

OCBC Bank (Malaysia) Berhad (Incorporated in Malaysia)

Basel II Pillar 3 Market Disclosure 30 June 2019

Basel II Pillar 3 Market Disclosure

(OCBC Bank (M) Berhad Group – Position as at 30 June 2019)

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.

Exposures and Risk Weighted Assets (RWA) by Portfolio

| | EAD ¹ | RWA |
|---|------------------|------------|
| | RM million | RM million |
| Credit Risk | | |
| Standardised Approach | | |
| Corporate | 98 | 98 |
| Sovereign & Central Bank | 14,606 | 81 |
| Public Sector Entities | 1,248 | 129 |
| Retail | 293 | 304 |
| Equity | 102 | 102 |
| Securitisation | - | - |
| Others | 640 | 463 |
| Total Standardised | 16,987 | 1,177 |
| Internal Ratings-Based (IRB) Approach | | |
| Foundation IRB | | |
| Corporate | 41,140 | 34,876 |
| Bank | 4,107 | 594 |
| Advanced IRB | 1,107 | 001 |
| Residential Mortgage | 28,885 | 3,772 |
| Qualifying Revolving Retail | 1,855 | 612 |
| Other Retail - Small Business | 9,785 | 3,346 |
| Specialised Lending under Supervisory Slotting Criteria | 145 | 176 |
| Total IRB | 85,917 | 43,376 |
| Total Credit Risk | 102,904 | 44,553 |
| | • | , |
| Market Risk | | |
| Standardised Approach | | 1,228 |
| Amount Absorbed by PSIA | | - |
| Total Market Risk | | 1,228 |
| Operational Risk | | |
| Standardised Approach ² | | 4,743 |
| Total Operational Risk | | 4,743 |
| | _ | |
| Total RWA | | 50,524 |

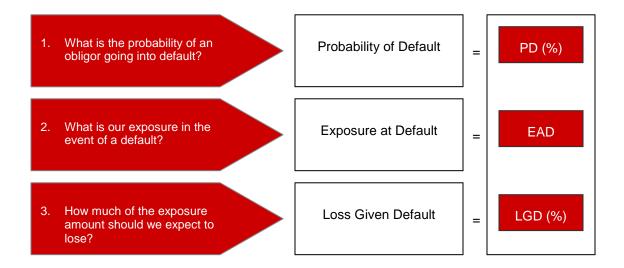
Note

¹ EAD refers to exposure at default after credit risk mitigation

² OCBC Bank (M) Berhad Group and OCBC Bank (M) Berhad have adopted the Standardised Approach, while OCBC Al-Amin Bank Berhad is on the Basic Indicator Approach.

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.

| | EAD |
|-------------------|------------|
| Risk Weight | RM million |
| 0% | 15,618 |
| 20% - 35% | 54 |
| 50% - 90% | 336 |
| 100% | 845 |
| >100% | 32 |
| Total | 16,885 |
| Rated exposures | 15,884 |
| Unrated exposures | 1,001 |
| | |

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.

| | EAD |
|-------------|------------|
| Risk Weight | RM million |
| 100% | 102 |
| Total | 102 |

Securitisation Exposures

There is no securitisation and re-securitisation exposure in the banking and trading books as at 30 June 2019.

Specialised Lending Exposures under Supervisory Slotting Criteria

Specialised lending exposures include project and object financing.

| | EAD | Average | |
|--------------|------------|-------------|--|
| | RM million | Risk Weight | |
| Strong | - | - | |
| Good | - | - | |
| Satisfactory | 145 | 122% | |
| Weak | - | - | |
| Default | - | NA | |
| Total | 145 | 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

| | EAD | Average |
|----------------|------------|-------------|
| PD Range | RM million | Risk Weight |
| up to 0.05% | 963 | 13% |
| > 0.05 to 0.5% | 14,137 | 45% |
| > 0.5 to 2.5% | 15,692 | 92% |
| > 2.5 to 9% | 8,062 | 137% |
| > 9% | 1,384 | 201% |
| Default | 902 | NA |
| Total | 41,140 | 85% |

Bank Exposures

| EAD RM million | Average Risk Weight |
|-------------------|--------------------------------|
| 2,299 | 10% |
| 1,776 | 19% |
| 32 | 94% |
| # | 155% |
| - | - |
| - | NA |
| 4,107 | 14% |
| | 2,299 1,776 32 # - |

[&]quot;#" 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

| | EAD | Undrawn Commitment | EAD Weighte | ed Average |
|-------------|------------|-----------------------|-------------|-------------|
| PD Range | RM million | RM million | LGD | Risk Weight |
| up to 0.5% | 21,237 | 1,707 | 12% | 7% |
| > 0.5 to 3% | 4,820 | 239 | 12% | 17% |
| > 3 to 10% | 920 | 16 | 13% | 49% |
| > 10% | 1,335 | 16 | 13% | 71% |
| 100% | 573 | 23 | 19% | 24% |
| Total | 28,885 | 2,001 | 12% | 13% |

Qualifying Revolving Retail Exposures

| | EAD | Undrawn Commitment | EAD Weighte | ed Average |
|-------------|------------|-----------------------|-------------|-------------|
| PD Range | RM million | RM million | LGD | Risk Weight |
| up to 0.5% | 1,274 | 2,056 | 76% | 10% |
| > 0.5 to 3% | 363 | 244 | 74% | 44% |
| > 3 to 10% | 149 | 47 | 76% | 129% |
| > 10% | 63 | 17 | 77% | 212% |
| 100% | 6 | - | 75% | 0% |
| Total | 1,855 | 2,364 | 76% | 33% |

Other Retail - Small Business Exposures

| | EAD | Undrawn Commitment | EAD Weighte | ed Average |
|-------------|------------|-----------------------|-------------|-------------|
| PD Range | RM million | RM million | LGD | Risk Weight |
| up to 0.5% | 6,398 | 1,563 | 32% | 18% |
| > 0.5 to 3% | 1,929 | 115 | 42% | 50% |
| > 3 to 10% | 352 | 31 | 35% | 57% |
| > 10% | 787 | 21 | 38% | 81% |
| 100% | 319 | 14 | 42% | 131% |
| Total | 9,785 | 1,744 | 35% | 34% |

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 | 15 | - | - |
| Sovereign & Central Bank | - | - | - |
| Public Sector Entities | - | - | 1,029 |
| Retail | 27 | - | <u>-</u> |
| Others | - | - | <u> </u> |
| Total | 42 | | 1,029 |
| Foundation IRB Approach | | | |
| Corporate | 1,010 | 11,529 | 320 |
| Bank | 234 | - | <u> </u> |
| Total | 1,244 | 11,529 | 320 |

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 | 710 |
| Potential Future Exposure | 1,945 |
| Less: Effects of Netting | 826 |
| EAD under Current Exposure Method | 1,829 |
| Analysed by type: | |
| Foreign Exchange Contracts | 1,047 |
| Interest Rate Contracts | 705 |
| Equity Contracts | 26 |
| Gold and Precious Metals Contracts | <u>-</u> |
| Other Commodities Contracts | 1 |
| Credit Derivative Contracts | 50 |
| Less: Eligible Financial Collateral | 234 |
| Net Derivatives Credit Exposure | 1,595 |

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

Credit Derivatives

| Notional Amou | ınt |
|---------------|-----|
| RM milli | on |

| | Bought | Sold |
|-------------------------------|--------|------|
| Credit Derivatives Swap | | |
| for own credit portfolio | - | - |
| for intermediation activities | 606 | 606 |
| Total | 606 | 606 |

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

| | Gross Exposure | | Risk Weighted | Min. Capital |
|-----------------------|-----------------------|-----------------------|---------------|--------------|
| | Long Position | Short Position | Assets | Requirement |
| | RM million | RM million | RM million | RM million |
| | | | | |
| Interest Rate Risk | 24,800 | 21,363 | 903 | 72 |
| Foreign Currency Risk | 142 | 303 | 312 | 25 |
| Equity Risk | - | 2 | 3 | # |
| Commodity Risk | - | - | - | - |
| Inventory Risk | - | - | - | - |
| Options Risk | 1 | # | 10 | 1 |
| Total | 24,943 | 21,668 | 1,228 | 98 |

[&]quot;#" represents amount less than RM0.5 million

EQUITY EXPOSURES

Equity exposures comprised investments in unquoted equity instruments. There is no exposure to quoted equity as at 30 June 2019.

Disclosures on accounting policy and fair value measurement of equity securities in these unaudited condensed interim financial statements are the same with the audited financial statements for the financial year ended 31 December 2018.

Carrying Value of Equity Exposures

| | RM million |
|---------------------------------------|------------|
| | |
| Quoted equity exposure - AFS | - |
| Unquoted equity exposure - AFS | 102 |
| Quoted equity exposure - Associates | - |
| Unquoted equity exposure - Associates | |
| Total | 102 |
| | |

Realised and Unrealised Gains and Losses

| | RM million |
|--|------------|
| | |
| Gains/(losses) from disposal of AFS equities | - |
| Unrealised gains/(losses) included in fair value reserve | 88 |
| Total | 88 |

Interest Rate Risk in Banking Book

Based on a 50 bp parallel rise in yield curves on the OCBCM's exposure to major currency i.e. Malaysian Ringgit, net interest income is estimated to increase by MYR156.8 million, or approximately +20.8% of reported net interest income. The corresponding impact from a 50 bp decrease is an estimated reduction of MYR150.4 million in net interest income, or approximately -19.9% of reported net interest income.