relate mainly to Islamic personal financing and other assets.

Risk Weight	EAD RM million
0%	14,838
20% - 35%	132
50% - 75%	805
100%	1,024
>100%	26
Total	16,825
Rated exposures	14,918
Unrated exposures	1,907

Note: Excludes Equity

Equity Exposures under Standardised Approach

Equity exposures for regulatory capital computation were risk weighted in accordance with BNM Risk-Weighted Capital Adequacy Framework (Basel II – Risk-Weighted Assets Computation) under the standardised approach.

Risk Weight	EAD RM million
100%	123
200%	-
Total	123

Securitisation Exposures Purchased

Risk Weight	EAD RM million	RWA RM million
up to 20%	1	#
> 20% to 50%	-	-
> 50% to 100%	-	-
> 100% to 500%	-	-
> 500%	-	-
Deductions from Tier 1 and Tier 2 Capital	-	-
Total	1	#

"#" represents amount less than RM0.5 million

Specialised Lending Exposures under Supervisory Slotting Criteria

Specialised lending exposures include financing of income producing real estate as well as project and object finance. For income producing real estate, mapping is made to supervisory categories based on their obligor grades. For other specialised lending exposures, a simplified approach of slotting to the 'Satisfactory' category has been adopted as an interim measure.

	EAD RM million	Average Risk Weight
Strong	76	53%
Good	250	85%
Satisfactory	2,652	122%
Weak	266	265%
Default	237	NA
Total	3,481	120%

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. 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%	677	21%
> 0.05 to 0.5%	5,168	52%
> 0.5 to 2.5%	8,605	87%
> 2.5 to 9%	4,464	151%
> 9%	859	239%
Default	617	NA
Total	20,390	94%

Bank Exposures

PD Range	EAD RM million	Average Risk Weight
up to 0.05%	7,604	8%
> 0.05 to 0.5%	3,017	32%
> 0.5 to 2.5%	725	57%
> 2.5 to 9%	#	119%
> 9%	#	194%
Default	-	NA
Total	11,346	18%

Public Sector Entity Exposures

PD Range	EAD RM million	Average Risk Weight
up to 0.05%	6	7%
> 0.05 to 0.5%	-	-
> 0.5 to 2.5%	-	-
> 2.5 to 9%	-	-
> 9%	-	-
Default	-	NA
Total	6	7%

"#" represents amount less than RM0.5 million

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

Residential Mortgages are loans to individuals secured by residential properties. Qualifying Revolving Retail exposures are credit card facilities to individuals. Other Retail – Small Business exposures include lending to small businesses and commercial property loans to individuals.

Residential Mortgages

PD Range	EAD	Undrawn Commitment	EAD Weighted Average	
	RM million	RM million	LGD	Risk Weight
up to 0.5%	14,145	2,466	13%	7%
> 0.5 to 3%	2,858	463	17%	29%
> 3 to 10%	689	75	15%	53%
> 10%	238	5	14%	77%
100%	296	-	20%	53%
Total	18,226	3,009	14%	14%

Qualifying Revolving Retail Exposures

PD Range	EAD	Undrawn Commitment	EAD Weighted Average	
	RM million	RM million	LGD	Risk Weight
up to 0.5%	656	464	84%	10%
> 0.5 to 3%	176	72	90%	47%
> 3 to 10%	58	15	90%	127%
> 10%	38	9	90%	226%
100%	8	-	90%	0%
Total	936	560	85%	33%

Other Retail - Small Business Exposures

PD Range	EAD	Undrawn Commitment	EAD Weighted Average	
	RM million	RM million	LGD	Risk Weight
up to 0.5%	2,529	663	30%	13%
> 0.5 to 3%	4,283	698	32%	33%
> 3 to 10%	2,728	306	37%	59%
> 10%	286	6	36%	90%
100%	289	1	39%	157%
Total	10,115	1,674	33%	40%

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	55	-	-
Others	4	-	-
Total	59	-	-
Foundation IRB Approach			
Corporate	644	3,554	27
Bank	73	-	-
Total	717	3,554	27

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 Lending.

Counterparty Credit Risk Exposures

	RM million
Replacement Cost	1,050
Potential Future Exposure	1,717
Less: Effects of Netting	-
EAD under Current Exposure Method	2,767
Analysed by type:	
Foreign Exchange Contracts and Gold	1,413
Interest Rate Contracts	867
Equity Contracts	249
Precious Metals Contracts	-
Other Commodities Contracts	7
Credit Derivative Contracts	231
Less: Eligible Financial Collateral	73
Net Derivatives Credit Exposure	2,694

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

Credit Derivatives

	RM million Notional Amount	
	Bought	Sold
Credit Derivatives Swap		
for own credit portfolio	240	-
for intermediation activities	1,172	1,172
Total	1,412	1,172

Note: Credit derivatives for own credit portfolio include trading portfolio and hedges, if any.

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
Interest Rate Risk	39,238	38,209	967	77
Foreign Currency Risk	196	1	196	16
Equity Risk	229	273	126	10
Commodity Risk	1	-	3	#
Inventory Risk	-	-	-	-
Options Risk	5	1	70	6
Total	39,669	38,484	1,362	109

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Interest Rate Risk in Banking Book

The interest 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 interest income of the banking book is simulated under various interest rate assumptions for major currencies. As at end-Jun 2012, based on a 50-basis point increase in MYR interest rate, the net interest income is estimated to increase by RM80.5 million. The corresponding impact from a 50-basis point decrease is an estimated reduction of RM81.0 million in net interest income.

EQUITY EXPOSURES

Equity exposures comprise investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

Carrying Value of Equity Exposures

	RM million
Quoted equity exposure - AFS	15
Unquoted equity exposure - AFS	108
Quoted equity exposure - Associates	-
Unquoted equity exposure - Associates	-
Total	123

Realised and Unrealised Gains and Losses

	RM million
Gains/(losses) from disposal of AFS equities	-
Unrealised gains/(losses) included in fair value reserve	3
Total	3