

Company No. 295400-W



OCBC Bank (Malaysia) Berhad  
(Incorporated in Malaysia)

## **Basel II Pillar 3 Market Disclosure 30 June 2014**

*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 2014)

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 <sup>1</sup> after CRM <sup>2</sup> RM million	RWA RM million
<b>Credit Risk</b>		
Standardised Approach		
Corporate	22	22
Sovereign & Central Bank	20,346	75
Retail	887	778
Equity	109	109
Securitisation	1	#
Others	674	496
<b>Total Standardised</b>	<b>22,039</b>	<b>1,480</b>
Internal Ratings-Based (IRB) Approach		
Foundation IRB		
Corporate	23,758	16,829
Bank	8,828	1,406
Public Sector Entity	26	6
Advanced IRB		
Residential Mortgage	28,527	3,886
Qualifying Revolving Retail	1,352	563
Other Retail - Small Business	14,563	6,261
Specialised Lending under Supervisory Slotting Criteria	3,333	4,389
<b>Total IRB</b>	<b>80,387</b>	<b>33,340</b>
<b>Total Credit Risk</b>	<b>102,426</b>	<b>34,820</b>
<b>Market Risk</b>		
Standardised Approach		1,304
<b>Total Market Risk</b>		<b>1,304</b>
<b>Operational Risk</b>		
Standardised Approach <sup>3</sup>		3,933
<b>Total Operational Risk</b>		<b>3,933</b>
<b>Total RWA</b>		<b>40,057</b>

Note:

<sup>1</sup> EAD refers to exposure at default after credit risk mitigation

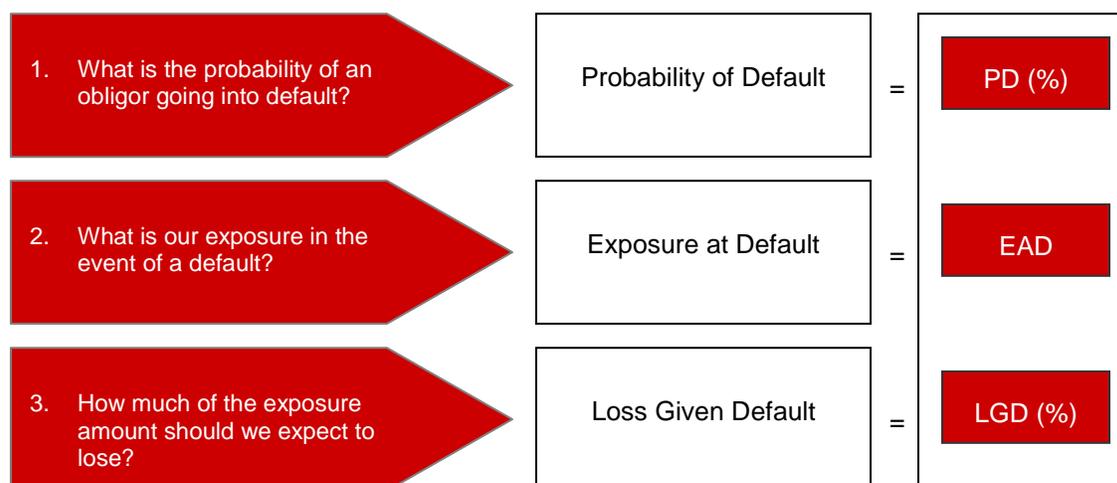
<sup>2</sup> CRM refers to credit risk mitigation

<sup>3</sup> OCBC Bank (M) Berhad Group and OCBC Bank (M) Berhad have adopted the Standardised Approach, with effect from 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%	20,267
20% - 35%	229
50% - 75%	506
100%	893
>100%	35
<b>Total</b>	<b>21,930</b>

Rated exposures	20,347
Unrated exposures	1,583

Note: Excludes Equity

### Equity Exposures under Standardised Approach

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

<b>Risk Weight</b>	<b>EAD RM million</b>
100%	109
<b>Total</b>	<b>109</b>

### Securitisation Exposures Purchased

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

"#" 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.

	<b>EAD RM million</b>	<b>Average Risk Weight</b>
Strong	-	53%
Good	399	91%
Satisfactory	2,519	122%
Weak	361	265%
Default	54	NA
<b>Total</b>	<b>3,333</b>	<b>132%</b>

### 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%	703	18%
> 0.05 to 0.5%	8,914	44%
> 0.5 to 2.5%	10,145	84%
> 2.5 to 9%	2,987	129%
> 9%	213	187%
Default	796	NA
<b>Total</b>	<b>23,758</b>	<b>71%</b>

#### Bank Exposures

PD Range	EAD RM million	Average Risk Weight
up to 0.05%	6,549	11%
> 0.05 to 0.5%	2,156	26%
> 0.5 to 2.5%	25	54%
> 2.5 to 9%	98	110%
> 9%	#	194%
Default	-	NA
<b>Total</b>	<b>8,828</b>	<b>16%</b>

#### Public Sector Entity Exposures

PD Range	EAD RM million	Average Risk Weight
up to 0.05%	26	22%
> 0.05 to 0.5%	-	0%
> 0.5 to 2.5%	-	0%
> 2.5 to 9%	-	0%
> 9%	-	0%
Default	-	NA
<b>Total</b>	<b>26</b>	<b>22%</b>

"#" 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 RM million	Undrawn Commitment RM million	EAD Weighted Average	
			LGD	Risk Weight
up to 0.5%	20,244	3,568	12%	6%
> 0.5 to 3%	6,717	1,011	15%	25%
> 3 to 10%	824	57	13%	61%
> 10%	444	8	13%	75%
100%	298	-	18%	33%
<b>Total</b>	<b>28,527</b>	<b>4,644</b>	<b>13%</b>	<b>14%</b>

#### *Qualifying Revolving Retail Exposures*

PD Range	EAD RM million	Undrawn Commitment RM million	EAD Weighted Average	
			LGD	Risk Weight
up to 0.5%	755	525	86%	10%
> 0.5 to 3%	435	263	90%	51%
> 3 to 10%	99	20	86%	139%
> 10%	56	6	85%	224%
100%	7	-	85%	0%
<b>Total</b>	<b>1,352</b>	<b>814</b>	<b>87%</b>	<b>42%</b>

#### *Other Retail - Small Business Exposures*

PD Range	EAD RM million	Undrawn Commitment RM million	EAD Weighted Average	
			LGD	Risk Weight
up to 0.5%	3,911	934	35%	15%
> 0.5 to 3%	5,580	686	36%	35%
> 3 to 10%	4,386	306	42%	66%
> 10%	388	11	40%	95%
100%	298	1	39%	142%
<b>Total</b>	<b>14,563</b>	<b>1,938</b>	<b>37%</b>	<b>43%</b>

## 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
<b>Standardised Approach</b>			
Corporate	-	-	-
Sovereign & Central Bank	-	-	-
Retail	41	-	-
Others	3	-	-
<b>Total</b>	<b>44</b>	<b>-</b>	<b>-</b>
<b>Foundation IRB Approach</b>			
Corporate	1,074	5,970	77
Bank	138	-	-
<b>Total</b>	<b>1,212</b>	<b>5,970</b>	<b>77</b>

Note:

- Not all forms of collateral or credit risk mitigation are included for regulatory capital calculations.
- Does not include collateral for exposures under Advanced IRB Approach and Specialised Lending.

## Counterparty Credit Risk Exposures

	RM million
Replacement Cost	479
Potential Future Exposure	2,020
Less: Effects of Netting	-
<b>EAD under Current Exposure Method</b>	<b>2,499</b>
Analysed by type:	
Foreign Exchange Contracts	1,460
Interest Rate Contracts	890
Equity Contracts	-
Gold and Precious Metals Contracts	-
Other Commodities Contracts	70
Credit Derivative Contracts	79
Less: Eligible Financial Collateral	137
<b>Net Derivatives Credit Exposure</b>	<b>2,362</b>

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

## Credit Derivatives

	Notional Amount RM million	
	Bought	Sold
Credit Derivatives Swap		
for own credit portfolio	270	-
for intermediation activities	958	958
<b>Total</b>	<b>1,228</b>	<b>958</b>

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	27,985	27,364	908	73
Foreign Currency Risk	23	139	139	10
Equity Risk	46	67	171	14
Options Risk	6	1	86	7
<b>Total</b>	<b>28,060</b>	<b>27,571</b>	<b>1,304</b>	<b>104</b>

### 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 30 June 2014, based on a scenario where MYR interest rates shifted up by 50-basis point on parallel basis, the net interest income is estimated to increase by RM85.5 million. The corresponding impact from a 50-basis point shifted down is estimated to reduce by RM85.5 million in net interest income.

## EQUITY EXPOSURES

Equity exposures comprise of investment in unquoted equity instruments. 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	-
Unquoted equity exposure - AFS	109
<b>Total</b>	<b>109</b>

### Realised and Unrealised Gains and Losses

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