OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

31 DECEMBER 2010

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CONTENTS

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

The Directors have pleasure in submitting their report and the audited financial statements of the Group and the Bank for the financial year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activities of the Group and of the Bank are banking and related financial services. The principal activities of the subsidiary companies during the financial year are in the businesses of Islamic Banking ("IB"), lease financing and the provision of nominees services.

There has been no significant change in the nature of these activities during the financial year.

FINANCIAL RESULTS	**GROUP**	**BANK**
	2010	2010
	RM'000	RM'000
Profit for the year	706,448	682,926

DIVIDENDS

Since the end of the previous financial year, the Bank paid:-

i.) A net cash dividend of 4.51% amounting to RM8.95 million paid to preference shareholders on 16 March 2010;

ii.) A net cash dividend of 4.51% amounting to RM9.09 million paid to preference shareholders on 20 September 2010; and

iii.) A final gross dividend of 20.0 sen per ordinary share less tax at 25% amounting to RM43.13 million was paid to the ordinary shareholders on 28 April 2010 in respect of the financial year ended 31 December 2009.

The Directors now recommend a net cash dividend of 4.51% amounting to RM8.95 million to the preference shareholders payable in March 2011. A final gross dividend of 150.0 sen per share less tax in respect of the current financial year amounting to RM323.44 million on the fully issued and paid-up ordinary shares of the Bank which is subject to approval of members at the forthcoming Annual General Meeting of the Bank.

SHARE CAPITAL

There were no changes in the authorised, issued and paid up share capital of the Bank during the financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (continued)

BAD AND DOUBTFUL DEBTS AND FINANCING

Before the financial statements of the Group and the Bank were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and financing and the making of allowance for doubtful debts and financing, and satisfied themselves that all known bad debts and financing had been written off and that adequate allowance had been made for bad and doubtful debts and financing.

At the date of this report, the Directors are not aware of any circumstances which would render the amount written off for bad debts and financing, or the amount of the allowance for doubtful debts and financing, in the financial statements of the Group and of the Bank inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and the Bank were made out, the Directors took reasonable steps to ensure that any current assets, other than debts and financing, which were unlikely to realise in the ordinary course of business, their value as shown in the accounting records of the Group and of the Bank had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Bank misleading.

VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report there does not exist:-

a) any charge on the assets of the Group and the Bank which has arisen since the end of the financial year which secures the liabilities of any other person, or

b) any contingent liability in respect of the Group and the Bank which has arisen since the end of the financial year other than in the ordinary course of banking business.

No contingent or other liability of the Group and the Bank, other than those arising from the transactions made in the ordinary course of business of the Group and the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and the Bank to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and the Bank that would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and the Bank for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and the Bank for the financial year in which this report is made.

COMPLIANCE WITH BANK NEGARA'S EXPECTATIONS ON FINANCIAL REPORTING

In the preparation of the financial statements, the Directors have taken reasonable steps to ensure that Bank Negara Malaysia's expectations on financial reporting have been complied with, including those as set out in the Guidelines on Financial Reporting for Banking Institutions and Guidelines on Classification and Impairment Provisions for Loans/Financing.

FINANCIAL PERFORMANCE

The Bank and its subsidiaries recorded a net profit of RM706 million for the financial year ended 31 December 2010, registering an increase of RM98 million or 16% compared with 2009. The higher net profits were due to strong growth in operating profits of RM72 million or 7% to RM1.1 billion coupled with a reduction in provisions of RM67 million or 34% to RM129 million.

Total operating income rose by RM131 million or 8% to RM1.7 billion as a result of an increase in net interest income by RM84 million or 8% to RM1.1 billion whilst non-interest income increased by RM32 million or 8% to RM448 million. Overheads expanded by RM59 million or 10%, to RM656 million as the Group continued to build its capabilities and opened more branches.

Individually assessed impairment allowance reduced by RM79 million to RM117 million compared to RM196 million last year while collectively assessed impairment allowance increased by RM16 million to RM46 million due to a larger loans, advances and financing portfolio as at 31 December 2010.

The Group's gross loans outstanding as at 31 December 2010 grew by RM3.4 billion or 10% to RM36 billion for the full year. The loan increase came mainly from the consumer and business banking sections, which registered RM1.8 billion and RM1.6 billion growth respectively. Total assets grew by RM2.7 billion to RM55.7 billion.

Group shareholders' funds strengthened to RM4.3 billion while the Bank's risk weighted capital ratio (RWCR) as at 31 Dec 2010 stood at 15.47%.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (continued)

ACTIVITIES & ACHIEVEMENTS

OCBC Bank (Malaysia) Berhad and its banking subsidiary, OCBC Al-Amin Bank Berhad (OCBC Al-Amin), (collectively, OCBC Malaysia) is today, among the largest foreign banks in Malaysia and has been operating in the country for more than seven decades. With staff strength of over 3,000 employees and a network of 29 conventional banking branches and 5 Islamic ones, we offer a range of specialist financial services that include consumer, corporate, investment, premier and transaction banking, and global treasury services.

OCBC Malaysia continues to maintain a solid customer profile, ranging from individuals of diverse demographic groups to corporate and SME customers, and sole proprietorships and partnerships. We are now recognised as a bank that serves both individuals and businesses across communities, a position that is well-served by our strong sense of the purpose and values imbued in the OCBC culture.

During 2010 we were voted best foreign cash management bank for the third year running in the *Asiamoney* poll involving corporations and SMEs in Malaysia. We were also named Malaysia's Best Trade Finance Bank (Foreign Bank Category) by *The Asset* in the magazine's Triple A Awards for Trade Finance, having previously won the Award in 2007. We were also ranked Number 1 for both the Malaysia Ringgit (MYR) Currency Products Vanilla Hedging Instruments and Structured Hedging Instruments as well as the MYR Interest rate Hedging Instruments in the Asia Risk Corporate Rankings 2010.

We successfully raised RM500 million subordinated bonds which qualified as Tier 2 capital during the financial year to enhance our capital position. During the year RAM Rating Services Berhad reaffirmed our long and short term financial institution rating of AAA and P1 respectively, with a stable outlook.

The consumer banking business continued to offer its array of consumer products and services, ranging from convenience in financial transactions and deposits, home loans, credit cards, personal overdrafts, and premier banking to investment opportunities and insurance. The retail division scored a number of significant "firsts," most notably through the introduction of equity unit trusts without sales charges, and a life insurance financing scheme that allows our home loan customers to enjoy insurance coverage that is more comprehensive than the usual Mortgage Reducing Term Assurance.

In addition, we also streamlined our credit card business emphasis by focusing on rebates as a form of savings for customers. The Titanium credit card now provides more value to our customers with best in class rebates across key categories. In addition, our OCBC Mighty Savers Programme for children continues to be made available on selected weekends so children and their parents can enjoy banking in a wholesome and leisurely manner.

The Treasury business performed well with prudent risk management, by continuing to focus on customer solutions and by leveraging our strong consumer franchise. In keeping with increasing levels of interest in foreign currency as a separate asset class, we expanded the capabilities of our FX Desk, allowing customers to invest in Dual Currency Investments by phone. And with the increasing importance of China as a trade partner and its attractiveness as an investment destination, we launched the Chinese Yuan Call Account.

On the business banking front, we enhanced our *Easi-Alerts* for businesses to include e-mail alerts on the status of a range of trade products our customers have with OCBC Malaysia such as information on movement of funds and cheque deposit status. We were also the first bank to link up with SME Credit Bureau (M) Sdn Bhd for RM1.4 million worth of credit-related reports for speedier processing of SME loan applications.

Another significant achievement was becoming the first foreign bank in Malaysia to offer a full suite of statutory payment connectivity for businesses that need to make payment to the Employees Provident Fund, Inland Revenue Board, Social Security Organisation and Pusat Pungutan Zakat (a Muslim "alms giving" collection body). We were awarded the Bursa Malaysia mandate to provide e-Dividend services to stockholders, bringing us a significant step closer to the cheque-less payment system that is promoted by the national Economic Transformation Programme. In keeping with our philosophy of educating our business partners, we also teamed up with The Association of Chartered Certified Accountants Malaysia (ACCA Malaysia) to provide further learning and development opportunities in the area of cash management.

ACTIVITIES & ACHIEVEMENTS (continued)

OCBC Malaysia's continued success in cash management and trade finance is derived from its willingness to constantly attend to the ever-changing needs of its customers and to develop the necessary solutions.

In investment banking, OCBC Malaysia ranked first in Bloomberg's Malaysia Loan Bookrunner league table as at 31 December, 2010 with a market share of over 22%. Landmark deals included a USD140 million syndication to finance the first coal fired power plant in Cambodia, a USD310 million multi-currency facility to finance integrated oil & gas contracts and a USD238.7 million facility for a pipe laying barge project in Turkmenistan.

Major financing mandates clinched during the year included appointments as Joint Mandated Lead Arranger for the issuance of the first Sukuk Wakalah (Islamic Trust Certificates) of SGD$1.5 Billion for Danga Capital Bhd (a subsidiary of Khazanah), the Syndicated Term Loan Facility of USD$310 Million to Sapura Crest Petroleum for the financing of oil & gas contract encompassing multi-currency and multi product facilities and the Syndicated Credit Facilities for the largest REIT debt financing of RM1.15 Billion for Sunway City Berhad.

OCBC Al-Amin launched several noteworthy initiatives during the year, including the introduction of Shariah-compliant cash management solutions for SMEs, and unit trust and home financing products for individuals. OCBC Al-Amin has also embarked on foreign currency financing business this year in view of the growing opportunities in Malaysia and in the region. We also introduced workshops and seminars to educate customers and staff on the principles of Islamic banking. A key highlight of the year was the signing of a memorandum of understanding with the International Centre for Education in Islamic Finance (INCEIF) to comprehensively cultivate research and development, training and education and the development of human capital.

Other innovations included a Shariah-compliant version of Easi-BizCard, Murabahah Letter of Credit-i that provides options for financing upon Letter of Credit issuances in line with the new Murabahah parameter issued by Bank Negara Malaysia, and a Shariah-compliant Letter of Credit Financing-i solution to provide trade financing for financial institution customers.

MAJOR BUSINESS PLANS & ACTIVITIES FOR YEAR 2011

Moving into 2011, our business banking efforts will continue to revolve around the three segments of Large Corporate, Commercial Banking and Emerging Business. We will focus on cross-border opportunities in Indonesia, Singapore, China and Vietnam and develop the support required to grow the overall OCBC Malaysia footprint and franchise. We also expect to have greater involvement in industries with high growth opportunities such as plantations, oil & gas services, telecommunications, utilities, ports and healthcare. Focus will also be given to industries related to consumption, wholesale, retail trade and services in the financing of commercial properties. We will also expand the contribution from outsource partners such as Pac Lease Sdn Bhd and continue to work closely with strategic partners such as Great Eastern Life Assurance (Malaysia) Berhad and Overseas Assurance Corporation (Malaysia) Berhad. Other close collaborations would include leveraging on Credit Guarantee Corporation schemes to increase our asset acquisition as well as the government initiatives to support the Small Medium Enterprise (SME) segment. We will continue to focus and work closely with our product partners on the provision of trade, cash management and treasury services.

For the consumer segment, we will continue to build our franchise in the mass affluent and premier segments with particular focus on gaining market share in key product categories such as mortgages and wealth management products. We will also continue to increase our strategic investments into the unsecured business through our Islamic Banking franchise with the addition of new branches in main market centres. In addition, we will solidify our partnership with Great Eastern Life Assurance and other business partners with the aim of widening our reach and product offering.

Our global treasury business aims to build on being the centre of excellence for the Malaysia markets, delivering value to customers, business partners, counterparties and other stakeholders. This would be partly achieved through internal regionalisation and alignments involving products, technology, management and customer service; as well as improving efficiencies, increasing cross-selling activities and tapping on synergies with business partners. The treasury business will focus on managing the banking book gap in both MYR & Foreign Currencies with the expectation that ICBU initiatives would drive more growth in foreign currencies business with tax exemption benefits. This will also include greater focus on product development in cross border transactions within the Group including OCBC NISP.

We will continue to make investments in various landmark syndicated activities encompassing cross border project finance and structured finance transactions especially to support merger and acquisitions (M&A) activities.

We will also focus on expanding our branch touch points with requests for new licences for conventional and Islamic, as well as increased participation in shared ATM networks. There will be branch transformation initiatives for about 7 branches to provide a fresh experience for our customers and convenience through more tie-ups for local and regional ATM services. New branches will also be set up based on the new kiosk concept of 'light and easy' convenience.

On cyberspace, OCBC Malaysia will enhance its internet banking with bills payment conveniences and iPhone technology.

OCBC Al-Amin, hopes to open about 10 more branches in 2011 and 2012. OCBC Al-Amin will also leverage on conventional products to expand its various Shariah-compliant product and service innovations to include FX products, Structured Investment, Fixed income plans and so forth. There will also be plans to educate customers and staff on Islamic banking through workshops and seminars.

RATINGS BY EXTERNAL AGENCIES

RAM Rating Services Berhad ("RAM") has reaffirmed OCBC Bank's respective long term and short term financial institution ratings at AAA and P1 on 27 October 2010. The affirmation is a result of OCBC Bank's stable outlook attributable to the Bank's stringent loan-monitoring and collection processes as well as healthy and comfortable funding and liquidity profiles.

CORPORATE GOVERNANCE

Board Composition and Independence

The Board comprises nine Directors, of whom eight are non-executive Directors. The non-executive Directors are: Tan Sri Dato' Nasruddin Bin Bahari (Chairman of the Bank), Mr David Conner, Mr Soon Tit Koon, Mr Ching Wei Hong, Ms Tan Siok Choo, Mr David Wong Cheong Fook, Dr Raja Lope Bin Raja Shahrome and Mr Lai Teck Poh.

The Executive Director on the Board is Mr Chew Sun Teong, Jeffrey who is also the Chief Executive Officer (CEO) of the Bank.

There is clear separation of roles between the Chairman and the CEO, which is consistent with the principle of corporate governance as set out in the Revised BNM/GP1 (Guidelines on Corporate Governance for Licensed Institutions) to institute an appropriate balance of power and authority. The Chairman's roles in the Board include scheduling meetings to enable the Board to perform its duties responsibly while not interfering with the flow of the Bank's operations; preparing meeting agenda in consultation with the CEO; exercising control over quality, quantity and timeliness of the flow of information between Management and the Board; and assist in ensuring compliance with guidelines on corporate governance. This is pertaining to only board proceeding and is not a comprehensive list of the duties and responsibilities of the Chairman.

The Board has four Directors deemed independent, namely, Tan Sri Dato' Nasruddin Bin Bahari, Ms Tan Siok Choo, Mr David Wong Cheong Fook and Dr Raja Lope Bin Raja Shahrome.

The members of the Board as a group provide core competencies to ensure the effectiveness of the Board. The competencies include banking, accounting, finance, legal, strategic ability, business acumen, management experience and depth, understanding of industry and customer, familiarity with regulatory requirements and knowledge of risk analysis and control. Details of the Directors' professional qualifications and background can be found below under "Further Information on Directors".

As a principle of good corporate governance, all Directors are subject to re-election at regular intervals. The Bank's Articles of Association also provides for the retirement of Directors by rotation and under Bank Negara Malaysia's guidelines, all appointment and re-appointment of Directors have to be approved by Bank Negara Malaysia.

Some of the Directors are also members of the Board Audit Committee, Nominating Committee and Risk Management Committee and the Board is satisfied that the Directors have been able to devote adequate time and attention to fulfil their duties as Directors of the Bank, in addition to their representation at Board Committees.

Board Conduct and Responsibilities

The Board is elected by the shareholder to supervise the management of business and affairs of the Bank. The prime stewardship responsibility of the Board is to ensure the viability of the Bank and to ensure that it is managed in the best interest of the shareholder while taking into account the interest of the stakeholders.

CORPORATE GOVERNANCE (continued)

Board Conduct and Responsibilities (continued)

Broadly, the responsibilities of the Board include but are not limited to the following:

- Reviewing and approving overall business strategy developed and recommended by Management;
- Ensuring that decisions and investments are consistent with long-term strategic goals;
- Ensuring that the Bank is operated to preserve its financial integrity and in accordance with policies approved by the Board;
- Providing oversight in ensuring that the Bank's risk appetite and activities are consistent with the strategic intent, operating environment, effective internal controls, capital sufficiency and regulatory standards;
- Overseeing, through the Board Audit Committee, the quality and integrity of the accounting and financial reporting systems, disclosure controls and procedures and internal controls; and through the Risk Management Committee the quality of the risk management processes and systems; and
- Reviewing any transaction for the acquisition or disposal of assets that is material to the Bank.

In 2010, the Board, Board Audit Committee and Risk Management Committee held a total of six meetings each while the Nominating Committee held a total of two meetings. Prior to each meeting, members are provided with timely and complete information to enable members to fulfil their responsibilities. Information provided include background information and matters to be addressed by the Board, copies of disclosure documents, monthly internal financial statements, risk management reports, budgets, forecasts and reports of variance from budgets and forecasts.

The Board and Board Audit Committee have separate and independent access to the internal auditors, external auditors, the Bank's senior management and the company secretary. The Directors, in addition, may seek independent professional advice at the Bank's expense as may be deemed appropriate.

The Directors receive appropriate structured training, which includes introductory information, briefing by senior executives on their respective areas and attending relevant external courses. The Board as a whole also receives briefing on relevant new rules, laws and regulations, risk management updates and changes in accounting standards.

Board Performance

The annual performance evaluation process was established to assess the effectiveness of the Board and Board committees with the formation of the Nominating Committee.

Board Audit Committee

The Board Audit Committee comprises Tan Sri Dato' Nasruddin Bin Bahari, Ms Tan Siok Choo and Mr David Wong Cheong Fook, all of whom are independent Directors. The Committee has written Terms of Reference that describe the responsibilities of its members.

The Terms of Reference of the Board Audit Committee is approved by the Board. The Committee has full access to internal auditors and external auditors, and has the discretion to invite any Directors and executive officers to attend its meetings. The Board Audit Committee has been given the resources required for it to discharge its functions. It has explicit authority to investigate any matter within its terms of reference.

The Board Audit Committee discharges its responsibilities and performs the functions specified in the Companies Act, 1965, the Banking and Financial Institutions Act, 1989 and the Bank Negara Malaysia guidelines.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (continued)

CORPORATE GOVERNANCE (continued)

Board Audit Committee (continued)

The Board Audit Committee may meet at any time with the internal auditors and external auditors. It meets with the Bank's auditors to approve the audit plans and review the scope of audits. The Committee reviews the financial statements of the Bank and the auditors' report thereon, related party transactions. In addition, the Committee also reviews and evaluates with the internal auditors and external auditors, the adequacy of the systems of internal control, governance procedures, risk management and compliance. The reviews include the scope and results of the audits, the cost effectiveness of the audits, and the independence and objectivity of the auditors.

The Board Audit Committee has received the requisite disclosures from the external auditors evidencing their independence, integrity and objectivity comply with relevant ethical requirements. It is satisfied that the financial, professional and business relationships between the Bank and external auditors are compatible with maintaining the independence of the external auditors.

Internal Audit Function

The Board Audit Committee approves the Audit Charter of Internal Audit and reviews the effectiveness of the internal audit function. In line with leading practice, Internal Audit's mission statement requires it to provide independent objective assessments designed to help the Bank to accomplish its strategic initiatives by engaging a risk-based, systematic and disciplined approach to evaluate the effectiveness of risk management, control, and governance processes. Its scope of work is to provide reasonable, but not absolute, assurance to the Board Audit Committee and Senior Management that the Bank's system of risk management, control, and governance process, as designed and implemented by Senior Management, are adequate and effective.

Internal Audit reports on the adequacy and effectiveness of the system of controls to the Board Audit Committee and management, but does not form any part of those systems of control. Internal Audit is also expected to meet or exceed the Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors, Guidelines on Internal Audit Functions of Financial Institutions of Bank Negara Malaysia, as well as other applicable local regulatory requirements for Internal Audit.

Internal Audit adopts a risk-based audit methodology. Annual audit plan is developed using the risk-based approach and is approved by the Board Audit Committee. Audit work is prioritised and scoped in accordance with the risk assessment of the Business Units. This includes all principal risks of the Bank, namely financial, strategic, technology, regulatory and operational risks. Internal Audit works closely with the Business Units to develop an understanding of the Bank's key objectives and processes to identify principal risks.

Computerised audit systems and software are adopted to automate audit process, facilitate sampling process and support audit execution. The audit work undertaken by Internal Audit cover internal control systems for business activities, security and access controls for the key computer systems, data integrity, control procedures for product and system projects, and controls over the monitoring of risk management operations.

Internal Audit representatives also sits in as an observer in major new product and system developments, process improvement activities and special projects, to help evaluate risk exposures and ensure that proposed mitigating internal controls are adequately evaluated and implemented on a timely basis. It also examines the effectiveness of internal control systems that mitigate risks inherent in recording of transactions, safeguarding of assets, compliance with laws and regulations, and adherence with established policies and procedures.

The Board Audit Committee is responsible for the adequacy of the internal audit function, its resources and standing, and ensures that processes are in place for recommendations raised in internal audit reports to be dealt with in a timely manner and outstanding exceptions or recommendations are closely monitored.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (continued)

CORPORATE GOVERNANCE (continued)

Internal Controls

The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Bank's Management and that was in place throughout the financial year and up to and as of the date of this report, is adequate to meet the needs of the Bank in its current business environment.

The system of internal controls provides reasonable, but not absolute assurance that the Bank will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls could provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

MANAGEMENT INFORMATION

All Directors review Board reports prior to the Board meeting. Information and materials, duly endorsed by the CEO, Malaysia and the relevant functional heads that are important to the Directors' understanding of the agenda items and related topics are distributed in advance of the meeting. These are issued in sufficient time to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting. The Bank will provide information on business, financial and risks to the Directors on a regular basis as well as on an as-required basis. The Board report includes, among others, the following:

1. Minutes of meetings of all Board Committees
2. Monthly Performance Report of the Bank
3. At least quarterly Credit Risk Management Report
4. At least quarterly Asset Liability & Market Risk Report
5. At least quarterly Operational Risk Management Report
6. Half yearly Industry Benchmarking Report (includes trend analysis, customer satisfaction, product and services quality, and market share)

The Board provides input on the Bank's policies from the country perspective in line with the prevailing regulatory framework, economic and business environment.

DIRECTORS' ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS IN 2010

	Number of Meetings attended in 2010							
Name of Director	Board		Board Audit Committee		Nominating Committee		Risk Management Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Tan Sri Dato' Nasruddin Bin Bahari	6	6	6	6	2	2	6	6
David Philbrick Conner	6	6	-	-	2	2	6	6
Ching Wei Hong	6	6	-	-	-	-	6	6
Soon Tit Koon	6	6	-	-	2	2	6	6
Tan Siok Choo	6	6	6	6	2	2	6	6
David Wong Cheong Fook	6	6	6	6	2	2	6	6
Dr Raja Lope Bin Raja Shahrome	6	5	-	-	-	-	6	5
Chew Sun Teong, Jeffrey	6	6	-	-	-	-	-	-
Lai Teck Poh (Appointed on 7 January 2011)	-	-	-	-	-	-	-	-

The Bank's Articles of Association provides for Directors to participate in Board and Board Committee meetings by means of telephone conferencing, video conferencing or audio visual equipment.

CORPORATE GOVERNANCE (continued)

FURTHER INFORMATION ON DIRECTORS

Profile of the Board of Directors

Tan Sri Dato’ Nasruddin Bin Bahari, **Chairman**

Tan Sri Dato’ Nasruddin was appointed to the Board on 23 January 1996. Tan Sri Dato’ Nasruddin holds a Bachelor of Arts with Honours from the University of Malaya and a Master of Public Administration from the University of Pittsburgh, USA. Apart from being Chairman of the Bank since October 1997, he is also Chairman of OCBC Al-Amin, Affin Moneybrokers Sendirian Berhad, The Pacific Insurance Berhad, PacificMas Berhad, OCBC Credit Berhad, OCBC Advisers (Malaysia) Sdn Bhd and Sumber Petroleum Cemerlang (SPC) Sendirian Berhad and a Director of Great Eastern Life Assurance (Malaysia) Berhad, Lingkaran Transkota Holdings Berhad (“LITRAK”), IJM Land Berhad, Great Eastern Takaful Sdn Bhd and I Great Capital Holdings Sdn Bhd.

Mr David Philbrick Conner

Mr Conner was appointed to the Board on 25 September 2002. He has extensive banking experience in the Asia Pacific region, having worked for over 25 years with Citibank, N.A. where he served as Managing Director and Market Manager for Citibank Japan from 1999. He was also Chief Executive Officer of Citibank India from 1996 to 1999 and prior to that was Country Corporate Officer for Citibank’s Singapore operations. He joined Oversea-Chinese Banking Corporation Limited (“OCBCL”) in April 2002 as a Director and Group Chief Executive Officer and is presently Chairman of Bank of Singapore Limited, a Commissioner of PT Bank OCBC NISP Tbk and a Director of several companies, including OCBC Al-Amin, Great Eastern Holdings Limited and Lion Global Investors Ltd. Mr Conner holds a Bachelor of Arts from Washington University in St Louis and a Master of Business Administration from Columbia University.

Mr Ching Wei Hong

Mr Ching was appointed to the Board on 20 June 2006. He is also the Senior Executive Vice President of OCBCL and is presently the Head of Global Consumer Financial Services. Prior to that, he previously held the position of Chief Financial Officer with responsibilities including capital management, financial and management accounting, legal and regulatory compliance and investor relations, Head of Group Operations and Technology, overseeing the Group's transaction processing and technology operations. Mr Ching has more than 25 years of experience in regional finance, corporate banking and cash management. Before joining the Group, he was Director of Corporate Finance, Philips Electronics Asia Pacific Pte Ltd. He also held senior regional assignments in Bank of America and was Treasurer of Union Carbide Asia Pacific. Mr Ching holds a Bachelor of Business Administration from the National University of Singapore. He is also presently the Chairman of Network for Electronic Transfers (S) Pte Ltd (NETS), a Director of OCBC Al-Amin, Bank of Singapore Limited and KTB Limited.

Mr Soon Tit Koon

Mr Soon was appointed to the Board on 19 June 2003. He was the Chief Financial Officer of OCBCL from 2002 to June 2008 and was appointed Senior Executive Vice President in April 2007. He became the Head of Group Investments in June 2008 and was re-appointed the Chief Financial Officer in May 2010. As Chief Financial Officer of OCBC Group, he is responsible for financial and management reporting, legal and regulatory compliance, capital management and investor relations. He also oversees the Group’s strategic investments and joint ventures, as well as non-core investments in equities and real estate. Prior to joining OCBCL, he was the Chief Financial Officer of Wilmar Holdings and before then the Managing Director of Citicorp Investment Bank. Mr Soon holds a Bachelor of Science with Honours from the University of Singapore and a Master of Business Administration from the University of Chicago.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (continued)

CORPORATE GOVERNANCE (continued)

Profile of the Board of Directors (continued)

Ms Tan Siok Choo
Ms Tan was appointed to the Board on 27 July 2000. Ms Tan holds a Bachelor of Law from the University of Bristol, passed her Bar Finals at College of Law, London and was admitted as a Barrister-at-law in Lincoln's Inn, London and the Malaysian Bar. She is presently Vice-President and Editor of Noordin Sopiee & Associates Sdn Bhd and a visiting fellow at the Institute of Strategic and International Studies (ISIS) with specific interests in the Malaysian economy, the financial sector and capital markets. She also serves as a Director of OCBC Al-Amin, United Malacca Bhd and several other private companies. She has extensive experience in the financial services industry, having worked for almost 10 years in stockbroking and banking as a senior research analyst for Rashid Hussain Securities, senior investment analyst at Morgan Grenfell Asia & Partners' Securities and Head of Corporate Finance at Southern Bank Berhad.

Mr David Wong Cheong Fook
Mr David Wong was appointed to the Board on 30 March 2004. He is presently Chairman of Ascendas Funds Management (S) Ltd and a Director of OCBC Al-Amin, PacificMas Berhad, Pacific Mutual Fund Berhad, The Pacific Insurance Berhad, Banking Computer Services Pte Ltd, Jurong International Holdings Pte Ltd, LMA International NV, Energy Market Company Pte Ltd and United Engineers Limited. He also serves as a Member of the Casino Regulatory Authority of Singapore and the Board of the National Environment Agency. Mr David Wong holds a Bachelor of Arts with Honours in Economics and a Master of Arts from the University of Cambridge. He is also a Member of the Institute of Chartered Accountants in England and Wales and the Institute of Certified Public Accountants in Singapore.

Dr Raja Lope Bin Raja Shahrome
Dr Raja Lope was appointed to the Board on 10 March 2007. Dr Raja Lope holds an Honours Degree in Economics from the University of Malaya in Singapore, an MA from the University of Pennsylvania and a PhD from the London School of Economics. His working experience was mainly with central and commercial banking except for a few years when he was working in a rating agency. He currently sits on the Board of Directors/Governors of OCBC Al-Amin, PacificMas Berhad, First Nationwide Holdings Sdn Bhd, Standard London (Asia) Sdn Bhd and several other private companies.

Mr Chew Sun Teong, Jeffrey
Mr Jeffrey Chew was appointed to the Board on 8 August 2008. He is also a Director of OCBC Al-Amin, E2 Power Sdn Bhd, PacificMas Berhad, Pac Lease Sdn Bhd and SME Credit Bureau (M) Sdn Bhd. He started his career with PriceWaterhouseCoopers in 1987 involved in corporate audit and taxation for 4 years prior to joining Citibank Malaysia. During his 12-year career with Citibank, he held various positions in the areas of customer relationship in corporate, commercial and SMEs, international offshore banking and risk management. Prior to joining OCBC Bank in April 2003, his last held position was General Manager of Commercial/SME banking business and Director of Citicorp Capital Sdn Bhd. Mr Jeffrey Chew is a qualified accountant and a Fellow Member of the Association of Chartered Certified Accountants, UK.

Mr Lai Teck Poh
Mr Lai was appointed to the Board on 7 January 2011. He joined OCBCL as an Executive Vice President and Head of Corporate Banking Division in January 1988. During his tenure with OCBCL, he has had senior management responsibilities for a wide range of functions including Corporate Banking, Investment Management, Information Technology and Central Operations, Group Risk Management and Group Audit. He was the Head of Group Audit Division before his retirement on 14 April 2010. He has over 42 years of banking experience, including about 20 years in Citibank, N.A. Singapore with overseas assignments in Jakarta, New York and London. He is presently a Director of OCBCL, OCBC Al-Amin, United Engineers Limited and WBL Corporation Limited and a Commissioner of PT Bank OCBC NISP Tbk. Mr Lai holds a Bachelor of Arts with Honours from the University of Singapore.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (continued)

DIRECTORS AND THEIR INTEREST IN SHARES AND OPTIONS

The Directors of the Bank in office during this period since the date of the last report are as follows:-

Tan Sri Dato' Nasruddin Bin Bahari (Chairman)

David Philbrick Conner

Ching Wei Hong

Soon Tit Koon

Tan Siok Choo (f)

David Wong Cheong Fook

Dr Raja Lope Bin Raja Shahrome

Chew Sun Teong, Jeffrey

Lai Teck Poh (Appointed on 7 January 2011)

In accordance with Articles 106 and 107 of the Bank's Articles of Association, Mr Soon Tit Koon and Ms Tan Siok Choo shall retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

In accordance with Article 110 of the Bank's Articles of Association, Mr Lai Teck Poh shall retire at the forthcoming Annual General Meeting and being eligible, offers himself for re-election.

In accordance with Section 129(6) of the Companies Act, 1965, Tan Sri Dato' Nasruddin Bin Bahari and Dr Raja Lope Bin Raja Shahrome who have attained 70 years of age, offer themselves for re-appointment at the forthcoming Annual General Meeting.

According to the register of Directors' shareholdings maintained by the Bank in accordance with Section 134 of the Companies Act 1965, the Directors' beneficial interests at the end of the financial year in the shares of the Bank and its related corporations were as follows:-

Oversea-Chinese Banking Corporation Limited ("OCBCL")

	Shareholdings registered in the name of Directors or in which Directors have a direct interest			
Ordinary Shares	As at 1.1.2010	Acquired	Disposed	As at 31.12.2010
Tan Sri Dato' Nasruddin Bin Bahari	19,200	-	-	19,200
David Philbrick Conner	1,333,094	447,187	200,000	1,580,281
Ching Wei Hong	48,951	43,529	41,000	51,480
Soon Tit Koon	97,491	71,009	136,000	32,500
David Wong Cheong Fook	28,762	3,103	-	31,865
Chew Sun Teong, Jeffrey	4,834	32,921	37,000	755
Tan Siok Choo (f)	-	48,000	-	48,000

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (continued)

DIRECTORS AND THEIR INTEREST IN SHARES AND OPTIONS (continued)

Oversea-Chinese Banking Corporation Limited ("OCBCL")

	Shareholdings registered in the name of Directors or in which Directors have a direct interest (continued)			
	As at 1.1.2010	Acquired	Disposed	As at 31.12.2010
Class G Preference Shares				
David Philbrick Conner	50,000	-	-	50,000
Tan Siok Choo (f)	-	9,600	-	9,600
Class B Preference Shares				
Ching Wei Hong	2,500	-	-	2,500

	Shareholdings in which Directors have deemed interest			
	As at 1.1.2010	Acquired/ Awarded/ Granted	Disposed/ Exercised	As at 31.12.2010
Ordinary Shares				
Tan Siok Choo (f)	3,686,473	129,030	387,742	3,427,761
OCBC Deferred Share Plan and OCBC Employee Share Purchase Plan				
David Philbrick Conner	778,967	841,602	89,758	1,530,811
Ching Wei Hong	103,742	46,475	24,951	125,266
Soon Tit Koon	296,020	102,167	64,997	333,190
Chew Sun Teong, Jeffrey	66,035 *	23,499	7,776	81,758
Class G Preference Shares				
Tan Siok Choo (f)	735,532	-	79,380	656,152

* The brought forward balance should be read as 66,035 instead of 69,295 as previously declared.

DIRECTORS AND THEIR INTEREST IN SHARES AND OPTIONS (continued)

Oversea-Chinese Banking Corporation Limited ("OCBCL")

The unexercised share options available to the Directors under the OCBC Executives' Share Option Scheme are as follows:-

	Number of share options held by Directors in their own name				
	Shareholdings in which Directors have deemed interest				
	As at 1.1.2010	Offered	Exercised	As at 31.12.2010	Date option expire
David Philbrick Conner	3,053,000	-	720,000	2,333,000	13/3/2015 – 13/3/2018
Ching Wei Hong	327,280	100,000	16,000	411,280	13/3/2015 – 14/3/2020
Soon Tit Koon	948,000	100,000	-	1,048,000	14/3/2014 – 14/3/2020
Chew Sun Teong, Jeffrey	117,000	75,000	25,000	167,000	13/3/2016 – 14/3/2020

OCBC Capital Corporation Limited ("OCC")

	Number of preference shares with liquidation value of S$100 each			
	Shareholdings in which Directors have deemed interest			
	As at 1.1.2010	Acquired	Disposed	As at 31.12.2010
Non-cumulative non-convertible guaranteed OCC-A Preference Shares				
Soon Tit Koon	10,000	-	-	10,000
Non-cumulative Non-convertible guaranteed OCC (2008) Preference Shares				
David Wong Cheong Fook	200	-	-	200

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (continued)

PacificMas Berhad

	Shareholdings registered in the name of Directors or in which Directors have a direct interest			
Ordinary Shares	As at 1.1.2010	Acquired	Disposed	As at 31.12.2010
Dr Raja Lope Bin Raja Shahrome	10,000	-	-	10,000
Tan Siok Choo (f)	5,000	10,800	-	15,800

	Shareholdings in which Directors have deemed interest			
	As at 1.1.2010	Acquired	Disposed	As at 31.12.2010
Dr Raja Lope Bin Raja Shahrome	2,000	-	-	2,000
Tan Siok Choo (f)	86,500	-	86,500	-

Other than the above, no other Directors in office during the financial year held any interest in shares, options and debentures of the Bank and its related corporations.

DIRECTORS' BENEFITS

During and at the end of the financial year, no Director of the Bank has received nor become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in Note 28 to the financial statements, or the fixed salary of full-time employees of the Bank or related companies) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (continued)

DIRECTORS' BENEFITS (continued)

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any arrangements to which the Bank is a party whereby Directors might acquire benefits by means of the acquisition of shares in, or debenture of, the Bank or any other body corporate except for the share options granted to executives of OCBCL pursuant to the OCBC Share Option Scheme, shares granted under the OCBC Deferred Share Plan which will vest three years from the grant date and will lapse when the Director ceases employment during the vesting period and acquisition rights under the OCBC Employee Share Purchase Plan.

IMMEDIATE AND ULTIMATE HOLDING COMPANY

The Directors regard Oversea-Chinese Banking Corporation Limited, a licensed commercial bank incorporated in Singapore, as the immediate and ultimate holding company of the Bank.

AUDITORS

Our auditors, Messrs KPMG, have expressed their willingness to accept re-appointment.

In accordance with a resolution of the Board of Directors dated 25 February 2011.

TAN SRI DATO' NASRUDDIN BIN BAHARI
DIRECTOR

CHEW SUN TEONG, JEFFREY
DIRECTOR

Kuala Lumpur

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

In the opinion of the Directors, the financial statements set out on pages 23 to 139 are drawn up in accordance with the provisions of the Companies Act, 1965, and Financial Reporting Standards as modified by Bank Negara Malaysia Guidelines so as to give a true and fair view of the financial position of the Group and the Bank as at 31 December 2010 and of their financial performances and cash flows for the year ended on that date.

In accordance with a resolution of the Board of Directors dated 25 February 2011.

TAN SRI DATO' NASRUDDIN BIN BAHARI
DIRECTOR

CHEW SUN TEONG, JEFFREY
DIRECTOR

Kuala Lumpur

STATUTORY DECLARATION PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Tan Fong Sang, the officer primarily responsible for the financial management of OCBC Bank (Malaysia) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 23 to 139 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared at)
Kuala Lumpur in Wilayah Persekutuan)
On 25 February 2011) TAN FONG SANG

Before me,

TAN BOON CHUA
COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF OCBC BANK (MALAYSIA) BERHAD

Company No. 295400-W
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of OCBC Bank (Malaysia) Berhad, which comprise the statements of financial positions as at 31 December 2010 of the Group and the Bank, and the income statements, statements of comprehensive income, statements of changes in equity and cash flow statements of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 23 to 139.

Directors' Responsibility for the Financial Statements

The Directors of the Bank are responsible for the preparation of these financial statements that give a true and fair view in accordance with the Companies Act, 1965 and Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Bank's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Company No. 295400-W

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Companies Act, 1965 and Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines so as to give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2010 and of their financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries have been properly kept in accordance with the provisions of the Act.

b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Bank's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

This report is made solely to the members of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
Firm Number: AF 0758
Chartered Accountants

Foong Mun Kong
Approval Number: 2613/12/12(J)
Chartered Accountant

Petaling Jaya, Selangor.

Date: 25 February 2011

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

		Group		Bank	
		2010	2009	2010	2009
Assets	Note	RM'000	RM'000 Restated	RM'000	RM'000 Restated
Cash and cash equivalents	2	11,004,041	11,211,535	10,616,038	9,945,874
Deposits and placements with banks and other financial institutions	3	1,935,632	2,019,784	2,235,614	2,499,784
Securities held-for-trading	4	505,657	367,148	505,657	367,148
Securities available-for-sale	5	5,964,308	6,493,906	4,904,779	5,552,255
Loans, advances and financing	6	35,143,119	31,714,079	32,656,423	29,601,957
Derivative assets	8	499,772	547,154	492,132	543,171
Other assets	9	203,813	200,207	395,030	385,261
Statutory deposits with Bank Negara Malaysia	10	79,342	43,092	52,592	19,592
Investment in subsidiary companies	11	-	-	256,611	196,611
Property, plant and equipment	12	210,647	238,825	202,825	232,280
Prepaid lease payments	14	1,000	1,036	1,000	1,036
Investment properties	13	20,731	11,250	20,731	11,250
Deferred tax assets	16	137,896	115,263	127,725	103,989
Current tax assets		-	133	-	-
Total assets		55,705,958	52,963,412	52,467,157	49,460,208
Liabilities					
Deposits from customers	17	43,236,933	41,592,510	40,381,661	38,083,344
Deposits and placements of banks and other financial institutions	18	5,013,388	4,821,395	4,734,425	4,781,105
Bills and acceptances payable		281,944	244,983	270,837	225,309
Recourse obligation on loans sold to Cagamas Berhad		329,988	361,563	329,988	361,563
Subordinated term loan / bonds	19	1,504,132	1,295,098	1,504,132	1,295,098
Derivative liabilities	8	485,177	435,130	477,549	430,809
Other liabilities	20	472,329	480,918	440,166	578,955
Current tax liabilities and zakat		30,022	42,459	28,124	42,459
Total liabilities		51,353,913	49,274,056	48,166,882	45,798,642
Equity					
Share capital	21	291,500	291,500	291,500	291,500
Reserves	22	4,060,545	3,397,856	4,008,775	3,370,066
Total equity		4,352,045	3,689,356	4,300,275	3,661,566
Total liabilities and equity		55,705,958	52,963,412	52,467,157	49,460,208
Commitments and contingencies	34	64,496,086	64,332,373	63,390,651	63,186,944

The notes on pages 30 to 139 form an integral part of these financial statements.

INCOME STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

		Group		Bank	
		2010	2009	2010	2009
	Note	RM'000	RM'000	RM'000	RM'000
			Restated		Restated
Interest income	23	2,067,996	1,963,195	2,094,368	1,981,177
Interest expense	23	(937,247)	(916,867)	(937,240)	(916,889)
Net interest income	23	1,130,749	1,046,328	1,157,128	1,064,288
Net fee and commission income	24	246,806	243,239	293,267	284,146
Income from Islamic banking operations		157,899	144,085	-	-
Net trading income	25	176,453	128,551	176,453	128,551
Other operating income	26	24,473	43,495	24,606	43,529
Operating income		1,736,380	1,605,698	1,651,454	1,520,514
Personnel and operating expenses	27	(655,624)	(597,114)	(612,359)	(567,470)
Operating profit before allowance for impairment loss and provision		1,080,756	1,008,584	1,039,095	953,044
Impairment allowance on loans, advances and financing	29	(120,901)	(195,448)	(110,856)	(168,024)
Impairment allowance on investment properties	27	(361)	-	(361)	-
Provision for commitment and contingencies	27	(7,604)	(100)	(7,604)	(100)
Profit before income tax expense and zakat		951,890	813,036	920,274	784,920
Income tax expense	31	(245,427)	(205,197)	(237,348)	(197,807)
Zakat		(15)	(10)	-	-
Profit for the year		706,448	607,829	682,926	587,113
Basic earnings per ordinary share (sen)	32	239.4	205.1	231.3	197.9

The notes on pages 30 to 139 are an integral part of these financial statements.

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Profit for the year	706,448	607,829	682,926	587,113
Fair value of securities available-for-sale				
- change in fair value	12,721	(28,831)	11,084	(16,012)
- disposal	(15,591)	(26,843)	(14,535)	(31,481)
Income tax expense relating to components of other comprehensive income	(151)	29,003	(28)	27,810
Other comprehensive expense for the year, net of tax	(3,021)	(26,671)	(3,479)	(19,683)
Total comprehensive income for the year	703,427	581,158	679,447	567,430
Profit attributable to:				
Owner of the Bank	706,448	607,829	682,926	587,113
Total comprehensive income attributable to:				
Owner of the Bank	703,427	581,158	679,447	567,430

The notes on pages 30 to 139 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Non-distributable					*Distributable*	
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Capital reserve RM'000	Fair Value reserve RM'000	Retained earnings RM'000	Total equity RM'000
Group							
Balance at 1 January 2010							
- As previously stated	291,500	858,500	330,660	56,619	128,936	2,023,141	3,689,356
- Effect of adopting FRS 139 (Note 46)	-	-	-	-	-	20,427	20,427
As restated	291,500	858,500	330,660	56,619	128,936	2,043,568	3,709,783
Profit for the year	-	-	-	-	-	706,448	706,448
Other comprehensive expense for the year	-	-	-	-	(3,021)	-	(3,021)
Total comprehensive (expense)/income for the year	-	-	-	-	(3,021)	706,448	703,427
Dividends to owner of the Bank (Note 33)	-	-	-	-	-	(43,125)	(43,125)
Dividends to preference shareholders (Note 33)	-	-	-	-	-	(18,040)	(18,040)
Balance at 31 December 2010	291,500	858,500	330,660	56,619	125,915	2,688,851	4,352,045
Balance at 1 January 2009	291,500	858,500	322,000	56,619	155,607	1,442,012	3,126,238
Profit for the year	-	-	-	-	-	607,829	607,829
Other comprehensive expense for the year	-	-	-	-	(26,671)	-	(26,671)
Total comprehensive (expense)/income for the year	-	-	-	-	(26,671)	607,829	581,158
Transfer to statutory reserve	-	-	8,660	-	-	(8,660)	
Dividends to preference shareholders (Note 33)	-	-	-	-	-	(18,040)	(18,040)
Balance at 31 December 2009	291,500	858,500	330,660	56,619	128,936	2,023,141	3,689,356

The notes on pages 30 to 139 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (continued)

	Non-distributable				*Distributable*	
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Fair Value reserve RM'000	Retained earnings RM'000	Total equity RM'000
Bank						
Balance at 1 January 2010						
- As previously stated	291,500	858,500	322,000	127,537	2,062,029	3,661,566
- Effect of adopting FRS 139 (Note 46)					20,427	20,427
As restated	291,500	858,500	322,000	127,537	2,082,456	3,681,993
Profit for the year	-	-	-	-	682,926	682,926
Other comprehensive expense for the year	-	-	-	(3,479)	-	(3,479)
Total comprehensive (expense)/income for the year	-	-	-	(3,479)	682,926	679,447
Dividends to owner of the Bank (Note 33)	-	-	-	-	(43,125)	(43,125)
Dividends to preference shareholders (Note 33)	-	-	-	-	(18,040)	(18,040)
Balance at 31 December 2010	291,500	858,500	322,000	124,058	2,704,217	4,300,275
Balance at 1 January 2009	291,500	858,500	322,000	147,220	1,492,956	3,112,176
Profit for the year	-	-	-	-	587,113	587,113
Other comprehensive expense for the year	-	-	-	(19,683)	-	(19,683)
Total comprehensive (expense)/income for the year	-	-	-	(19,683)	587,113	567,430
Dividends to preference shareholders (Note 33)	-	-	-	-	(18,040)	(18,040)
Balance at 31 December 2009	291,500	858,500	322,000	127,537	2,062,029	3,661,566

The notes on pages 30 to 139 are an integral part of these financial statements.

Company No. 295400-W

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	Group		Bank	
		2010 RM'000	2009 RM'000 Restated	2010 RM'000	2009 RM'000 Restated
Cash flows from operating activities					
Profit before income tax expense and zakat		951,890	813,036	920,274	784,920
Adjustments for:-					
Net (gains)/losses from disposal of					
- securities held-for-trading		(712)	2,773	(712)	2,773
- securities available-for-sale		(14,535)	(31,481)	(14,535)	(31,481)
- trading derivatives		(5,776)	(10,303)	(5,776)	(10,303)
- hedging derivatives		164	437	164	437
- property, plant and equipment		(166)	143	(166)	93
- non-current assets held for sale		-	(1,296)	-	(1,296)
Dividends on securities available-for-sale	26	(2,752)	(3,128)	(2,752)	(3,128)
Depreciation of property, plant and equipment	12	41,996	43,751	39,561	42,356
Depreciation of investment properties	13	1,062	839	1,062	839
Amortisation of premium less accretion of discount		-	22,770	-	22,770
Amortisation of prepaid lease payments	14	36	36	36	36
Impairment allowance on investment properties	13	361	-	361	-
Impairment allowance on loans, advances and financing	29	120,901	195,448	110,856	168,024
Profit equalisation reserve from Islamic banking income		(8,073)	(8,088)	-	-
Provision for commitment and contingencies	27	7,604	100	7,604	100
Equity compensation benefits	27	8,426	5,281	8,233	5,199
Unrealised losses/(gains) on revaluation of					
- securities held-for-trading	25	(13,394)	(9,227)	(13,394)	(9,227)
- derivatives	25	113,340	16,805	113,340	16,805
Operating profit before changes in working capital		1,200,372	1,037,896	1,164,156	988,917
(Increase)/Decrease in operating assets :					
Deposits and placements with banks and other financial institutions		84,152	(789,171)	264,170	(1,269,171)
Securities held-for-trading		(124,403)	221,090	(124,403)	221,090
Loans, advances and financing		(3,522,705)	(1,735,094)	(3,138,086)	(1,725,811)
Derivatives assets		47,509	482,954	51,166	486,060
Other assets		(3,606)	424,794	(9,769)	492,917
Statutory deposits with Bank Negara Malaysia		(36,250)	894,516	(33,000)	834,016
Increase/(Decrease) in operating liabilities :					
Deposits from customers		1,644,423	4,948,451	2,298,317	4,116,070
Deposits and placements of banks and other financial institutions		191,993	961,449	(46,680)	1,234,959
Bills and acceptances payable		36,961	(1,201,098)	45,528	(1,206,670)
Recourse obligation on loans sold to Cagamas Berhad		(31,575)	(73,764)	(31,575)	(73,764)
Derivatives liabilities		(57,808)	(265,540)	(61,115)	(268,984)
Other liabilities		(16,546)	(150,071)	(154,626)	189,726
Cash (used in)/generated from operations		(587,483)	4,756,412	224,083	4,019,355
Income tax and zakat paid		(287,368)	(230,365)	(282,256)	(226,225)
Net cash (used in)/generated from operating activities		(874,851)	4,526,047	(58,173)	3,793,130

CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (continued)

	Note	Group		Bank	
		2010	2009	2010	2009
		RM'000	RM'000	RM'000	RM'000
			Restated		Restated
Cash flows from investing activities					
Proceeds from disposal of securities available-for-sale (net)		541,292	2,035,764	658,560	2,153,604
Increase in investment in subsidiary		-	-	(60,000)	-
Acquisition of property, plant and equipment		(25,122)	(25,045)	(21,641)	(19,532)
Acquisition of investment property		-	(60)	-	(60)
Proceeds from disposal of non-current assets held for sale		-	1,641	-	1,641
Proceeds from disposal of property, plant and equipment		566	100	797	638
Dividends on securities available-for-sale received		2,752	3,128	2,752	3,128
Net cash from investing activities		519,488	2,015,528	580,468	2,139,419
Cash flows from financing activities					
Dividends paid to preference shareholders		(18,040)	(18,040)	(18,040)	(18,040)
Dividends paid to owners of the Bank		(43,125)	-	(43,125)	-
Proceeds from subordinated term loan/ bonds		209,034	313,936	209,034	313,936
Net cash from financing activities		147,869	295,896	147,869	295,896
Net (decrease)/increase in cash and cash equivalents		(207,494)	6,837,471	670,164	6,228,445
Cash and cash equivalents at 1 January		11,211,535	4,374,064	9,945,874	3,717,429
Cash and cash equivalents at 31 December	2	11,004,041	11,211,535	10,616,038	9,945,874

The notes on pages 30 to 139 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010

GENERAL INFORMATION

The principal activities of the Group and of the Bank are banking and related financial services which also include Islamic Banking ("IB") business. The principal activities of the subsidiary companies during the financial year are in the businesses of IB, lease financing and the provision of nominees services. There has been no significant change in the nature of these activities during the financial year.

The consolidated financial statements of the Bank as at and for the year ended 31 December 2010 comprise the Bank and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Bank as at and for the year ended 31 December 2010 do not include other entities.

The immediate and ultimate holding company of the Bank is Oversea-Chinese Banking Corporation Limited, a licensed commercial bank incorporated in Singapore.

The Bank is a limited liability company, incorporated and domiciled in Malaysia.

The address of the registered office of the Bank is 19th Floor, Menara OCBC, 18 Jalan Tun Perak, 50050 Kuala Lumpur.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by the Group entities, other than:

- Note 1(E) - Lease assets
- Note 1 (J)(iii) - Impairment on loans, advances and financing

A more detailed discussion, together with the related financial impact, is presented in Note 46.

A. Basis of preparation of the financial statements

The financial statements of the Group and of the Bank have been prepared under the historical cost convention (except as disclosed in the notes to the financial statements), generally accepted accounting principles and comply with Financial Reporting Standards ("FRSs") as modified by Bank Negara Malaysia ("BNM") Guidelines, the provisions of the Companies Act, 1965 and Shariah requirements (operations of IB).

The financial statements are presented in Ringgit Malaysia (RM), which is the Bank's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

The financial statements incorporate all activities relating to IB which have been undertaken by the Group and the Bank in compliance with Shariah principles. IB refers generally to the acceptance of deposits and granting of financing under Shariah principles.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of preparation of the financial statements (continued)

The Group and the Bank have not applied the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the Group and the Bank:

	Effective for annual periods	Date of adoption by the Group and Bank
Amendments to FRS132, Financial instruments: Presentation-Classification of right Issues	On or after 1 March 2010	1 January 2011
FRS 1 (revised), First-time Adoption of Financial Reporting Standards	On or after 1 July 2010	1 January 2011
FRS 3 (revised), Business Combinations	On or after 1 July 2010	1 January 2011
FRS 127 (revised), Consolidated and Separate Financial Statements	On or after 1 July 2010	1 January 2011
IC Interpretation 12, Service Concession Arrangements	On or after 1 July 2010	Not applicable
IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation	On or after 1 July 2010	Not applicable
IC Interpretation 17, Distributions of Non-cash Assets to Owners	On or after 1 July 2010	1 January 2011
Amendments to FRS 2, Share-based Payment	On or after 1 July 2010	1 January 2011
Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations	On or after 1 July 2010	1 January 2011
Amendments to FRS 138, Intangible Assets	On or after 1 July 2010	1 January 2011
Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives	On or after 1 July 2010	1 January 2011
Amendments to FRS 1, First-time Adoption of Financial Reporting Standards -Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters -Additional Exemptions for First-time Adopters	On or after 1 January 2011	1 January 2011
Amendments to FRS 7, Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments	On or after 1 January 2011	1 January 2011
Amendments to FRS 2, Group Cash-settled Share Based Payment Transactions	On or after 1 January 2011	1 January 2011
IC Interpretation 4, Determining whether an Arrangement contains a Lease	On or after 1 January 2011	1 January 2011
IC Interpretation 18, Transfers of Assets from Customers	On or after 1 January 2011	1 January 2011
Improvements to FRSs (2010)	On or after 1 January 2011	1 January 2011
IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments	On or after 1 July 2011	1 January 2012
Amendments to IC Interpretation 14, Prepayments of a Minimum Funding Requirement	On or after 1 July 2011	1 January 2012
FRS 124, Related Party Disclosures (revised)	On or after 1 January 2012	1 January 2012
IC Interpretation 15, Agreements for the Construction of Real Estate	On or after 1 January 2012	Not applicable

The initial application of the above mentioned applicable standards, amendments and interpretations are not expected to have any material impacts on the financial statements of the Group and the Bank upon first adoption.

1 SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (continued)

B. Basis of consolidation

Subsidiary companies are entities, including unincorporated entities in which the Group has power to exercise control over the financial and operating policies so as to benefit from their activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

The results of the subsidiary companies acquired or disposed of during the financial year are included in the consolidated income statement from the date of their acquisition or up to the date of their disposal. Subsidiary companies are consolidated using the purchase method of accounting.

All significant intra-group transactions (including any unrealised income and expenses arising from intra-group transactions) and balances are eliminated in preparing the consolidated financial statements.

Investments in subsidiaries are stated in the Company's statement of financial position at cost less any impairment losses.

C. Financial instruments

(i) Initial recognition and measurement

A financial instrument is recognised in the financial statements when, and only when, the Group or the Bank becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Group categorises financial instruments into the following measurement categories:

Financial assets

(a) Financial assets held at fair value through profit or loss

Fair value through profit or loss category has two-sub-categories: financial assets that are held-for-trading, including derivatives (except for a derivative that is designated and effective hedging instruments) and financial assets that are specifically designated into this category upon initial recognition.

Derivative assets that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in the net trading income of the income statements. Contractual interest income on financial instruments held at fair value through profit or loss is recognised as interest income in the income statements.

As at 31 December 2010, financial assets at fair value through profit or loss of the Group are securities held-for-trading and trading derivatives. There are no financial assets that are specifically designated into this category upon initial recognition. Securities held-for-trading are securities acquired and held with the intention of resale in the short term.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

1 SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (continued)

C. Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

(b) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments i.e. debt instruments that are quoted in an active market and the Group has the positive intention and ability to hold to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method less any impairment loss.

As at 31 December 2010, there are no financial assets of the Group that are categorised as held-to-maturity investments.

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments i.e. debt instruments that are not quoted in an active market, deposits and placements with banks and other financial institutions, loans, advances and financing and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and cost that are an integral part of the effective interest rate. The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Interest income is recognised in income statements using the effective interest method.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, comprising investment in equity and debt securities instruments, that are not held for trading and are acquired/held for yield or capital growth or to meet minimum liquid assets requirement pursuant to the New Liquidity Framework and are usually held for an indefinite period of time, which may be sold in response to liquidity requirements or changes in market conditions.

Investments 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. Financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in income statements. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into income statements. Interest calculated for a debt instrument using the effective interest method is recognised as interest income in income statements.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note1(J)).

1 SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (continued)

C. Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities

All financial liabilities, except for derivative liabilities (other than a derivative that is a financial guarantee contract or a designated and effective hedging instrument) are subsequently measured at amortised cost using the effective interest method.

Derivatives liabilities that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

The Group does not have any non-derivative financial liabilities designated at fair value through profit or loss.

(iii) Financial guarantee contracts

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. A financial guarantee contract is a contract that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are classified as deferred income and are amortised to income statements using the straight-line method over the contractual period or, when there is no specified contractual period, recognised in income statements upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is purchase or sale of a financial asset under a contract whose terms require the delivery of the assets within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchased or sale of financial assets is recognised and derecognised, as applicable, using settlement date accounting. Settlement date accounting refers to:

(a) the recognition of an asset to be received and liability to pay for it on the settlement date; and
(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the settlement date.

1 SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (continued)

C. Financial instruments (continued)

(v) Hedge accounting

The Group enters into derivative transactions for hedging purposes, largely to manage exposures to interest rate risk, arising from its core banking activities of lending and accepting deposits.

The objective of applying hedge accounting is to reduce volatility in the income statements arising from fair valuation of derivatives. Derivative instruments are recognised at inception on the statements of financial position (including transaction costs), which are normally zero or negligible at inception, and subsequent changes in fair value as a result of fluctuation in market interest rates are recorded as derivatives assets (favourable) and derivatives liabilities (unfavourable).

The Group formally assess, both at the inception of the hedge and on an on-going basis, whether the hedging derivatives have been "highly effective" in offsetting changes in the fair value or cash flows of the hedged items. "Hedge ineffectiveness" represents the amount by which the changes in the fair value of the hedging derivative differ from changes in the fair value of the hedged item relating to the hedged risk. Such gains and losses are recorded in current period earnings.

Fair value hedge

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the profit or loss.

In a fair value hedge, the gain or loss from remeasuring the hedging instrument at fair value or the foreign currency component of its carrying amount translated at the exchange rate prevailing at the end of the reporting period is recognised in income statements. The gain or loss on the hedged item, except for hedge item categorised as available-for-sale, attributable to the hedged risk is adjusted to the carrying amount of the hedged item and recognised in income statements. For a hedge item categorised as available-for sale, the fair value gain or loss attributable to the hedge risk is recognised in income statements.

Fair value hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective or the hedge designation is revoked.

1 SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (continued)

C. Financial instruments (continued)

(v) Hedge accounting (continued)

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with recognised assets or liability or a highly probable forecast transaction and could affect the profit or loss. In cash flow hedge, the portion of the gain or loss on the hedging instruments that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in income statements.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into income statements in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the assets or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into income statements.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in other comprehensive income until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instruments is reclassified from equity into income statements.

(vi) Derivatives

Derivatives are categorised as trading unless they are designated as hedging instruments. Refer to policy Note 1 (C)(v) of the accounting policies for derivatives used for hedging purposes.

Financial derivatives include forward contracts for the purchase and sale of foreign currencies, interest rate and currency swaps, financial futures and option contracts. These instruments allow the Group and its customers to transfer, modify or reduce their foreign exchange and interest rate risks.

All derivative financial instruments are recognised at inception on the statements of financial position (including transaction costs), which are normally zero or negligible at inception, and subsequent changes in fair value as a result of fluctuation in market interest rates or foreign exchange rates are recorded as assets when fair value is positive and as liabilities when fair value is negative.

Where derivatives are embedded in the host contract (e.g. structured investments), the embedded derivatives are required to be separated and accounted as a derivative if the economic risks and characteristics of the embedded derivatives are not closely related to the economic risks and characteristics of the host contract. Separate accounting is not required if the combined instrument is fair valued with changes in fair value recognised in income statements.

When the Group enters into derivatives for trading purposes, realised and unrealised gains and losses are recognised in trading income. Observable market data are used to determine the fair values of derivatives held-for-trading. Valuations are either based on quoted price or valuation technique. Where mid prices are used, a bid-offer spread adjustment will be made to ensure that all long positions are marked to bid prices and short positions to offer prices.

1 SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (continued)

C. Financial instruments (continued)

(vii) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) any cumulative gain or loss that had been recognised in equity is recognised in the income statements.

A financial liability or part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the income statements.

(viii) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the amounts and the intention to settle on a net basis or realise the asset and settle the liability simultaneously. Income and expense are presented on a net basis only when permitted by the accounting standards.

D. Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are stated at cost less any accumulated depreciation and any impairment losses.

Costs include expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment and depreciated separately.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within “other operating income” and “operating expenses” respectively in income statements.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

1 SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (continued)

D. Property, plant and equipment (continued)

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statements as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Freehold land is not depreciated. Leasehold buildings are amortised over 50 years or the period of the lease, whichever is shorter. Depreciation of other property, plant and equipment is calculated to write off the cost of the property, plant and equipment on a straight line basis over the expected useful life of the assets concerned.

The principal annual rates are:-

Buildings on freehold land	2%
Office equipment and furniture	10%
Computer equipment	20% - 33.33%
Renovation	33.33%
Motor vehicles	20%

Depreciation methods, useful lives and residual values are reviews, and adjusted as appropriate at end of the reporting period.

E. Leased assets

(i) Finance lease

Leases in term of which the Group or the Bank assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the leased adjustment is confirmed.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

1 SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (continued)

E. Leased assets (continued)

(ii) Operating lease

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and except for property interest held under operating lease, the leased assets are not recognised on the Group’s statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

In the previous years, a leasehold land that normally had an indefinite economic life and title was not expected to pass to the lessee by the end of the lease term was treated as an operating lease. The payment made on entering into or acquiring a leasehold land that was accounted for as an operating lease represented prepaid payments, except for leasehold land classified as investment property.

The Group has adopted the amendment made to FRS117, *Leases* in 2010 in relation to the classification of lease of land. Leasehold land which in substance is a finance lease has been reclassified and measured as such retrospectively.

Payments made under operating leases are recognised in income statements on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in income statements as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to income statements in the reporting period in which they are intended.

F. Investment property (carried at cost)

Investment properties are properties, including investment property under construction, which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, used in production or supply of goods or services or for administrative purposes.

Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties. The Group has adopted the cost method in measuring investment properties. Investment properties are stated at cost less any accumulated depreciation and any allowance for impairment losses, consistent with the accounting policy for property, plant and equipment as stated in policy Note E of the Group’s accounting policies.

Depreciation is charged to the income statements on a straight-line basis over the estimated useful lives of 50 years for buildings. Freehold land is not depreciated.

The fair value of investment properties is the estimated market value of the properties derived from using market values and past transaction prices of the properties within the vicinity. The determination of the fair value involves a degree of judgement. As such, the fair value of the investment properties may be different from its actual market value.

G. Receivables

Prior to 1 January 2010, receivables were initially recognised at their costs and subsequently stated at cost less allowance for doubtful debts.

Following the Adoption of FRS139, receivables are categorised and measured as loans and receivables in accordance with policy Note 1(C).

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

1 SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (continued)

H. Non-current Assets Held for Sale

Non-current assets (or disposal group comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale.

Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to financial assets, deferred tax assets and employee benefits assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains and losses on re-measurement are recognised in income statements. Gains are not recognised in excess of any cumulative impairment loss.

I. Cash and Cash Equivalents

Cash and cash equivalents consist of cash and bank balances and short-term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Cash and cash equivalents are categorised and measured as loans and receivables in accordance with policy Note 1(C).

J. Impairment of financial assets

i.) Held-to-maturity investments

When there is objective evidence of impairment, impairment loss is recognised in income statements and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

ii.) Available-for-sale securities

An impairment loss is recognised in the income statements and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and asset's current fair value, less any impairment loss previously recognised. Where a decline in fair value of an available-for-sale security has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to income statements.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in income statements and is measured as the difference between the asset's carrying amount and the represent value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

1 SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (continued)

J. Impairment of financial assets (continued)

ii.) Available-for-sale securities (continued)

An impairment loss recognised in income statements for an investment in an equity instruments is not reversed through the income statements.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in income statements, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the income statements.

iii.) Loans, advances and financing

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired subject to the guidelines on Classification and Impairment allowances for Loans/Financing issued by BNM where loans, advances and financing that is past due for more than 90 days or 3 months is deemed impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the present value of estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Objective evidence of impairment may include indications that a borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, that it is possible that they will enter bankruptcy or other financial reorganization and that there are observable data indicating a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with default.

<u>Individual assessment impairment loss</u>

Individually assessed impairment allowance is provided if the recoverable amount is lower than the net carrying amount of the loans, advances and financing. Recoverable amount refers to the present value of estimated future cash flows discounted at original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Prior to 1 January 2010, the Group applied the following discount on collateral for impaired loans, advances and financing when computing individually assessed impairment allowance:

i) fifty percent (50%) of the realisable value of the collateral for impaired loans, advances and financing which are in arrears for more than five years but less than seven years for consumer and small business segments; and

ii) no value to the realisable value of the collateral for all impaired loans, advances and financing which are in arrears for more than seven years.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

1 SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (continued)

J. Impairment of financial assets (continued)

(iii) Loans, advances and financing (continued)

Individual assessment impairment loss (continued)

With effect from 1 January 2010, the Group has ceased to apply the above mentioned discount on collateral for impaired loans, advances and financing, when computing individual impairment losses.

Collective assessment impairment loss

The Group maintains a collectively assessed impairment allowance of at least 1.5% of total outstanding loans, advances and financing, net of individually assessed impairment allowance as at the reporting date based on the transitional provision as allowed by the BNM pursuant to the guidelines on Classification and Impairment Provisions for Loans/Financing issued by BNM.

Impaired loans, advances and financing written off

Uncollectible loans, advances and financing or portion of a loans, advances and financing classified as impaired is written off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management, there is no prospect of recovery.

K. Impairment of other assets

The carrying amounts of other assets (except for deferred tax assets, assets arising from employees benefits and non-current asset (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment.

When indication of impairment exists for other assets, the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash flows of other assets or groups of assets (the "cash-generating unit").

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in the income statement/ revenue account. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statements in the year in which the reversals are recognised.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

1 SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (continued)

L. Equity instruments

Instruments classified as equity are stated at cost on initial recognition and are not remeasured subsequently. Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Bank's option, and any dividends are discretionary. Dividend thereon is recognised as distributions within equity.

Interim dividends on ordinary shares and dividends on preference shares are recorded in the year in which they are declared and payable by the Board of Directors. Final dividends are recorded in the year when the dividends are approved by shareholders at the annual general meeting.

M. Employee benefits

i) Short term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, paid annual leave and sick leave, variable cash performance bonus and non-monetary benefits are measured on an undiscounted basis and expensed as the related service services is rendered by employees of the Group.

The Group's contributions to statutory pension funds are charged to the income statements in the year to which they relate. Once contributions have been paid, the Group has no further payment obligations.

ii) Employee leave entitlements

The cost of accumulating compensated absences is recognised as an expense and measured based on the additional amount that the Group expects to pay as a result of the unused entitlement that has accumulated as at the end of the reporting period.

iii) Share-based payment transactions

(a) Deferred Share Plan

The OCBC Deferred Share Plan ("the Plan") was implemented with effect from 2003. Under the Plan, shares of the ultimate holding company of the Bank are granted to executive directors and officers of the rank of Vice President and above. A trust is set up to administer the shares purchased under the Plan. Shares granted under the Plan will vest three years from the grant date and will lapse when the staff ceases employment during the vesting period. The remuneration expense is amortised and recognised in the income statements on a straight-line basis over the vesting period.

(b) Share Option Scheme

Share Option Schemes are offered to executives of the rank of Manager and above, including executive directors. Options granted over shares of the ultimate holding company of the Bank are exercisable for a period commencing after the 1st anniversary of the respective dates of grant and expiring on the 10th anniversary of the respective dates of grant. One-third of the share options granted will vest each financial year after the 1st anniversary of the respective dates of grant and fully vested after the 3rd anniversary.

1 SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (continued)

M Employee benefits

iii) Share-based payment transactions (continued)

(b) Share Option Scheme

Share Option Schemes are offered to executives of the rank of Manager and above, including executive directors. Options granted over shares of the ultimate holding company of the Bank are exercisable for a period commencing after the 1st anniversary of the respective dates of grant and expiring on the 10th anniversary of the respective dates of grant. One-third of the share options granted will vest each financial year after the 1st anniversary of the respective dates of grant and fully vested after the 3rd anniversary.

(c) Employee Share Purchase Plan

The Employee Share Purchase Plan (“ESP Plan”) is a savings-based share ownership plan that allows eligible employees to participate in shares of the ultimate holding company of the Bank by making monthly contributions to the ESP Plan Account and interest accrued at a preferential rate determined by the Remuneration Committee. The Committee will fix the offering period and acquisition price for the new ordinary shares to be issued under the ESP Plan. The ESP Plan balances are included in non-bank customer savings deposits.

The fair value of options granted is recognised as staff costs in the income statements. The Group uses the binomial model to calculate the fair value of share options granted under the Share Option Schemes and acquisition rights to ordinary shares of the ultimate holding company of the Bank under the ESP Plan. The fair value of the options and rights is recognised in the income statements over the vesting period of the share options or the offering period of the ESP Plan. At each reporting date, the Group revises its estimates of number of options that are expected to become exercisable, and the impact of the change to the original estimates, if any, is recognised in the income statements over the remaining vesting period, with recognition of a corresponding liability payable to the ultimate holding company of the Bank. The liability is remeasured at each reporting date up to the settlement date, with changes in fair value recognised in the income statements.

Further details of the equity compensation benefits are disclosed in Note 20(a).

N. Provisions

Provisions are recognised when all of the following conditions have been met:

- the Group and the Bank have a present or legal obligation as a result of past events
- it is probable that an outflow of resources will be recognised to settle the obligation
- a reliable estimate of the amount can be made

N. Provisions (continued)

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as interest expense.

i) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

O. Revenue and expenses

i) Interest income and expense

Interest income and expense is recognised in the income statements using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset, interest-bearing securities available-for-sale or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments ore receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instruments but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

ii) Net trading income

Net trading income arising from trading activities includes all gains and losses from changes in fair value for financial assets, derivative liabilities, gains and losses on foreign exchange trading.

iii) Fees and commission income

Loan processing fees and commissions are recognised on an accrual basis when all conditions precedent is fulfilled.

Commitment fees and guarantee fees which are material are recognised as income based on time apportionment.

1 SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (continued)

O. Revenue and expenses (continued)

iv) Dividend income

Dividends are recognised when the Group and the Bank's right to receive payment is established. Usually this is the ex-dividend date for equity securities.

v) Rental income

Rental income is recognised in income statements on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from sub-leased property is recognised as other income.

P. Recourse obligation on loans sold to Cagamas Berhad

In the normal course of banking operations, the Group sells loans to Cagamas Berhad. The Group is liable in respect of the loans sold directly to Cagamas Berhad under the condition that the Group undertakes to administer the loans on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on prudence. Such financing transactions and the obligation to buy back the loans are reflected as a liability on the statements of financial positions.

Loans sold to Cagamas Berhad is recognized initially, at its fair value plus transaction costs that are directly attributable to the Loans sold to Cagamas Berhad and subsequently measured at amortised cost using effective interest method.

Q. Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at reporting period are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value, which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in the income statements, except for differences arising on the retranslation of securities available-for-sale or equity instruments or a financial instrument designated as a hedge of currency risk, which are recognized in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

1 SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (continued)

R. Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statements except to the extent that it relates to items recognised directly in equity or other comprehensive income.

i) Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

ii) Deferred tax

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the initial recognition of asset or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by end of the reporting period.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

S. Zakat Contribution

Zakat represents business zakat payable by the Group to comply with the principles of Shariah and as approved by the Shariah Supervisory Council. The Group only pays zakat on its business and does not pay zakat on behalf of depositors or shareholders.

T. Earnings per ordinary share

Basic earnings per ordinary share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank less preference shares dividends by the weighted average number of ordinary shares outstanding during the period.

1 SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (continued)

U. Significant accounting judgments and estimation

In the preparation of the financial statements, management has been required to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial statements in the period in which the estimate is revised and in any future periods affected.

Significant areas of estimation, uncertainty and critical judgements used in applying accounting policies that have significant effect in determining the amounts recognised in the financial statements include the following:

(i) Fair value estimation for securities held-for-trading (Note 4), securities available-for-sale (Note 5) and derivative assets and liabilities (Note 8) – Fair values of financial instruments that are traded in active markets are based on quoted market prices or dealer price quotations. For financial instruments which are not traded in an active market (for example, over-the-counter derivatives), the fair value is determined using valuation techniques, which include the use of mathematical models, comparison to similar instruments for which market observable prices exist and other valuation techniques. Where possible, assumptions and inputs used on valuation techniques include observable data such as risk-free and benchmark discount rates and credit spreads. Where observable market data are not available, judgement is required in the determination of model inputs, which normally incorporate assumptions that other market participants would use in their valuations, including assumptions about interest rate yield curves, exchange rates, volatilities and prepayment and default rates. Judgment is also required in assessing the impairment of securities available-for-sale as the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health and near-term business outlook of the investee, including factors such as industry and sector performance, changes in technology and operational and financial cash flow.

(ii) For impaired loans, advances and financing which are individually assessed, judgement by management is required in the estimation of the amount and timing of future cash flows in determining recoverable amount. In estimating these cash flows, judgements are made about the realizable value of collateral pledged and the borrower’s financial position. These estimations are based on assumptions and the actual results may differ from this.

(iii) Impairment of assets – assessment of impairment of securities available-for-sale (Note 5) is made when the investment is impaired. Management judgement is required to evaluate the duration and extent of fair value loss for securities available-for-sale in order to determine if impaired.

(iv) Valuation of investment properties (Note 13) – the measurement of the fair value for investment properties performed by management is determined with reference to current prices in an active market for similar properties in the same location and condition and subject to similar lease and other contracts.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

2 CASH AND CASH EQUIVALENTS

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Cash and balances with banks and other financial institutions	1,279,485	217,876	1,265,235	187,953
Money at call and deposit placements with financial institution maturing within one month	9,724,556	10,993,659	9,350,803	9,757,921
	11,004,041	11,211,535	10,616,038	9,945,874

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Licensed banks	1,935,632	1,094,784	2,235,614	1,574,784
Bank Negara Malaysia	-	925,000	-	925,000
	1,935,632	2,019,784	2,235,614	2,499,784

Included in deposits and placements with banks and other financial institutions are exposures to Restricted Profit Sharing Investment Accounts (“RPSIA”) as part of an arrangement with OCBC Al-Amin Bank Berhad (“OCBC Al-Amin”). The RPSIA is a contract based on the Mudharabah principle to fund a specific business venture where the Bank solely provides capital and the business venture is managed solely by the entrepreneur. The profit of the business venture arrangement is shared based on a pre agreed ratio.

As at 31 December 2010, the RPSIA placements amounted to RM205,000,000 (2009: RM140,000,000) for a tenure of more than 1 year at profit rates ranging from 1.87% to 4.31% (2009:3.58% to 3.61%) per annum.

4 SECURITIES HELD-FOR-TRADING

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At fair value				
Malaysian Government treasury bills	-	30,230	-	30,230
Malaysian Government securities	5,008	75,284	5,008	75,284
Government Investment Certificate	31,156	2,994	31,156	2,994
Bank Negara Malaysia bills	68,912	73,676	68,912	73,676
Bank Negara Malaysia negotiable notes	-	3,445	-	3,445
Cagamas bonds and notes	-	10,148	-	10,148
Private debt securities	283,051	131,903	283,051	131,903
Quoted shares in Malaysia	117,530	39,468	117,530	39,468
	505,657	367,148	505,657	367,148

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

5 SECURITIES AVAILABLE-FOR-SALE

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
At fair value				
Malaysian Government treasury bills	-	29,446	-	29,446
Malaysian Government securities	2,262,198	1,985,050	2,262,198	1,985,050
Government Investment Certificate	610,317	823,053	313,188	648,470
Bank Negara Malaysia bills	544,449	-	544,449	-
Bank Negara Malaysia Monetary Notes	255,527	-	-	-
Bank Negara Malaysia Islamic bonds	33,255	-	-	-
Cagamas bonds and notes	83,946	126,133	83,946	106,037
Private debt securities	1,471,625	988,270	1,148,078	664,221
Negotiable instruments of deposit	502,094	2,421,825	352,023	1,998,902
Bankers' acceptances	84,330	-	84,330	-
Unquoted shares in Malaysia	106,478	106,478	106,478	106,478
Unquoted shares outside Malaysia	10,020	13,582	10,020	13,582
Debentures	190	190	190	190
	5,964,429	6,494,027	4,904,900	5,552,376
Impairment allowance:				
- Unquoted shares in Malaysia	(109)	(109)	(109)	(109)
- Debentures	(12)	(12)	(12)	(12)
	(121)	(121)	(121)	(121)
	5,964,308	6,493,906	4,904,779	5,552,255

During the year, no securities available-for-sale was pledged to third parties in sale and repurchase agreements.

Included in Malaysian Government Securities are securities utilised to meet the statutory reserve requirement as referred to in Note 10. The nominal value of securities utilised as at 31 December 2010 is RM 233,000,000 (2009: RM205,000,000).

The accumulated impairment allowance for securities available-for-sale are as follows:

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Balance at 1January / 31 December	121	121	121	121

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

6 LOANS, ADVANCES AND FINANCING

i) By type

	Group		Bank	
	2010 RM'000	2009 RM'000 Restated	2010 RM'000	2009 RM'000 Restated
Overdrafts	3,357,978	3,436,809	2,916,414	3,103,268
Term loans/financing :				
- Housing loans/financing	10,166,900	8,511,252	10,020,070	8,415,620
- Syndicated term loans/financing	3,967,231	3,036,232	3,720,418	2,680,452
- Hire purchase receivables	558,520	546,579	75	128
- Lease receivables	2,264	8,570	2,227	8,517
- Other term loans	12,607,066	11,854,456	11,981,310	11,354,703
Credit/charge cards receivables	421,253	506,282	421,253	506,282
Bills receivable	76,387	87,764	64,443	73,623
Trust receipts	54,515	68,573	54,515	68,573
Claims on customers under acceptance credits	1,997,296	2,087,772	1,793,827	1,874,656
Block discounting	330	330	330	330
Loans to banks and other financial institutions	230,767	205,385	230,767	205,385
Revolving credits	2,135,768	1,863,930	1,596,582	1,498,484
Staff loans	113,248	117,182	113,248	117,182
Other loans	642,722	586,002	597,662	564,560
	36,332,245	32,917,118	33,513,141	30,471,763
Less: Unearned interest and income	(263,527)	(255,720)	(161)	(469)
Gross loans, advances and financing	36,068,718	32,661,398	33,512,980	30,471,294
Impairment allowance:				
- Individually assessed (2009:Specific allowance)	(389,872)	(457,392)	(358,784)	(418,140)
- Collectively assessed (2009:General allowance)	(535,727)	(489,927)	(497,773)	(451,197)
Net loans, advances and financing	35,143,119	31,714,079	32,656,423	29,601,957

As part of the arrangement with OCBC Al-Amin in relation to RPSIA, the Bank records as deposits and placements with banks and financial institutions, its exposure in the arrangement as referred to Note 3, whereas OCBC Al-Amin records as deposits and placement of financial institutions. The RPSIA exposes the Bank to the risk and rewards on the financing and accordingly, the Bank accounts for individually assessed impairment allowance for bad and doubtful debts arising thereon whereas collectively assessed impairment allowance is borne by OCBC Al-Amin.

As at 31 December 2010, the gross exposure relating to RPSIA financing is RM205,000,000 (2009: RM180,000,000).

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

6 LOANS, ADVANCES AND FINANCING (continued)

ii) By type of customers

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Domestic non-bank financial institutions				
- Stockbroking companies	1,801	-	1,801	-
- Others (non-stockbroking companies)	945,519	243,832	945,519	233,778
Domestic business enterprises				
- Small medium enterprises ("SME")	5,651,910	5,630,718	5,260,077	5,286,507
- Others	15,722,735	14,819,648	14,079,971	13,363,434
Individuals	13,570,766	11,790,595	13,114,114	11,481,090
Other domestic entities	1,223	1,577	1,218	1,577
Foreign entities	174,764	175,028	110,280	104,908
	36,068,718	32,661,398	33,512,980	30,471,294

iii) By interest/profit rate sensitivity

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Fixed rate				
Housing loans/financing	46,866	57,543	-	-
Hire purchase receivables	506,200	498,902	75	77
Other fixed rate loans/financing	1,885,344	2,021,656	977,974	1,109,146
Variable rate				
BLR plus	23,113,163	21,018,906	23,040,259	21,018,906
Cost-plus	4,244,415	3,343,754	3,221,942	3,343,754
Other variable rates	6,272,730	5,720,637	6,272,730	4,999,411
	36,068,718	32,661,398	33,512,980	30,471,294

6 LOANS, ADVANCES AND FINANCING (continued)

iv) By sector

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Agriculture	2,253,919	2,396,996	1,792,066	1,820,535
Mining and quarrying	570,977	301,218	301,288	275,411
Manufacturing	4,838,887	5,007,796	4,207,498	4,405,750
Electricity, gas and water	816,120	1,147,820	716,004	1,147,820
Construction	1,062,486	908,924	985,527	765,480
Real estate	4,350,295	3,584,656	4,269,985	3,488,795
Wholesale & retail trade and restaurants & hotels	4,846,634	4,908,760	4,645,864	4,737,064
Transport, storage and communication	1,216,769	843,097	1,064,505	706,149
Finance, insurance and business services	1,429,305	764,810	1,397,171	722,392
Community, social and personal services	668,459	622,040	639,111	607,030
Household sector, of which				
i. Purchase of residential properties	10,092,467	8,383,815	9,975,853	8,323,331
ii. Purchase of non-residential properties	1,220,609	1,170,817	1,217,855	1,168,380
iii. Others	2,359,480	2,335,157	2,020,317	2,087,656
Others	342,311	285,492	279,936	215,501
	36,068,718	32,661,398	33,512,980	30,471,294

v) By geographical distribution

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Malaysia	35,896,212	32,491,260	33,402,226	30,369,927
Singapore	129,471	118,916	67,719	50,145
Other ASEAN	2,899	7,106	2,899	7,106
Rest of the world	40,136	44,116	40,136	44,116
	36,068,718	32,661,398	33,512,980	30,471,294

The analysis by geography is determined based on where the credit risk resides.

vi) By residual contractual maturity

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Maturity within one year	13,832,285	12,613,936	12,932,098	11,883,621
One year to five years	9,497,541	10,265,846	8,497,054	9,510,210
Over five years	12,738,892	9,781,616	12,083,828	9,077,463
	36,068,718	32,661,398	33,512,980	30,471,294

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

7 IMPAIRED LOANS, ADVANCES AND FINANCING

i) The movements in impaired loans, advances and financing are as follows :

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Balance at 1 January	1,234,780	1,057,965	1,181,182	1,013,488
Classified as impaired	451,038	764,960	404,984	713,587
Reclassified as non-impaired	(173,010)	(153,437)	(161,072)	(142,300)
Amount recovered	(359,577)	(255,490)	(340,818)	(247,172)
Amount written off	(143,257)	(175,723)	(119,746)	(152,926)
Effect of foreign exchange difference	(3,510)	(3,495)	(3,510)	(3,495)
Balance at 31 December	1,006,464	1,234,780	961,020	1,181,182
Individually assessed impairment allowance	(389,872)	(457,392)	(358,784)	(418,140)
Net impaired loans, advances and financing	616,592	777,388	602,236	763,042

	Group		Bank	
	2010	2009	2010	2009
Estimated fair value of collateral held	1,004,258	1,209,468	978,467	1,180,500

ii) The movements in the allowance for impaired loans, advances and financing are as follows :

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Collectively assessed impairment allowance (2009:General allowance)				
Balance at 1 January	489,927	460,647	451,197	427,115
Made during the year	45,800	29,280	46,576	24,082
Balance at 31 December	535,727	489,927	497,773	451,197
As % of gross loans, advances and financing less individually assessed allowance for impairment loss	1.50%	1.52%	1.50%	1.50%

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

7 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)

	Group		Bank	
	2010 RM'000	2009 RM'000 Restated	2010 RM'000	2009 RM'000 Restated
Individually assessed impairment allowance (2009:Specific allowance)				
Balance at 1 January	457,392	449,277	418,140	413,155
Effect of adopting FRS 139	(27,236)	-	(27,236)	-
Balance at 1 January , restated	430,156	449,277	390,904	413,155
Made during the year	253,728	316,769	214,814	275,745
Amount written back	(136,342)	(120,635)	(112,991)	(105,674)
Amount written off	(143,257)	(175,723)	(119,746)	(152,926)
Interest recognised	(12,611)	(10,770)	(12,395)	(10,634)
Effect of foreign exchange difference	(1,802)	(1,526)	(1,802)	(1,526)
Balance at 31 December	389,872	457,392	358,784	418,140

a) Individually assessed impairment allowance by sector is as follows:

2010	Cumulative impairment allowance		Impairment allowance charged to income statements		Impairment allowance written off	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Agriculture	1,040	839	282	208	36	36
Manufacturing	139,451	121,024	54,637	47,292	37,856	34,653
Electricity, gas and water	48	48	-	-	-	-
Construction	48,912	47,437	40,011	39,144	6,360	3,769
Real estate	7,760	7,752	1,874	1,873	4,107	4,022
Wholesale and retail trade and restaurant	55,721	55,071	28,401	27,838	27,677	25,571
Transport, storage and communication	9,034	8,527	8,129	8,128	700	700
Finance, insurance and business services	3,650	3,332	1,557	1,240	774	774
Community, social and personal services	944	876	539	485	361	184
Household sector, of which						
i. Purchase of residential properties	76,710	75,782	36,183	35,877	11,325	11,164
ii. Purchase of non-residential properties	5,383	5,383	2,856	2,833	612	585
iii. Others	31,885	23,526	72,973	48,402	48,990	33,836
Others	9,334	9,187	6,286	1,494	4,459	4,452
	389,872	358,784	253,728	214,814	143,257	119,746

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

7 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)

b) Individually assessed impairment allowance by geographical distribution are as follows:

	Group		Bank	
	2010 RM'000	2009 RM'000 Restated	2010 RM'000	2009 RM'000 Restated
Malaysia	389,872	457,392	358,784	418,140

c) Collectively assessed impairment allowance by sector is as follows:

2010	**Group** RM'000	**Bank** RM'000
Agriculture	34,040	27,116
Manufacturing	70,492	61,297
Electricity, gas and water	12,241	10,739
Construction	15,204	14,071
Real estate	65,138	63,933
Wholesale and retail trade and restaurant	71,864	68,862
Transport, storage and communication	18,116	15,840
Finance, insurance and business services	21,385	20,908
Community, social and personal services	10,013	9,574
Household sector, of which		
i. Purchase of residential properties	150,236	148,501
ii. Purchase of non-residential properties	18,228	18,187
iii. Others	34,914	29,952
Others	13,856	8,793
	535,727	497,773

d) Collectively assessed impairment allowance by geographical distribution are as follows:

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Malaysia	533,140	487,374	496,112	449,676
Singapore	1,942	1,784	1,016	752
Other ASEAN	43	107	43	107
Rest of the world	602	662	602	662
	535,727	489,927	497,773	451,197

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

7 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)

iii) Impaired loans, advances and financing by sector are as follows:

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Agriculture	13,224	19,432	12,704	19,229
Manufacturing	348,289	457,742	324,273	429,657
Electricity, gas and water	48	48	48	48
Construction	70,443	69,867	66,316	64,472
Real estate	49,954	91,125	49,947	91,029
Wholesale and retail trade and restaurant	144,883	190,219	141,425	186,358
Transport, storage and communication	23,697	5,649	23,189	4,955
Finance, insurance and business services	21,685	19,974	20,698	19,779
Community, social and personal services	3,391	2,392	3,242	2,119
Household sector, of which				
i. Purchase of residential properties	229,864	262,112	226,552	258,754
ii. Purchase of non-residential properties	18,488	19,238	18,488	19,174
iii. Others	76,209	82,980	67,849	71,606
Others	6,289	14,002	6,289	14,002
	1,006,464	1,234,780	961,020	1,181,182

iv) Impaired loans, advances and financing by geographical distribution are as follows:

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Malaysia	1,006,464	1,234,780	961,020	1,181,182

v) Included in impaired loans, advances and financing of the Group and the Bank are impaired loans, advances and financing of RM62,262,000 and RM62,839,000 respectively, without impairment allowance as the individual loan, advance and financing's recoverable amount exceeded the carrying amount.

vi) Impaired loans, advances and financing by period overdue:

2010	Group RM'000	Bank RM'000
Over 270 days	722,473	695,471
Over 180 days to 270 days	74,000	71,891
Over 90 days to 180 days	82,256	73,783
Less than 90 days	127,735	119,875
	1,006,464	961,020

7 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)

vii) Impaired loans, advances and financing by collateral type:

2010	Group RM'000	Bank RM'000
Property	755,256	752,013
Fixed deposits	484	484
Stock and shares	5,522	5,522
Motor vehicles		
Secured-others	113,973	86,277
Unsecured- corporate and other guarantees	73,213	70,113
Unsecured- clean	58,016	46,611
	1,006,464	961,020

8 DERIVATIVE ASSETS AND LIABILITIES

	2010			2009		
Group	**Contract or underlying principal amount**	**Fair value Assets**	**Fair value Liabilities**	**Contract or underlying principal amount**	**Fair value Assets**	**Fair value Liabilities**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial derivatives						
Trading:						
Foreign exchange derivatives						
- forward	3,642,172	19,973	36,409	2,630,133	27,232	17,806
- swaps	17,708,541	258,152	258,696	14,149,744	120,221	130,932
- options	1,315,447	13,115	13,813	2,070,117	39,343	21,879
- others	17,262	2,648	2,648	-	-	-
Interest rate derivatives						
- swaps	25,727,144	184,855	137,629	25,474,363	323,548	248,310
- options	1,490,742	2,380	10,765	1,301,275	6,624	1,748
- swaptions	200,000	-	1,009	-	-	-
- others	27,770	2,710	-	-	-	-
Equity and other derivatives	71,780	779	779	-	-	-
- swaps	555,421	688	21,272	907,050	6,827	14,455
- exchange traded futures	21,170	1	62	-	-	-
- commodity futures	1,887	7	-	5,919	-	-
	50,779,336	485,308	483,082	46,538,601	523,795	435,130
Hedging:						
Interest rate derivatives						
- swaps	1,370,653	14,464	2,095	673,934	23,359	-
	52,149,989	499,772	485,177	47,212,535	547,154	435,130

8 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	2010			2009		
Bank	**Contract or underlying principal amount**	**Fair value Assets**	**Fair value Liabilities**	**Contract or underlying principal amount**	**Fair value Assets**	**Fair value Liabilities**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial derivatives						
Trading:						
Foreign exchange derivatives						
- forward	3,484,689	19,702	30,637	2,630,133	27,232	17,806
- swaps	17,595,139	252,639	258,696	14,149,744	120,221	130,932
- options	1,228,189	11,259	11,957	1,626,238	35,364	17,562
- others	17,262	2,648	2,648	-	-	-
Interest rate derivatives						
- swaps	25,727,144	184,855	137,629	25,474,363	323,548	248,310
- options	1,490,742	2,380	10,765	1,301,275	6,624	1,748
- swaptions	200,000	-	1,009	-	-	-
- others	27,770	2,710	-	-	-	-
Equity and others derivatives						
- swaps	71,780	779	779	-	-	-
- exchange traded futures	21,170	1	62	28,744	-	-
- options	555,421	688	21,272	801,468	6,823	14,451
- commodity futures	1,887	7	-	5,919	-	-
	50,421,193	477,668	475,454	46,017,884	519,812	430,809
Hedging:						
Interest rate derivatives						
- swaps	1,370,653	14,464	2,095	673,934	23,359	-
	51,791,846	492,132	477,549	46,691,818	543,171	430,809

9 OTHER ASSETS

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Interest receivables	83,944	77,993	76,869	74,652
Unquoted Islamic Subordinated Bonds of subsidiary	-	-	200,000	200,000
Other debtors, deposits and prepayments	119,869	122,214	118,161	110,609
	203,813	200,207	395,030	385,261

The unquoted Islamic Subordinated Bonds relate to the Islamic subsidiary, OCBC Al-Amin, which the Bank subscribed in connection with the transfer and vesting of its IB business to OCBC Al-Amin.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

10 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 37(1) (c) of the Central Bank of Malaysia Act 1958 (Revised - 1994), the amounts of which are determined as set percentages of total eligible liabilities.

Pursuant to BNM's circular "Statutory Reserve Requirement" and BNM's subsequent letter dated 10 July 2009 in regards to "Regulatory Treatment related to the Statutory Reserve Requirement (SRR) Incentive for Principal Dealers and Islamic Principal Dealers", the Bank has utilised Malaysian Government Securities instead of cash to meet a portion of the SRR requirement as allowed under the Principal Dealership granted to the Bank. The nominal value of securities utilised as at 31 December 2010 is RM233,000,000 (2009: RM205,000,000).

11 INVESTMENT IN SUBSIDIARY COMPANIES

	Bank	
	2010	2009
Unquoted shares at cost	RM'000	RM'000
- in Malaysia	456,617	396,617
Subscription of Islamic Subordinated Bonds	(200,000)	(200,000)
Less : Impairment loss	(6)	(6)
	256,611	196,611

On 27 September 2010, the Bank has subscribed for an additional 20,000,000 ordinary shares of RM1.00 each at RM3.00 cash issued by OCBC Al-Amin Bank Berhad.

The subsidiary companies of the Bank all of which are incorporated in Malaysia, are as follows:-

Name	Principal activities	Percentage of equity held	
		2010 %	2009 %
OCBC Al-Amin Bank Berhad	Islamic banking	100	100
OCBC Credit Berhad	Licensed credit company	100	100
Malaysia Nominees (Tempatan) Sdn Bhd	Nominees services	100	100
Malaysia Nominees (Asing) Sdn Bhd	Nominees services	100	100

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

12 PROPERTY, PLANT AND EQUIPMENT

Group 2010	As previously stated	FRS 117[#]	Balance at 1 January as restated	Additions	Disposal/ Written off	Reclassified to investment property	Balance at 31 December
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost							
Freehold land and buildings	198,864	-	198,864	552	-	(13,467)	185,949
Leasehold land:							
- 50 years or more	-	3,745	3,745	-	-	-	3,745
Buildings on leasehold land:							
- less than 50 years	3,607	-	3,607	-	-	-	3,607
- 50 years or more	7,076	-	7,076	-	-	-	7,076
Office equipment and furniture	74,878	-	74,878	4,885	(1,949)	-	77,814
Computer equipment	182,485	-	182,485	14,913	(4,781)	-	192,617
Motor vehicles	2,310	-	2,310	-	-	-	2,310
Renovation	31,207	-	31,207	1,836	(50)	-	32,993
Work in progress	-	-	-	2,828	-	-	2,828
Assets under lease:-							
Computer/office equipment and furniture	2,210	-	2,210	108	-	-	2,318
	502,637	3,745	506,382	25,122	(6,780)	(13,467)	511,257

[#] Effect of adoption of the amendments to FRS 117

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2010	As previously stated	FRS 117#	Balance at 1 January as restated	Charge for the year	Disposal/ Written off	Reclassified to investment property	Balance at 31 December
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accumulated depreciation							
Freehold land and buildings	45,223	-	45,223	8,820	-	(2,563)	51,480
Leasehold land:							
- 50 years or more	-	297	297	16	-	-	313
Buildings on leasehold land:							
- less than 50 years	1,038	-	1,038	94	-	-	1,132
- 50 years or more	1,733	-	1,733	152	-	-	1,885
Office equipment and furniture	53,531	-	53,531	3,570	(1,725)	-	55,376
Computer equipment	135,422	-	135,422	20,652	(4,611)	-	151,463
Motor vehicles	1,800	-	1,800	183	-	-	1,983
Renovation	17,371	-	17,371	8,452	(44)	-	25,779
Work in progress	-	-	-	-	-	-	-
Assets under lease:-							
Computer/office equipment and furniture	1,843	-	1,843	57	-	-	1,900
	257,961	297	258,258	41,996	(6,380)	(2,563)	291,311

Effect of adoption of the amendments to FRS 117

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued) 2010	Balance at 1 January	FRS 117#	Balance at 1 January as restated	Charge for the year	Disposal/ Written off	Reclassified to investment property	Balance at 31 December
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Impairment allowance							
Freehold land and buildings	4,172	-	4,172	-	-	-	4,172
Leasehold land:							
- 50 years or more	-	1,607	1,607				1,607
Buildings on leasehold land							
- less than 50 years	1,085	-	1,085	-	-	-	1,085
- 50 years or more	728	-	728	-	-	-	728
Office equipment and furniture	1,707	-	1,707	-	-	-	1,707
	7,692	1,607	9,299	-	-	-	9,299

	Balance at 31 December
	RM'000
Carrying amounts	
Freehold land and buildings	130,297
Leasehold land:	
- 50 years or more	1,825
Buildings on leasehold land:	
- less than 50 years	1,390
- 50 years or more	4,463
Office equipment and furniture	20,731
Computer equipment	41,154
Motor vehicles	327
Renovation	7,214
Work in progress	2,828
Assets under lease:-	
Computer/office equipment and furniture	418
	210,647

Effect of adoption of the amendments to FRS 117

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Bank 2010	Balance at 1 January	FRS 117[#]	Balance at 1 January as restated	Additions	Disposal/ Written off	Reclassified to investment property	Balance at 31 December
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost							
Freehold land and buildings	198,798	-	198,798	552	(66)	(13,467)	185,817
Leasehold land:							
- 50 years or more	-	3,745	3,745	-	-	-	3,745
Buildings on leasehold land:							
- less than 50 years	3,607	-	3,607	-	-	-	3,607
- 50 years or more	7,076		7,076	-	-	-	7,076
Office equipment and furniture	72,931	-	72,931	3,597	(2,195)	-	74,333
Computer equipment	179,287	-	179,287	13,934	(4,912)	-	188,309
Motor vehicles	2,310	-	2,310		(89)	-	2,221
Renovation	28,051	-	28,051	622	(50)	-	28,623
Work in progress	-	-	-	2,828	-	-	2,828
Assets under lease:-							
Computer/office equipment and furniture	2,210	-	2,210	108	-	-	2,318
	494,270	3,745	498,015	21,641	(7,312)	(13,467)	498,877

[#] Effect of adoption of the amendments to FRS 117

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

12 PROPERTY, PLANT AND EQUIPMENT (continued)

	Balance at 1 January	FRS 117#	Balance at 1 January as restated	Charge for the year	Disposal/ Written off	Reclassified to investment property	Balance at 31 December
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accumulated depreciation							
Freehold land and buildings	45,208	-	45,208	8,820	(22)	(2,563)	51,443
Leasehold land:							
- 50 years or more	-	297	297	16	-	-	313
Buildings on leasehold land:							
- less than 50 years	1,038	-	1,038	94	-	-	1,132
- 50 years or more	1,733	-	1,733	152	-	-	1,885
Office equipment and furniture	53,329	-	53,329	3,260	(1,827)	-	54,762
Computer equipment	134,837	-	134,837	19,783	(4,699)	-	149,921
Motor vehicles	1,800	-	1,800	183	(89)	-	1,894
Renovation	16,351	-	16,351	7,196	(44)	-	23,503
Work in progress	-	-	-	-	-	-	-
Assets under lease:-							
Computer/office equipment and furniture	1,843	-	1,843	57	-	-	1,900
	256,139	297	256,436	39,561	(6,681)	(2,563)	286,753

Effect of adoption of the amendments to FRS 117

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Bank (continued) 2010	Balance at 1 January	FRS 117#	Balance at 1 January as restated	Charge for the year	Disposal/ Written off	Reclassified to investment property	Balance at 31 December
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Impairment allowance							
Freehold land and buildings	4,172	-	4,172	-	-	-	4,172
Leasehold land:							
- 50 years or more	-	1,607	1,607	-	-	-	1,607
Buildings on leasehold land:							
- less than 50 years	1,085	-	1,085	-	-	-	1,085
- 50 years or more	728	-	728	-	-	-	728
Office equipment and furniture	1,707	-	1,707	-	-	-	1,707
	7,692	1,607	9,299	-	-	-	9,299

	Balance at 31 December
	RM'000
Carrying amounts	
Freehold land and buildings	130,202
Leasehold land:	
- 50 years or more	1,825
Buildings on leasehold land:	
- less than 50 years	1,390
- 50 years or more	4,463
Office equipment and furniture	17,864
Computer equipment	38,388
Motor vehicles	327
Renovation	5,120
Work in progress	2,828
Assets under lease:-	
Computer/office equipment and furniture	418
	202,825

Effect of adoption of the amendments to FRS 117

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2009	Balance at 1 January	FRS 117#	Balance at 1 January as restated	Additions	Disposal/ Written off	Reclassified to investment property	Balance at 31 December
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost							
Freehold land and buildings	196,764	-	196,764	2,188	(2)	(86)	198,864
Leasehold land:							
- 50 years or more	-	3,745	3,745	-	-	-	3,745
Buildings on leasehold land:							
- less than 50 years	3,607	-	3,607	-	-	-	3,607
- 50 years or more	7,076	-	7,076	-	-	-	7,076
Office equipment and furniture	71,147	-	71,147	5,034	(1,303)	-	74,878
Computer equipment	171,144	-	171,144	12,401	(1,060)	-	182,485
Motor vehicles	2,313	-	2,313	-	(3)	-	2,310
Renovation	26,008	-	26,008	5,249	(50)	-	31,207
Assets under lease:-							
Computer/office equipment and furniture	2,037	-	2,037	173	-	-	2,210
	480,096	3,745	483,841	25,045	(2,418)	(86)	506,382

Effect of adoption of the amendments to FRS 117

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2009	Balance at 1 January	FRS 117#	Balance at 1 January as restated	Charge for the year	Disposal/ Written off	Reclassified to investment property	Balance at 31 December
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accumulated depreciation							
Freehold land and buildings	36,424	-	36,424	8,869	-	(70)	45,223
Leasehold land:							
- 50 years or more	-	281	281	16	-	-	297
Buildings on leasehold land:							
- less than 50 years	944	-	944	94	-	-	1,038
- 50 years or more	1,581	-	1,581	152	-	-	1,733
Office equipment and furniture	51,135	-	51,135	3,654	(1,258)	-	53,531
Computer equipment	113,561	-	113,561	22,776	(915)	-	135,422
Motor vehicles	1,528	-	1,528	274	(2)	-	1,800
Renovation	9,539	-	9,539	7,832	-	-	17,371
Assets under lease:-							
Computer/office equipment and furniture	1,759	-	1,759	84	-	-	1,843
	216,471	281	216,752	43,751	(2,175)	(70)	258,258

Effect of adoption of the amendments to FRS 117

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)
2009

	Balance at 1 January	FRS 117#	Balance at 1 January as restated	Charge for the year	Disposal/ Written off	Reclassified to investment property	Balance at 31 December
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Impairment allowance							
Freehold land and buildings	4,172	-	4,172	-	-	-	4,172
Leasehold land:							
- 50 years or more	-	1,607	1,607	-	-	-	1,607
Buildings on leasehold land:							
- less than 50 years	1,085	-	1,085	-	-	-	1,085
- 50 years or more	728	-	728	-	-	-	728
Office equipment and furniture	1,707	-	1,707	-	-	-	1,707
	7,692	1,607	9,299	-	-	-	9,299

	Balance at 31 December
	RM'000
Carrying amounts	
Freehold land and buildings	149,469
Leasehold land:	
- 50 years or more	1,841
Buildings on leasehold land:	
- less than 50 years	1,484
- 50 years or more	4,615
Office equipment and furniture	19,640
Computer equipment	47,063
Motor vehicles	510
Renovation	13,836
Assets under lease:-	
Computer/office equipment and furniture	367
	238,825

Effect of adoption of the amendments to FRS 117

The carrying amounts of land at 1 January 2009 and 31 December 2009 have been adjusted following the adoption of the amendments to FRS117, Leases, where leasehold land, in substance is a finance lease, has been reclassified from prepaid lease payments to property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Bank 2009	Balance at 1 January	FRS 117#	Balance at 1 January as restated	Additions	Disposal/ Written off	Disposal to subsidiary	Reclassified to investment property	Balance at 31 December
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost								
Freehold land and buildings	196,764	-	196,764	2,188	(2)	(66)	(86)	198,798
Leasehold land:								
- 50 years or more	-	3,745	3,745	-	-	-	-	3,745
Buildings on leasehold land:								
- less than 50 years	3,607	-	3,607	-	-	-	-	3,607
- 50 years or more	7,076	-	7,076	-	-	-	-	7,076
Office equipment and furniture	70,463	-	70,463	3,815	(1,303)	(44)	-	72,931
Computer equipment	170,328	-	170,328	10,041	(1,060)	(22)	-	179,287
Motor vehicles	2,313	-	2,313	-	(3)	-	-	2,310
Renovation	25,369	-	25,369	3,315	-	(633)	-	28,051
Assets under lease:-								
Computer/office equipment and furniture	2,037	-	2,037	173	-	-	-	2,210
	477,957	3,745	481,702	19,532	(2,368)	(765)	(86)	498,015

Effect of adoption of the amendments to FRS 117

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Bank 2009	Balance at 1 January	FRS 117#	Balance at 1 January as restated	Charge for the year	Reversed on disposal/ Written off	Disposal to subsidiary	Reclassified to investment property	Balance at 31 December
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accumulated depreciation								
Freehold land and buildings	36,424	-	36,424	8,869	-	(15)	(70)	45,208
Leasehold land:								
- 50 years or more	-	281	281	16	-	-	-	297
Buildings on leasehold land:								
- less than 50 years	944	-	944	94	-	-	-	1,038
- 50 years or more	1,581	-	1,581	152	-	-	-	1,733
Office equipment and furniture	51,081	-	51,081	3,520	(1,258)	(14)	-	53,329
Computer equipment	113,433	-	113,433	22,341	(915)	(22)	-	134,837
Motor vehicles	1,528	-	1,528	274	(2)	-	-	1,800
Renovation	9,521	-	9,521	7,006	-	(176)	-	16,351
Assets under lease:-								
Computer/office equipment and furniture	1,759	-	1,759	84	-	-	-	1,843
	216,271	281	216,552	42,356	(2,175)	(227)	(70)	256,436

Effect of adoption of the amendments to FRS 117

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Bank (continued) 2009	Balance at 1 January	FRS 117#	Balance at 1 January as restated	Charge for the year	Disposal/ Written off	Reclassified to investment property	Balance at 31 December
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Impairment allowance							
Freehold land and buildings	4,172	-	-	-	-	-	4,172
Leasehold land:							
- 50 years or more	-	1,607	-	-	-	-	1,607
Buildings on leasehold land:							
- less than 50 years	1,085	-	-	-	-	-	1,085
- 50 years or more	728	-	-	-	-	-	728
Office equipment and furniture	1,707	-	-	-	-	-	1,707
	7,692	1,607	-	-	-	-	9,299

Effect of adoption of the amendments to FRS 117

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Bank (continued)
2009

	Balance at 31 December
	RM'000
Carrying amounts	
Freehold land and buildings	149,418
Leasehold land:	
- 50 years or more	1,841
Buildings on leasehold land:	
- less than 50 years	1,484
- 50 years or more	4,615
Office equipment and furniture	17,895
Computer equipment	44,450
Motor vehicles	510
Renovation	11,700
Assets under lease:-	
Computer/office equipment and furniture	367
	232,280

Effect of adoption of the amendment to FRS 117

The carrying amount of land at 1 January 2009 and 31 December 2009 has been adjusted following the adoption of the amendments to FRS117, Leases, where leasehold land, in substance is a finance lease, has been reclassified from prepaid lease payments to property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

13 INVESTMENT PROPERTIES

	Group and Bank	
	2010	2009
	RM'000	RM'000
Cost		
Balance at 1 January	16,167	16,464
Reclassified to non-current assets held for sale (Note 15)	-	(443)
Additions	-	60
Transferred from property, plant and equipment	13,467	86
Balance at 31 December	29,634	16,167
Accumulated depreciation		
Balance at 1 January	3,234	2,423
Reclassified to non-current assets held for sale (Note 15)	-	(98)
Transferred from property, plant and equipment	2,563	70
Charge for the year	1,062	839
Balance at 31 December	6,859	3,234
Impairment allowance		
Balance at 1 January	1,683	1,683
Allowance during the year	361	-
Balance at 31 December	2,044	1,683
Carrying amounts		
Balance at 31 December	20,731	11,250
Fair value at 31 December	73,925	55,525
Included in carrying amounts are:		
Freehold land and buildings	20,731	11,250

The following are recognised in the income statement in respect of investment properties:

	Group and Bank	
	2010	2009
	RM'000	RM'000
Rental income	1,809	1,957
Direct operating expenses:		
- income generating investment properties	(238)	(203)
- non-income generating investment properties	(3)	(4)
	1,568	1,750

14 PREPAID LEASE PAYMENTS

Group and Bank 2010	Leasehold land Unexpired period less than 50 years RM'000	Leasehold land Unexpired period 50 years or more RM'000	Total RM'000
Cost			
Balance at 1 January	3,047	3,745	6,792
Effect of adopting the amendments made to FRS 117	-	(3,745)	(3,745)
Balance at 1 January restated/ 31 December	3,047	-	3,047
Accumulated amortisation			
Balance at 1 January	457	297	754
Effect of adopting the amendments made to FRS 117	-	(297)	(297)
Balance at 1 January restated	457	-	457
Amortisation for the year	36	-	36
Balance at 31 December	493	-	493
Impairment allowance			
Balance at 1 January	1,554	1,607	3,161
Effect of adopting the amendments made to FRS 117	-	(1,607)	(1,607)
Balance at 1 January restated/ 31 December	1,554	-	1,554
Carrying amounts			
Balance at 31 December	1,000	-	1,000

14 PREPAID LEASE PAYMENTS (continued)

Group and Bank 2009	Leasehold land: Unexpired period less than 50 years RM'000	Leasehold land: Unexpired period 50 years or more RM'000	Total RM'000
Cost			
Balance at 1 January	3,047	3,745	6,792
Effect of adopting the amendments made to FRS 117	-	(3,745)	(3,745)
Balance at 1 January, restated / 31 December	3,047	-	3,047
Accumulated amortisation			
Balance at 1 January	421	281	702
Effect of adopting the amendments made to FRS 117	-	(281)	(281)
Balance at 1 January , restated	421	-	421
Amortisation for the year	36	-	36
Balance at 31 December	457	-	457
Impairment allowance			
Balance at 1 January	1,554	1,607	3,161
Effect of adopting the amendments made to FRS 117	-	(1,607)	(1,607)
Balance at 1 January/31 December , restated	1,554	-	1,554
Carrying amounts			
Balance at 31 December , restated	1,036	-	1,036

The carrying amounts of land at 1 January 2009 and 31 December 2009 have been adjusted following the adoption of the amendments to FRS117, Leases, where leasehold land, in substance is a finance lease, has been reclassified from prepaid lease payments to property, plant and equipment.

15 NON-CURRENT ASSETS HELD FOR SALE

	Group and Bank 2010 RM'000	Group and Bank 2009 RM'000
Balance at 1 January	-	-
Amount reclassified from investment properties (Note 13) :		
- Cost	-	443
- Accumulated depreciation	-	(98)
Disposal	-	(345)
Balance at 31 December	-	-

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

16 DEFERRED TAX ASSETS

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

Group	Assets		Liabilities		Net	
	2010	2009	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Impairment allowance on securities available-for-sale	190	190	-	-	190	190
Temporary differences arising from leasing business	4,317	3,555	-	(21)	4,317	3,534
Excess of capital allowance over depreciation	-	-	(14,886)	(14,234)	(14,886)	(14,234)
Collectively assessed impairment allowance on loans, advances and financing	133,773	122,323	-	-	133,773	122,323
Change in fair value of financial instruments	-	90	(7,103)	(7,042)	(7,103)	(6,952)
Other temporary differences	21,605	10,402	-	-	21,605	10,402
	159,885	136,560	(21,989)	(21,297)	137,896	115,263
Off-set	(21,989)	(21,297)	21,989	21,297	-	-
Net tax assets	137,896	115,263	-	-	137,896	115,263

Bank	Assets		Liabilities		Net	
	2010	2009	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Impairment allowance on securities available-for-sale	190	190	-	-	190	190
Temporary differences arising from leasing business	4,322	3,560	-	-	4,322	3,560
Excess of capital allowance over depreciation	-	-	(13,878)	(13,457)	(13,878)	(13,457)
Collectively assessed impairment allowance on loans, advances and financing	124,284	112,640	-	-	124,284	112,640
Change in fair value of financial instruments	-	-	(7,070)	(7,042)	(7,070)	(7,042)
Other temporary differences	19,877	8,098	-	-	19,877	8,098
Net tax assets/(liabilities)	148,673	124,488	(20,948)	(20,499)	127,725	103,989

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

16 DEFERRED TAXATION (continued)

Group	At 1 January 2010 RM'000	Recognised in income statements (Note 31) RM'000	Recognised in other com-prehensive income RM'000	Reversal upon disposal of securities-available-for-sale 2010 RM'000	At 31 December 2010 RM'000
Impairment allowance on securities available-for-sale	190	-	-	-	190
Temporary differences arising from leasing business	3,534	783	-	-	4,317
Excess of capital allowance over depreciation	(14,234)	(652)	-	-	(14,886)
Collectively assessed impairment allowance on loans, advances and financing	122,323	11,450	-	-	133,773
Change in fair value of financial instruments	(6,952)	29	(151)	(29)	(7,103)
Other temporary differences	10,402	11,203	-	-	21,605
	115,263	22,813	(151)	(29)	137,896

Bank	At 1 January 2010 RM'000	Recognised in income statements (Note 31) RM'000	Recognised in other comprehensive income RM'000	At 31 December 2010 RM'000
Impairment allowance on securities available-for-sale	190	-	-	190
Temporary differences arising from leasing business	3,560	762	-	4,322
Excess of capital allowance over depreciation	(13,457)	(421)	-	(13,878)
Collectively assessed impairment allowance on loans, advances and financing	112,640	11,644	-	124,284
Change in fair value of financial instruments	(7,042)	-	(28)	(7,070)
Other temporary differences	8,098	11,779	-	19,877
	103,989	23,764	(28)	127,725

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

16 DEFERRED TAXATION (continued)

Group	At 1 January 2009 RM'000	Recognised in income statements (Note 31) RM'000	Recognised in other com-prehensive income RM'000	Reversal upon disposal of securities-available-for-sale 2009 RM'000	At 31 December 2009 RM'000
Impairment allowance on securities available-for-sale	190	-	-	-	190
Temporary differences arising from leasing business	3,785	(251)	-	-	3,534
Excess of capital allowance over depreciation	(14,032)	(202)	-	-	(14,234)
Collectively assessed impairment allowance on loans, advances and financing	115,006	7,317	-	-	122,323
Change in fair value of financial instruments	(35,955)	(1,136)	29,003	1,136	(6,952)
Other temporary differences	9,986	416	-	-	10,402
	78,980	6,144	29,003	1,136	115,263

Bank	At 1 January 2009 RM'000	Recognised in income statements (Note 31) RM'000	Recognised in other comprehensive income RM'000	At 31 December 2009 RM'000
Impairment allowance on securities available-for-sale	190	-	-	190
Temporary differences arising from leasing business	4,082	(522)	-	3,560
Excess of capital allowance over depreciation	(14,033)	576	-	(13,457)
Collectively assessed impairment allowance on loans, advances and financing	106,619	6,021	-	112,640
Change in fair value of financial instruments	(34,852)	-	27,810	(7,042)
Other temporary differences	4,621	3,477	-	8,098
	66,627	9,552	27,810	103,989

17 DEPOSITS FROM CUSTOMERS

	Group		Bank	
i) By type of deposits	2010 RM'000	2009 RM'000 Restated	2010 RM'000	2009 RM'000 Restated
Demand deposits	6,550,242	5,546,072	5,497,122	4,859,491
Savings deposits	2,866,111	2,583,132	2,534,891	2,272,653
Fixed deposits	25,796,190	26,900,148	24,820,206	25,393,528
Negotiable instruments of deposits	106,860	704,180	38,839	36,062
Short-term money market deposits	6,635,552	4,843,437	6,256,487	4,639,832
Structured investments	1,271,963	1,002,020	1,224,101	868,257
Others	10,015	13,521	10,015	13,521
	43,236,933	41,592,510	40,381,661	38,083,344
ii) By type of customers				
Government and statutory bodies	416,667	288,465	4,663	1,558
Business enterprises	22,321,686	20,016,546	20,753,410	18,805,917
Individuals	17,856,169	18,073,785	17,406,410	17,618,121
Foreign entities	10,465	10,257	-	-
Others	2,631,946	3,203,457	2,217,178	1,657,748
	43,236,933	41,592,510	40,381,661	38,083,344
iii) By maturity structure				
Maturity within six months	37,718,345	36,169,994	34,955,112	32,883,734
Six months to one year	4,052,463	4,656,088	4,010,557	4,487,004
One year to three years	808,786	320,213	800,798	266,487
Three years to five years	657,339	446,215	615,194	446,119
	43,236,933	41,592,510	40,381,661	38,083,344

18 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Licensed banks	4,510,560	4,324,075	4,231,597	4,283,785
Other financial institutions	502,828	497,320	502,828	497,320
	5,013,388	4,821,395	4,734,425	4,781,105

19 SUBORDINATED TERM LOAN / BONDS

	Group and Bank	
	2010	2009
	RM'000	RM'000
USD 100 million subordinated term loan 2003/2013	-	283,638
RM 200 million redeemable Islamic subordinated bonds 2006/2021	200,000	200,000
RM 400 million redeemable subordinated bonds 2007/2017	406,027	411,460
RM 400 million Innovative Tier 1 Capital Securities	400,000	400,000
RM 500 million redeemable subordinated bonds 2010/2020	498,105	-
	1,504,132	1,295,098

a) On 28 May 2003, the Bank issued a subordinated term loan that represents a USD100 million 10-year unsecured term loan at fixed rate of 5.55% per annum obtained from Oversea-Chinese Banking Corporation Limited, Labuan Branch. The subordinated term loan is repayable in full by 5 equal and consecutive annual instalments commencing from the 6th anniversary year from the date of disbursement.

The Bank repaid the annual instalment of USD20 million since 28 May 2008 and early repaid the remaining USD60 million on 29 December 2010 to fully repay the USD100 million.

b) On 24 November 2006, the Bank issued RM200 million redeemable Islamic subordinated bonds on a 15-year non-callable 10-year basis under the principle of Mudharabah (profit sharing contract) at a projected constant rate of 5.40% per annum for the first 10 years and a step up of 100 basis point commencing from the beginning of the 11th year from the issue date and ending on the date of full redemption of the subordinated bonds, subject to the availability of profits and the investors' entitlement under the profit sharing ratio. Unless the call option is exercised by the Bank, the subordinated bonds shall be redeemed in full by five equal and consecutive annual payments. The call option is subject to prior approval from Bank Negara Malaysia and Monetary Authority of Singapore (MAS), and is redeemable in whole but not in part on 24 November 2016 and on every Profit Payment Date thereafter.

The subordinated bonds, now rated AA1 (upgraded from AA2) by Rating Agency Malaysia Berhad, which previously qualified as Tier 2 capital, have been offset against the Restricted Subordinated Bonds held by the Bank.

The Restricted Subordinated Bonds issued by OCBC Al-Amin was structured under the principles of Mudharabah and backed by the same pool of identified assets currently funded by the RM200 million redeemable Islamic subordinated bonds.

19 SUBORDINATED TERM LOAN / BONDS (continued)

c) On 30 November 2007, the Bank issued redeemable subordinated bonds of RM400 million on a 10-year non-callable 5-years basis at an initial coupon rate of 4.55% per annum for the first 5 years and a step up of 100 basis point above the initial coupon rate with effect from (and including) the 5th anniversary date onward and up to (but excluding) the date of early redemption or the maturity date of the subordinated bonds, whichever is earlier. The Bank may, at its option and subject to the prior approval of BNM, exercise its call option where it may redeem in whole but not in part the subordinated bonds at any time on the 5th anniversary date from the issue date and on every coupon payment date thereafter at 100% of the principal amount outstanding together with accrued but unpaid coupon payment. Unless the call option is exercised by the Bank, the subordinated bonds would essentially have a final maturity of 10 years.

The subordinated bonds, rated AA1 (upgraded from AA2) by Rating Agency Malaysia Berhad, qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Bank.

d) On 17 April 2009, the Bank issued RM400 million Innovative Tier 1 ("IT1") Capital Securities with permanent tenure but redeemable at the Bank's option (subject to prior approval of BNM and MAS), 10 years after the issue date or on each coupon payment date thereafter or upon occurrence of tax or regulatory events. In addition, if the IT1 Capital Securities is still outstanding after 30 years from issue date, the Bank shall, subject to the prior approval of BNM and MAS, issue sufficient number of preference shares, the proceeds of which shall be utilised to redeem the IT1 Capital Securities. The IT1 Capital Securities bear an initial coupon rate of 6.75% per annum payable semi-annually for the first 10 years and, thereafter, at a rate per annum equal to the 6-month KLIBOR plus 3.32% with effect from (and including) the 10th anniversary date onward.

The IT1 Capital Securities, rated AA2 (upgraded from AA3) by RAM Rating Services Berhad, qualify as Tier 1 capital for the purpose of determining the capital adequacy ratio of the Bank.

e) On 4 November 2010, the Bank issued redeemable subordinated bonds of RM500 million on a 10-year non-callable 5-years basis at a coupon rate of 4.20% per annum up to (but excluding) the date of early redemption or the maturity date of the subordinated bonds, whichever is earlier. The Bank may, at its option and subject to the prior approval of BNM, exercises its call option where it may redeem in whole but not in part the subordinated bonds at any time on the 5th anniversary date from the issue date and on every coupon payment date thereafter at 100% of the principal amount outstanding together with accrued but unpaid coupon payment. Unless the call option is exercised by the Bank, the subordinated bonds would essentially have a final maturity of 10 years.

The subordinated bonds, rated AA1 by Rating Agency Malaysia Berhad, qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Bank.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

20 OTHER LIABILITIES

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Accruals for personnel expenses*	57,297	62,475	57,265	62,422
Equity compensation benefits (a)	14,524	11,533	14,524	11,533
Obligations under finance lease	-	-	363	354
Provision for commitments and contingencies (b)	7,704	100	7,704	100
Interest payable	185,048	199,872	177,667	188,519
Other accruals and charges	207,756	198,865	182,643	316,027
Profit equalisation reserve	-	8,073	-	-
	472,329	480,918	440,166	578,955

* Includes accruals for salary, bonus, employee benefits and EPF

a) Equity compensation benefits

Equity compensation benefits refer to the fair value for all goods and services received in respect of cash-settled share-based payment transactions recognised under FRS 2 Share-based Payment.

Included in equity compensation benefits are:

(i) OCBC Deferred Share Plan ("the Plan") was implemented with effect from 2003. Under the Plan, shares of the ultimate holding company of the Bank are granted to executive directors and officers of the rank of Vice President and above. Shares granted under the Plan will vest three years from the grant date and will lapse when the staff ceases employment during the vesting period.

A trust is set up to administer the shares purchased under the Plan. The remuneration expense is amortised and recognised in the income statements on a straight-line basis over the vesting period.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

20 OTHER LIABILITIES (continued)

a) Equity compensation benefits (continued)

(ii) Share Option Schemes, for shares of the ultimate holding company of the Bank, are offered to executives, of the rank of Manager and above, including executive directors. Options granted are exercisable for a period commencing after the 1st anniversary of the respective dates of grant and expiring on the 10th anniversary of the respective dates of grant. One-third of the share options granted will vest each financial year after the 1st anniversary of the respective dates of grant and fully vested after the 3rd anniversary.

At an Extraordinary General Meeting held on 19 April 2007, shareholders of the ultimate holding company of the Bank approved the alterations to enable option holders to select one of the following alternatives when exercising their options:

(a) All share election – an election to receive in full the number of ordinary shares upon full payment of the aggregate acquisition cost in respect of the options exercised;
(b) Partial share election – an election to receive ordinary shares representing the notional profit which would have been derived if the ordinary shares in respect of the options exercised had been sold; or
(c) Cash election – an election to receive in cash the profit derived from the sale by the ultimate holding company of the Bank on behalf of the employee of all ordinary shares in respect of the options exercised.

1) Share Option Schemes

A summary of the movements in the number of options and weighted average exercise prices are as follows:

	2010		2009	
	Number of share options	**Weighted average acquisition price S$**	**Number of shares options**	**Weighted average acquisitio n price S$**
At 1 January	6,339,449	5.654	7,509,891	5.438
Granted	196,700	8.762	244,100	4.138
Exercised	(2,428,661)	5.563	(1,299,190)	5.004
Lapsed	(95,499)	5.880	(115,352)	5.704
At 31 December	4,011,989		6,339,449	
Exercisable options at end of financial year	3,555,102	5.618	6,100,549	5.654
Weighted average share price for options exercised (S$)		9.111		7.605

Details of the options outstanding as at 31 December 2010 are as follows:

Grant year	Grant date	Exercise period	Acquisition price (S$)	2010 Outstanding	2010 Exercisable
2002	08/04/2002	09/04/2003 to 08/04/2012	5.742	1,354,457	1,354,457
2003	27/03/2003	28/03/2004 to 26/03/2013	4.067	798,473	798,473
2004	15/03/2004	16/03/2005 to 14/03/2014	5.142	494,696	494,696
2005	14/03/2005	15/03/2006 to 13/03/2015	5.767	209,320	209,320
2006	14/03/2006	15/03/2007 to 13/03/2016	6.820	186,348	186,348
2007	14/03/2007	15/03/2008 to 13/03/2017	8.590	260,442	260,442
2008	14/03/2009	15/03/2009 to 13/03/2018	7.520	312,540	191,768
2009	16/03/2010	17/03/2010 to 15/03/2019	4.138	210,013	59,598
2010	15/03/2010	16/03/2011 to 14/03/2020	8.762	185,700	-
				4,011,989	3,555,102

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

20 OTHER LIABILITIES (continued)

a) Equity compensation benefits (continued)
Details of the options outstanding as at 31 December 2009 are as follows:

Grant year	Grant date	Exercise period	Acquisition price (S$)	2009 Outstanding	2009 Exercisable
2001	05/03/2001	05/12/2003 to 04/12/2010	5.367	1,131,041	1,131,041
2002	08/04/2002	09/04/2003 to 08/04/2012	5.742	2,032,185	2,032,185
2003	27/03/2003	28/03/2004 to 26/03/2013	4.067	951,637	951,637
2004	15/03/2004	16/03/2005 to 14/03/2014	5.142	668,253	668,253
2005	14/03/2005	15/03/2006 to 13/03/2015	5.767	313,774	313,774
2006	14/03/2006	15/03/2007 to 13/03/2016	6.820	339,084	339,084
2007	14/03/2007	15/03/2008 to 13/03/2017	8.590	303,442	303,442
2008	14/03/2009	15/03/2009 to 13/03/2018	7.520	361,133	361,133
2009	16/03/2010	17/03/2010 to 15/03/2019	4.138	238,900	-
				6,339,449	6,100,549

2) Share option expenses

The fair value of share options granted during the financial year ended 31 December 2009 determined using the binomial valuation model was S$433,812 (2009 : S$360,506). The significant inputs into the model were average share price, calculated from grant date to acceptance date, of S$8.85 (2009: S$4.97), expected volatility based on Bloomberg's 250-day historical price volatility as of acceptance date of 28.10% (2009: 40.43%), expected dividend yield of 3.16% (2009: 5.63%), exercise multiple of 1.57 times (2009: 1.57 times) and annual risk-free interest rate based on SGS 10-year bond yield of 2.79% (2009: 2.06%). Other inputs into the model were the acquisition price, grant date and maturity date, as shown in the previous table.

(iii) Employee Share Purchase Plan

The OCBC Employee Share Purchase Plan ("ESP Plan") for shares of the ultimate holding company of the Bank was approved on 30 April 2004. All employees of the Group who have attained the age of 21 years and been employees for a period of not less than six months are eligible to participate in the ESP Plan. The purpose of the ESP Plan is to provide employees with an opportunity to increase their personal equity interest in the Bank by subscribing for ordinary shares to be issued by the ultimate holding company of the Bank.

During the financial year, the Bank launched its fifth offering of the ESP Plan which commenced on 1 July 2010 with an expiry date of 30 June 2012.

A summary of the movements in the number of acquisition rights of the ESP Plan are as follows:

	2010		2009	
	Number of acquisition rights	Weighted average acquisition price S$	Number of acquisition rights	Weighted average acquisition price S$
At 1 January	1,154,426	7.217	1,401,760	8.270
Acquisition	687,337	8.750	768,143	6.610
Lapsed	(171,920)	7.773	(1,009,473)	8.210
Exercised	(447,648)	7.871	(6,004)	8.270
At 31 December	1,222,195		1,154,426	

20 OTHER LIABILITIES (continued)

b) Movements in provision for commitments and contingencies are as follows:

	Group and Bank	
	2010	2009
	RM'000	RM'000
Balance at 1 January	100	-
Amount provided for during the year (net)	7,604	100
Balance at 31 December	7,704	100

This refers to a provision made for the Group's and Bank's commitments and contingencies which was incurred in the normal course of business.

c) Profit equalisation reserve (PER)

	Group	
	2010	2009
	RM'000	RM'000
Balance at 1 January	8,073	16,161
Amount provided during the year	-	28,820
Amount written back during the year	(8,073)	(36,908)
Balance at 31 December	-	8,073

21 SHARE CAPITAL

	Group		Bank	
	2010	2009	2010	2009
Authorised:	RM'000	RM'000	RM'000	RM'000
Ordinary shares of RM1 each	1,000,000	1,000,000	1,000,000	1,000,000
Non-cumulative Non-convertible perpetual preference shares of RM1 each	5,000	5,000	5,000	5,000
	1,005,000	1,005,000	1,005,000	1,005,000
Issued and fully paid:				
287,500,000 Ordinary shares of RM1 each	287,500	287,500	287,500	287,500
4,000,000 Non-cumulative non-convertible perpetual preference shares of RM1 each	4,000	4,000	4,000	4,000
	291,500	291,500	291,500	291,500

The main features of the non-cumulative, non-convertible perpetual preference shares are as follows:

- the preference shares carry a net cash dividend of 4.51% per annum of the liquidation preference payable semi-annually on 20 March and 20 September each year when, as and if declared by the Board of Directors of the Bank;
- the preference shares shall not confer any right or claim as regards to participation in the profits of the Bank;
- in the event of the winding up of the Bank or a reduction by repayment of capital, the preference shares shall rank junior to depositors and all other creditors (including holders of subordinated debt), pari passu with all parity obligations and senior to the holders of the Bank's ordinary shares; and
- the preference shares are perpetual securities with no fixed final date of redemption. The preference shares may be redeemed at the option of the Bank (but not the preference shareholders) on the date falling ten years after the issue date; and on each dividend date thereafter (after the date falling ten years after issue date).

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

22 RESERVES

Detailed breakdown of the reserves are shown in the Statements of Changes in Equity.

The statutory reserve is maintained in compliance with Section 36 of the Banking and Financial Institutions Act, 1989 and Section 15 of the Islamic Banking Act, 1983. It is not distributable as cash dividends. Capital reserve is the portion of profits capitalised prior to the local incorporation (pre-acquisition profits) arising from consolidation. Fair value reserve captures fair value adjustment on financial assets which are classified as available-for-sale under the Revised BNM/GP8 and its corresponding effect on deferred tax. The reserve is non-distributable and cumulative fair value adjustments will be reversed to the income statements upon disposal of the assets.

The Bank has tax credits under Section 108 of the Income Tax Act, 1967 and tax exempt income to frank the payment of dividends, amounting to RM2,125,825,000, of its retained earnings as at 31 December 2010. The Finance Act, 2007 introduced a single tier company income tax system with effect from year of assessment 2007. As such, the Section 108 tax credit as at 31 December 2007 will be available to the Bank until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

23 NET INTEREST INCOME

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Interest income				
Loans, advances and financing				
- other than recoveries from impaired loans, advances and financing	1,582,094	1,456,499	1,582,062	1,456,499
- recoveries from impaired loans, advances and financing	43,440	34,487	43,440	34,487
- interest earned from impaired loan, advances and financing	12,395	10,634	12,395	10,634
Money at call and deposit placements with financial institutions	246,156	223,347	246,156	223,347
Securities available-for-sale	158,038	207,444	158,038	207,444
Securities held-for-trading	10,923	22,202	10,923	22,202
Others	14,950	8,582	41,354	26,564
	2,067,996	1,963,195	2,094,368	1,981,177
Interest expense				
Deposits from other customers	781,252	784,185	781,252	784,185
Deposits and placements of banks and other financial institutions	67,849	51,086	67,849	51,086
Loans sold to Cagamas Berhad	14,025	15,614	14,025	15,614
Subordinated term loan / bonds	71,621	65,658	71,621	65,658
Others	2,500	324	2,493	346
	937,247	916,867	937,240	916,889
Net interest income	1,130,749	1,046,328	1,157,128	1,064,288

23 NET INTEREST INCOME (continued)

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Analysed by categories of financial instruments				
Interest income:				
– financial assets at fair value through profit or loss	10,923	22,202	10,923	22,202
– loans and receivables	1,899,035	1,733,549	1,925,407	1,751,531
– available-for-sale financial assets	158,038	207,444	158,038	207,444
	2,067,996	1,963,195	2,094,368	1,987,177
Interest expense				
– liabilities at amortised cost	937,247	916,867	937,240	916,889

24 NET FEE AND COMMISSION INCOME

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Fee and commission income				
Commission	90,655	83,846	90,655	83,846
Service charges and fees	132,042	120,615	132,042	120,615
Guarantee fees	17,967	17,592	17,967	17,592
Other fee income	6,142	21,186	52,603	62,093
	246,806	243,239	293,267	284,146

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

25 NET TRADING INCOME

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
- Gains on foreign currency	270,075	129,036	270,075	129,036
- Unrealised gains on securities held - for - trading	13,394	9,227	13,394	9,227
- Realised gains on trading derivatives	5,776	10,303	5,776	10,303
- Losses on hedging derivatives (Note 42)	(164)	(437)	(164)	(437)
- Unrealised losses on trading derivatives	(113,340)	(16,805)	(113,340)	(16,805)
- Realised gains/(losses) on securities held - for - trading	712	(2,773)	712	(2,773)
	176,453	128,551	176,453	128,551

26 OTHER OPERATING INCOME

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Gross dividends from securities available-for-sale				
- Malaysia	2,689	3,056	2,689	3,056
- Outside Malaysia	63	72	63	72
Rental of premises	6,866	6,551	6,999	6,585
Net gains from disposal of securities available-for-sale	14,535	31,481	14,535	31,481
Net gains from disposal of property, plant and equipment	217	13	217	13
Net gains from disposal of non-current assets held for sale	-	1,296	-	1,296
Others	103	1,026	103	1,026
	24,473	43,495	24,606	43,529

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

27 PERSONNEL AND OPERATING EXPENSES

	Group		Bank	
	2010 RM'000	2009 RM'000 Restated	2010 RM'000	2009 RM'000 Restated
Personnel expenses (i)	313,945	274,530	290,105	260,589
Establishment expenses (ii)	80,018	79,177	75,196	75,978
Marketing expenses (iii)	28,719	21,416	27,871	19,149
Administration and general expenses (iv)	232,942	221,991	219,187	211,754
	655,624	597,114	612,359	567,470

The above expenditure includes the following statutory disclosures:

	Group 2010	Group 2009	Bank 2010	Bank 2009
Amortisation of prepaid lease payments	36	36	36	36
Auditors' remuneration				
- statutory audit	320	295	250	240
- other services	180	142	155	127
Depreciation of property, plant and equipment	41,996	43,751	39,561	42,356
Depreciation of investment properties	1,062	839	1,062	839
Directors' remuneration* (Note 28)	4,435	3,146	3,347	2,365
Impairment allowance on investment properties	361	-	361	-
Loss on disposal of property, plant and equipment	51	156	51	106
Provision for commitment and contingencies	7,604	100	7,604	100
Rental premises	11,708	10,660	10,093	9,491

* Excluding BIK

i) Personnel expenses

	Group 2010	Group 2009	Bank 2010	Bank 2009
Wages, salaries and bonus	244,396	208,717	225,372	198,305
Defined contribution plan (EPF)	39,026	33,940	36,083	32,290
Equity compensation benefits	8,426	5,281	8,233	5,199
Other personnel costs	22,097	26,592	20,417	24,795
	313,945	274,530	290,105	260,589

ii) Establishment expenses

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Rental of premises	11,680	10,640	10,093	9,491
Rental of equipment	1,934	1,587	1,934	1,587
Depreciation of property, plant and equipment	41,996	43,751	39,561	42,356
Depreciation of investment properties	1,062	839	1,062	839
Amortisation of prepaid lease payments	36	36	36	36
Repair and maintenance	5,283	6,142	5,134	6,106
Others	18,027	16,182	17,376	15,563
	80,018	79,177	75,196	75,978

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

27 PERSONNEL AND OPERATING EXPENSES (continued)

iii) Marketing expenses

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Transport and travelling	5,620	4,599	5,235	4,280
Advertisement and business promotion	21,698	15,660	21,287	13,765
Others	1,401	1,157	1,349	1,104
	28,719	21,416	27,871	19,149

iv) Administration and general expenses

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Printing and stationery	7,282	7,413	6,657	6,999
Postage and courier	5,415	5,091	5,086	4,801
Telephone, telex and fax	8,731	9,259	8,285	8,785
Legal and consultancy fees	6,200	5,070	5,852	4,526
Transaction processing fees*	148,663	129,288	137,141	122,359
Other administration and general expenses	56,651	65,870	56,166	64,284
	232,942	221,991	219,187	211,754

* Transaction processing fees were incurred for transactions being processed by e2 Power Sdn Bhd, a related company.

28 DIRECTORS' REMUNERATION (continued)

Forms of remuneration in aggregate for all Directors charged to the income statements for the financial year are as follows:

Group	Salaries and bonuses	Fees	BIK	EPF	Other accrued employee benefits	Total
2010	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Executive Director of the Bank (CEO):						
Chew Sun Teong, Jeffrey	1,979	-	4	317	571	2,871
Executive Director of subsidiary companies						
Syed Abdull Aziz Jailani bin Syed Kechik	802	-	4	128	42	976
Non-Executive Directors:						
Tan Sri Dato' Nasruddin Bin Bahari	-	294	31	-	-	325
David Conner	-	-	-	-	-	-
Ching Wei Hong	-	-	-	-	-	-
Soon Tit Koon	-	-	-	-	-	-
Tan Siok Choo	-	106	-	-	-	106
David Wong Cheong Fook	-	113	-	-	-	113
Dr Raja Lope Bin Raja Shahrome	-	69	-	-	-	69
Dato' Lim Eng Soon	-	14	-	-	-	14
	2,781	596	39	445	613	4,474

Bank						
Executive Director (CEO):						
Chew Sun Teong	1,979	-	4	317	571	2,871
Non-Executive Directors:						
Tan Sri Dato' Nasruddin Bin Bahari	-	252	31	-	-	283
David Conner	-	-	-	-	-	-
Ching Wei Hong	-	-	-	-	-	-
Soon Tit Koon	-	-	-	-	-	-
Tan Siok Choo	-	82	-	-	-	82
David Wong Cheong Fook	-	89	-	-	-	89
Dr Raja Lope Bin Raja Shahrome	-	57	-	-		57
	1,979	480	35	317	571	3,382

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

28 DIRECTORS' REMUNERATION (continued)

Group	Salaries and bonuses	Fees	BIK	EPF	Other accrued employee benefits	Total
2009	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Executive Director (CEO):						
Chew Sun Teong, Jeffrey	1,293	-	5	207	387	1,892
Executive Director of subsidiary companies						
Syed Abdull Aziz Jailani bin Syed Kechik	567	-	4	-	93	664
Non-Executive Directors:						
Tan Sri Dato' Nasruddin Bin Bahari	-	294	31	-	-	325
David Conner	-	-	-	-	-	-
Ching Wei Hong	-	-	-	-	-	-
Soon Tit Koon	-	-	-	-	-	-
Tan Siok Choo	-	104	-	-	-	104
David Wong Cheong Fook	-	114	-	-	-	114
Dr Raja Lope Bin Raja Shahrome	-	73	-	-	-	73
Dato' Lim Eng Soon	-	14	-	-	-	14
	1,860	599	40	207	480	3,186

Bank						
Executive Director (CEO):						
Chew Sun Teong	1,293	-	5	207	387	1,892
Non-Executive Directors:						
Tan Sri Dato' Nasruddin Bin Bahari	-	251	31	-	-	282
David Conner	-	-	-	-	-	-
Ching Wei Hong	-	-	-	-	-	-
Soon Tit Koon	-	-	-	-	-	-
Tan Siok Choo	-	80	-	-	-	80
David Wong Cheong Fook	-	90	-	-	-	90
Dr Raja Lope Bin Raja Shahrome	-	57	-	-	-	57
	1,293	478	36	207	387	2,401

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

29 IMPAIRMENT ALLOWANCE ON LOANS, ADVANCES AND FINANCING

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Impairment allowance of impaired loans, advances and financing:				
i) Individually assessed impairment allowances				
- Made during the financial year	253,728	316,769	214,814	275,745
- Written back	(136,342)	(120,635)	(112,991)	(105,674)
ii) Collectively assesed impairment allowances				
- Made during the financial year	45,800	29,280	46,576	24,082
Impaired loans, advances and financing				
- Written off	-	64	-	64
- Recovered	(42,675)	(30,937)	(37,933)	(27,100)
Others	390	907	390	907
	120,901	195,448	110,856	168,024

30 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Bank has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Bank an the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties of the Bank are as follows:
(a) Holding company Oversea-Chinese Banking Corporation Limited;
(b) Subsidiary companies of the Bank as disclosed in Note 11;
(c) Other related companies within the Oversea-Chinese Banking Corporation Limited Group.
(d) Key management (including Directors) of the Bank (including their immediate family members) and entities in which they have control, joint control or significant influence.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

30 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(i) The significant related party transactions and balances of the Group during the financial year and balances at reporting date are as follows and all the outstanding balances are expected to be settled in cash by the related parties:

<u>Group</u>	Holding Company	Other Related Companies	Key Management
2010	RM '000	RM '000	RM '000
Income :			
Interest on deposits and placements	9,007	-	
Interest on loans and advances	2	13,686	33
Commission income	-	20,465	-
Other fee income	-	2,423	-
Rental income	-	4,693	-
	9,009	41,267	33
Expenditure :			
Interest on fixed deposits	-	606	701
Interest on other deposits	-	3	243
Interest on deposits and placements	45,891	1,787	-
Interest on subordinated term loans	12,284	-	-
Rental expenses	-	837	-
Transaction processing fees	-	148,663	-
	58,175	151,896	944
Amount due from :			
Current accounts	128,694	7	-
Deposits and placements	483,522	21	-
Interest / profit receivable	1,048	-	-
Loans and advances	-	89,582	315
	613,264	89,610	315
Amount due to :			
Current accounts and fixed deposits	17,010	107,116	28,984
Other deposits	-	2,101	19,075
Deposits and placements	2,302,719	-	-
Transaction processing fees payable	-	769	-
Other liabilities	4,113	-	-
Interest payable	898	-	9
	2,324,740	109,986	48,068
Commitments:			
Foreign exchange derivatives	324,494	139,517	-
Interest rate derivatives	3,988,606	260,000	-
Transaction related contingent items	158,659	56,513	-
	4,471,759	456,030	-

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

30 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Group	Holding Company	Other Related Companies	Key Management
2009	RM '000	RM '000	RM '000
Income :			
Interest on deposits and placements	19,608	-	-
Interest on loans and advances	-	12,958	8
Commission income	-	14,432	-
Other fee income	-	811	-
Rental income	-	4,554	-
	19,608	32,755	8
Expenditure :			
Interest on fixed deposits	-	1,524	492
Interest on other deposits	-	0	117
Interest on deposits and placements	27,418	3,149	-
Interest on subordinated term loans	17,499	-	-
Rental expenses	-	721	-
Transaction processing fees	-	129,288	-
	44,917	134,682	609
Amount due from :			
Current accounts	61,267	8	-
Deposits and placements	363,610	1	-
Interest / profit receivable	2,620	-	-
Loans and advances	-	88,129	528
	427,497	88,138	528
Amount due to :			
Current accounts and fixed deposits	29,062	139,820	28,250
Other deposits	-	-	13,814
Deposits and placements	3,276,731	-	-
Subordinated term loan / bonds (Note 19)	283,638	-	-
Transaction processing fees payable	-	647	-
Other liabilities	4,236	75,602	-
Interest payable	2,964	-	-
	3,596,631	216,069	42,064
Commitments:			
Foreign exchange derivatives	366,355	73,871	-
Interest rate derivatives	5,110,397	10,000	-
Equity derivatives	4,861	-	-
Transaction related contingent items	189,931	110,248	-
	5,671,544	194,119	-

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

30 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Bank	Holding Company	Subsidiary Companies	Other Related Companies	Key Management
2010	RM '000	RM '000	RM '000	RM '000
Income :				
Interest on deposits and placements	9,007	12,438	-	-
Interest on negotiable instruments of deposits	-	766	-	-
Commission income	-	-	20,465	-
Interest on loans and advances	-	2,302	13,686	1
Interest on subordinated Islamic bonds	-	10,900	-	-
Other fee income	-	46,461	182	-
Rental income	-	133	4,693	-
	9,007	73,000	39,026	1
Expenditure :				
Interest on fixed deposits	-	1	228	645
Interest on other deposits	-	-	3	240
Interest on deposits and placements	45,853	-	1,787	-
Interest on subordinated term loans	12,284	-	-	-
Shared service fee paid/payable	-	1,297	-	-
Rental expenses	-	-	837	-
Other expenses	63	7	2,023	-
Transaction processing fees	-	-	137,141	-
	58,200	1,305	142,019	885
Amount due from :				
Cash and cash equivalents	-	66,277	-	-
Current accounts	128,694	-	7	-
Deposits and placements	483,240	414,606	-	-
Securities available-for-sale	-	52,789	-	-
Interest / profit receivable	1,048	2,005	-	-
Subordinated Islamic bonds (Note 19)	-	200,000	-	-
Loans and advances	-	40,000	89,582	91
Others	-	3,981	-	-
	612,982	779,658	89,589	91
Amount due to :				
Current accounts and fixed deposits	16,798	13,595	98,407	25,896
Other deposits	-	-	2,101	18,971
Deposits and placements	2,278,755	-	-	-
Other liabilities	4,113	31,075	-	-
Interest payable	898	-	-	-
	2,300,564	44,670	100,508	44,867
Commitments:				
Foreign exchange derivatives	324,494	135,809	136,525	-
Interest rate derivatives	3,988,606	-	260,000	-
Transaction related contingent items	158,659	-	56,513	-
	4,471,759	135,809	453,038	-

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

30 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Bank	Holding Company	Subsidiary Companies	Other Related Companies	Key Management
2009	RM '000	RM '000	RM '000	RM '000
Income :				
Interest on deposits and placements	19,608	5,340	-	-
Commission income	-	-	14,432	-
Interest on loans and advances	-	1,725	12,958	8
Interest on subordinated Islamic bonds	-	10,917	-	-
Other fee income	-	40,751	226	-
Rental income	-	191	4,554	-
	19,608	58,924	32,170	8
Expenditure :				
Interest on fixed deposits	-	1	954	447
Interest on other deposits	-	-	-	116
Interest on deposits and placements	27,418	-	3,149	-
Interest on subordinated term loans	17,499	-	-	-
Shared service fee paid/payable	-	237	-	-
Rental expenses	-	-	721	-
Other expenses	177	20	1,199	-
Transaction processing fees	-	-	122,359	-
	45,094	258	128,382	563
Amount due from :				
Cash and cash equivalents	-	79,262	-	-
Current accounts	61,267	-	8	-
Deposits and placements	363,592	440,000	-	-
Securities available-for-sale	-	198,902	-	-
Interest / profit receivable	2,620	2,876	-	-
Subordinated Islamic bonds (Note 19)	-	200,000	-	-
Loans and advances	-	40,000	88,129	428
Others	-	3,542	-	-
	427,479	964,582	88,137	428
Amount due to :				
Current accounts and fixed deposits	29,062	13,880	121,461	26,304
Other deposits	-	-	-	13,672
Deposits and placements	3,276,731	-	-	-
Subordinated term loan / bonds (Note 19)	283,638	-	-	-
Other liabilities	4,236	208,108	75,602	-
Interest payable	2,964	-	-	-
	3,596,631	221,988	197,063	39,976
Commitments:				
Foreign exchange derivatives	366,355	122,507	69,146	-
Interest rate derivatives	5,110,397	-	10,000	-
Equity derivatives	4,861	-	-	-
Transaction related contingent items	189,753	-	110,248	-
	5,671,366	122,507	189,394	-

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

30 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

ii) Credit exposure arising from credit transactions with connected parties

The following disclosure information are made pursuant to the revised BNM "Guidelines on Credit Transactions and Exposures with Connected Parties":

Group	2010 RM '000	2009 RM '000
Aggregate value of outstanding credit exposure with connected parties^ :		
Credit facility and leasing (except guarantee)	347,814	105,358
Off statements of financial position exposures#	1,218,297	3,280,409
Total credit exposures	1,566,111	3,385,767
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	3.71%	8.68%
- which is non-performing or in default	0.00%	0.00%

Bank	2010 RM '000	2009 RM '000
Aggregate value of outstanding credit exposure with connected parties^ :		
Credit facility and leasing (except guarantee)	347,071	105,099
Off statements of financial position exposures#	1,701,950	3,280,409
Total credit exposures	2,049,021	3,385,508
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	5.17%	9.37%
- which is non-performing or in default	0.00%	0.00%

^ Comprise of total outstanding balance and unutilised limit
\# Off statements of financial position transactions that give rise to credit and/or counterparty risk.

iii) Key management personnel compensation

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Short-term employee benefits	13,642	11,713	11,049	11,188
Other long-term benefits	-	6	-	6
Termination benefits	-	195	-	195
Share-based benefits	2,190	1,799	2,078	1,728
	15,832	13,713	13,127	13,117

Key management personnel comprise persons having authority and responsibility for planning, directing and controlling the activities of the Bank either directly or indirectly, including Directors of the Bank. Included in the above is Directors' remuneration which is disclosed in Note 28.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

31 INCOME TAX EXPENSE

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax				
- current year	254,567	209,167	248,009	205,185
- under provision in prior year	13,673	2,174	13,103	2,174
	268,240	211,341	261,112	207,359
Deferred tax :				
- relating to originating and reversal of temporary differences	(11,385)	(2,482)	(13,215)	(5,819)
- over provision in prior year	(11,428)	(3,662)	(10,549)	(3,733)
Total credit to income statements (Note 16)	(22,813)	(6,144)	(23,764)	(9,552)
	245,427	205,197	237,348	197,807

The reconciliation between the average effective tax rate and the applicable tax rate are as follows :

	Group		Bank	
	2010	2009	2010	2009
	%	%	%	%
Malaysian tax rate of 25%	25.0	25.0	25.0	25.0
Tax effects of:				
Expenses not deductible for tax purposes	0.8	0.2	0.6	0.5
Income not subject to tax	0.0	0.0	0.0	(0.1)
Under provision in prior years				
- income tax	0.3	0.1	1.4	0.3
- deferred tax	(0.2)	(0.1)	(1.1)	(0.5)
Average effective tax rate	25.9	25.2	25.9	25.2

With effect from year of assessment 2009, corporate tax rate is at 25%. The computation of deferred tax assets and deferred tax liabilities is based on a tax rate of 25%.

32 BASIC EARNINGS PER SHARE

The earnings per ordinary share of the Group and the Bank have been calculated based on the profit for the year less preference shares dividends of RM688,408,000 and RM664,886,000 respectively (2009: RM589,789,000 and RM569,073,000) and on 287,500,000 (2009: 287,500,000) ordinary shares of RM1.00 each in issue during the financial year.

33 DIVIDENDS

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Ordinary shares:				
Final dividend of 20.0 sen (2009: Nil sen) less income tax at 25% (2009: Nil)	43,125	-	43,125	-
Preference shares:				
Dividends paid on preference shares	18,040	18,040	18,040	18,040

A final gross dividend of 150.0 sen per share less tax amounting to RM323.44 million on the fully issued and paid up ordinary shares of the Bank in respect of the financial year ended 31 December 2010 will be proposed for shareholders' approval at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect these proposed dividends. Such dividend will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2010 when approved by the shareholders.

The net cash dividend of 4.51% (on the issue price) amounting to RM8.95 million to the preference shareholders in respect of the financial year ended 31 December 2010 was paid on 16 March 2010 and net cash dividend of 4.51% (on the issue price) amounting to RM9.09 million to the preference shareholders in respect of the financial year ended 31 December 2010 was paid was paid on 20 September 2010.

Company No. 295400 W

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

34 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to their customers. Apart from the provision for commitments and contingencies already made in the financial statements (Note 20), no material losses are anticipated as a result of these transactions.

	31 December 2010				31 December 2009		
Group	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent Amount* RM'000	Credit Equivalent Amount* RM'000
Direct credit substitutes	225,280		225,280	192,329	496,006	496,006	496,006
Transaction-related contingent items	2,035,213		1,017,607	1,089,435	1,643,315	821,657	821,657
Short-term self-liquidating trade-related contingencies	451,331		90,267	58,317	211,611	42,322	42,322
Obligations under underwriting agreement	8,000		4,000	4,000	71,000	35,500	35,500
Foreign exchange related contracts							
- less than one year	17,204,174	184,115	459,224	119,782	16,436,336	295,137	295,137
- one year to less than five years	1,991,282	41,861	215,289	114,290	2,294,951	293,688	293,688
- five years and above	783,419	53,330	194,938	181,992	118,707	20,618	20,618
Interest rate contracts							
- less than one year	7,295,035	21,320	32,254	5,583	8,371,152	48,651	48,651
- one year to less than five years	18,790,778	184,020	544,515	215,007	18,464,830	715,114	715,114
- five years and above	999,923	20,181	88,621	37,568	613,590	53,427	53,427
Equity and commodity related contracts	242,352	-	14,958	1,289	907,050	108,999	108,999
Formal standby facilities and credit lines:							
- maturity not exceeding one year	7,950		1,590	1,192	981,754	-	-
- maturity exceeding one year	1,481,016		1,069,626	1,183,964	-	-	-
Other unconditionally cancellable commitments	12,980,333		467,906	134,373	13,617,811	1,588,153	1,588,153
Miscellaneous	-		-	-	104,260	-	-
Total	64,496,086	504,826	4,426,075	3,339,121	64,332,373	4,519,272	4,519,272

*The credit equivalent and risk weighted amounts were computed using the credit conversion factors and risk weights as defined in Bank Negara Malaysia's Capital Adequacy Framework (Basel II) -Internal Ratings Approach. The comparative figures which have been computed in accordance with Bank Negara Malaysia's Risk Weighted Capital Adequacy (RWCAF-Basel I) have not been restated.

34 COMMITMENTS AND CONTINGENCIES (continued)

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to their customers. Apart from the provision for commitments and contingencies already made in the financial statements (Note 20), no material losses are anticipated as a result of these transactions.

	31 December 2010				31 December 2009		
Bank	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent Amount* RM'000	Credit Equivalent Amount* RM'000
Direct credit substitutes	220,927		220,927	187,989	494,113	494,113	493,912
Transaction-related contingent items	1,953,925		976,963	1,058,865	1,543,266	771,633	746,630
Short-term self-liquidating trade-related contingencies	422,113		84,423	52,088	202,843	40,569	40,509
Obligations under underwriting agreement	8,000		4,000	4,000	71,000	35,500	35,500
Foreign exchange related contracts							
- less than one year	16,942,929	178,340	449,414	111,171	16,098,067	288,627	84,316
- one year to less than five years	1,900,151	36,133	203,105	109,276	2,189,341	287,557	81,362
- five years and above	783,419	53,330	194,938	181,992	118,707	20,618	5,889
Interest rate contracts							
- less than one year	7,295,035	21,320	32,254	5,583	8,371,152	48,651	13,427
- one year to less than five years	18,790,778	184,020	544,515	215,007	18,464,830	715,114	197,365
- five years and above	999,923	20,181	88,621	37,568	613,590	53,427	14,747
Equity and commodity related contracts	242,352	-	14,958	1,289	830,212	100,751	24,110
Formal standby facilities and credit lines:							
- maturity not exceeding one year	5,740		1,148	861	963,697	-	-
- maturity exceeding one year	1,472,644		1,062,657	1,181,587	-	-	-
Other unconditionally cancellable commitments	12,352,715		467,906	134,373	13,121,866	1,580,674	1,580,674
Miscellaneous	-		-	-	104,260	-	-
Total	63,390,651	493,324	4,345,829	3,281,649	63,186,944	4,437,234	3,318,441

*The credit equivalent and risk weighted amounts were computed using the credit conversion factors and risk weights as defined in Bank Negara Malaysia's Capital Adequacy Framework (Basel II) -Internal Ratings Approach. The comparative figures which have been computed in accordance with Bank Negara Malaysia's Risk Weighted Capital Adequacy (RWCAF-Basel I) have not been restated.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

35 LEASE COMMITMENTS

The Group and the Bank have lease commitments in respect of rented premises and equipment on hire, all of which are classified as operating leases. A summary of the non-cancellable long-term commitments are as follows :-

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Less than one year	7,656	10,829	6,772	9,271
One to five years	7,804	5,693	7,582	4,625
	15,460	16,522	14,354	13,896

36 CAPITAL COMMITMENTS

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Capital expenditure in respect of property, plant and equipment:-				
- authorised and contracted for	15,470	13,272	14,254	11,418
- authorised but not contracted for	105,440	39,910	87,200	20,243
	120,910	53,182	101,454	31,661

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group’s financial instruments are credit risk, market risk including liquidity risk and operational risk. The Group overall risk management framework, including the risk governance and risk management process are set out as follows:

Credit Risk Management

Credit risk arises from the risk of loss of principal or income on the failure of an obligor or counterparty to meet their contractual obligations. Such risk arises from lending, underwriting, trading, investment and other activities undertaken by the Bank. Through the Group's risk management structure established at holding company, the Bank shares the services of OCBCM's Credit Risk Management to monitor credit risk and this includes credit approval, credit reviews, non-performing asset management, portfolio reviews and credit policy development.

A delegated credit approval authority limit structure, approved by the Board of Directors, is in place, whereby all credit extension is jointly approved by authorised officers from line management as well as credit risk management. This “co-grantor” approach encompasses target market definition and risk acceptance criteria, credit risk grading, product programs and detailed financial analysis of the customer.

Credit exposures of various risk dimensions including non-performing financing (NPFs) are reported to the Board of Directors. These include exposures by industry, risk grade, business segment, loan maturity, secured/unsecured position and product. Prudential limits are placed on exposures to cross-border transfer risk and single customer groups.

Corporate and large NPFs are centrally managed by the Special Asset Management Department whilst retail and consumer NPFs are overseen by the Collections Department.

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market Risk Management

Market risk is the risk of loss of income or market value due to fluctuations in market factors. The Group is exposed to market risks from its trading activities. The Asset Liability Management Committee ("ALCO") is the senior management committee that establishes market risk management objectives, framework, and policies governing prudent market risk taking, which are backed by risk methodologies measurement systems, and internal controls. Business units are responsible for undertaking proactive risk management along with their pursued trading strategies, while Market Risk Management Department ("MRMD") acts as the independent monitoring unit that ensures sound governance practices.

Risk identification is addressed via the Group's new product approval process at product inception. Several market risk measurements are also utilised regularly to quantify and assess potential losses. These include Value-at-risk ("VaR"), Present Value of a Basis Point ("PV01"), Greeks, and stress testing with scenario analyses.

Only authorised trading activities may be undertaken by the various business units within the allocated limits. Trading positions are monitored daily and limit breaches are promptly reported to senior management for appropriate rectification. Valuation and risk models are deployed and verified for pricing of financial instruments and VaR calculation, respectively. Valuation reserves and other operational controls are also imposed to strengthen overall general and model risk management. To ensure the continued integrity of the VaR model, the Group conducts back-testing to confirm the consistency of actual daily trading profits and losses ("P&L"), as well as theoretical P&L against the model's statistical assumptions.

Asset Liability Management

Asset liability management is the strategic management of the balance sheet structure and liquidity needs, covering structural interest rate management and funding liquidity risk management. The Asset Liability Management Committee ("ALCO") is the senior management committee that oversees the Bank's liquidity and balance sheet risks. ALCO is supported by the Market Risk Management Department within Group Risk Management Division.

Structural Interest Rate Risk
Interest rate risk is the risk to earnings and capital arising from exposure to adverse movements in interest rates. Limits and policies to manage interest rate exposures are established in line with the Group's strategy and risk appetite, appropriately approved, and reviewed regularly to ensure they remain relevant to the external environment. Control systems are established to monitor the profile against the approved risk thresholds.

Liquidity Risk
The objective of liquidity risk management is to ensure that there are sufficient funds to meet contractual and regulatory financial obligations as well as to undertake new transactions. The Group and the Bank's liquidity management process involves establishing liquidity management policies and limits, regular monitoring against liquidity risk limits, regular stress testing, and establishing contingency funding plans.

Operational Risk management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and management, or from external events. Operational risk includes legal risk and reputation risk.

The Group and the Bank's operational risk management aim to minimise unexpected and catastrophic losses and to manage expected losses. This enables new business opportunities to be pursued in a risk-conscious and controlled manner.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

<u>Operational Risk management (continued)</u>

Operational Risk Management Oversight and Organisation
The Operational Risk Management and Information Security Committee (“ORISC”) is the senior management committee that establishes the Group’s operational risk management and information security frameworks and policies, and ensures that sound methodologies, risk measurements, and systems are implemented. ORISC also oversees the management of the Group’s technology risk, fiduciary risk, and information security risk.

The Operational Risk Management (“ORM”) Department of Group Risk Management Division has established the ORM framework, including policies and methodologies. The ORM department also provides independent oversight of operational risk monitoring and control. The ORM programmes are actively implemented through the respective operational risk co-ordinators or managers in the business units.

Operational Risk Management Approach
The Group manages operational risk through a framework that ensures operational risk is properly identified, managed, monitored, mitigated, and reported in a structured and consistent manner. The framework is underpinned by an internal control system that reinforces the Group’s control culture by establishing clear roles and responsibilities for staff and preserving their rights in executing their control functions without fear of intimidation or reprisal. The Group recognises the importance of establishing a risk-awareness culture in the managing of operational risk through embedding risk management in the Group’s core processes.

Each business unit undertakes regular self-assessment of the risk and control environment to identify, assess, and measure its operational risk, which include regulatory and legal risks. Risk metrics are also used to detect early warning signals and they are monitored to measure the effectiveness of internal controls and drive appropriate management actions before risks materialise into material losses.

Senior management also attest annually to the CEO and Board of Directors on the effectiveness of the internal control system, as well as report key control deficiencies and appropriate remedial plans. Operational risk losses and incidents are used as information for reporting and for providing risk profiling information to the Board and senior management.

For information security, the Group protects and ensures the confidentiality, integrity, and availability of its information assets through implementing appropriate security controls to protect against the misuse or compromise of information assets. New and appropriate security technologies are regularly identified and implemented as part of the Group's technology risk management strategy to mitigate any possible threats to the Group's information technology environment.

To mitigate the impact of unforeseen operational risk events, the Group has business continuity management and crisis management programmes to ensure the uninterrupted availability of all business resources to support essential business activities. On an annual basis, Senior Management provides an attestation to the Board on the state of business continuity management including the internally developed business continuity management maturity scorecard, extent of alignment to BNM guidelines and declaration of residual risk.

Reputation Risk Management
Reputation risk exposure is the current and future adverse impact on earnings and capital arising from negative public opinion or adverse regulatory actions, which would unfavourably affect new and existing relationships. The Group’s Reputation Risk Management Programme focuses on understanding and managing the Group and the Bank’s responsibilities toward its stakeholders, and protecting the Group and the Bank’s reputation. A key emphasis of the Programme is effective information sharing and engagement with stakeholders.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Operational Risk Management Approach (continued)

Fiduciary Risk Management
Fiduciary risk is the possibility that the Group may, in the course of managing funds or providing other services, exercise discretion, make decisions, or take actions that fail to satisfy the applicable standard of conduct appropriate for a trust relationship. The Group has a Fiduciary Risk Management Programme that focuses on compliance with applicable corporate standards with regular identification, assessment, mitigation, and monitoring of fiduciary risk exposures.

Regulatory and Legal Risks
Each business unit is responsible for the adequacy and effectiveness of controls in managing both regulatory and legal risks. An annual Regulatory Compliance Certification is provided by senior management to the CEO and Board of Directors on the state of regulatory compliance.

Shariah Governance

In ensuring the operations and activities of OCBC Al-Amin comply with Shariah rules and principles at all times, OCBC Al-Amin is governed by the Shariah Compliance Manual (SCM) which in essence sets out the following:

- The rules, regulations and procedures in the establishment of Shariah Committee;
- The role, scope of duties and responsibilities of Shariah Committee;
- The manner in which a submission or request for advice be made to the Shariah Committee; and
- The manner of compliance by OCBC Al-Amin with any decisions made by Shariah Committee.

The SCM stipulates that all new products and services and collaterals are to be endorsed by the Shariah Committee. All product approvals must be backed by adequate research to ensure that the appropriate Shariah concepts are applied in the product structuring and design. In order to ensure a robust and comprehensive Shariah governance process throughout the Bank, at the post product launch, Shariah Review assesses the level of compliance of the activities and operations to Shariah requirements. Any non-Shariah compliance findings resulting from the review will be rectified, monitored and tracked until closure. Audit Department will also conduct Shariah Audit to provide an independent assessment and objective assurance designed to add value and improve the Bank’s Shariah compliance with the main objective in ensuring a sound and effective internal control system for Shariah compliance.

Shariah Risk
Shariah risk arises from Islamic banks' failure to comply with the Shariah rules and principles as determined by its Shariah Committee and Bank Negara Malaysia's Shariah Adivisory Council. The SCM has provided the necessary structure and process to mitigate any Shariah risk arising from its activities and operations.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

38 INTEREST / PROFIT RATE RISK

The tables below summarise the Group's and the Bank's exposure to interest rate risk. Included in the tables are the Group's and the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The off-statements of financial position interest sensitivity gap represents the net notional amounts of all interest rate sensitive derivative financial instruments. Sensitivity to interest rates arises from mismatches in interest rate characteristics of assets and their corresponding liability funding. These mismatches are managed within policy guidelines for mismatch positions.

<u>Group</u>

As at 31 December 2010	← Non Trading Book					→			
	Up to 1 month	**>1-3 months**	**>3-12 months**	**>1-5 years**	**Over 5 years**	**Non-interest sensitive**	**Trading Book**	**Total**	**Effective interest rate**
Assets	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**%**
Cash and cash equivalents	10,904,040	-	-	-	-	100,001	-	11,004,041	2.70
Deposits and placements with banks and other financial institutions	-	1,677,214	258,418	-	-	-	-	1,935,632	2.70
Securities held-for-trading	-	-	-	-	-	-	505,657	505,657	3.13
Securities available-for-sale	734,303	698,140	323,992	3,789,256	298,052	120,565	-	5,964,308	4.02
Loans, advances and financing									
- performing	29,662,798	1,364,469	306,844	1,122,676	811,739	1,258,000	-	34,526,526	5.42
- non-performing	-	-	-	-	-	616,593	-	616,593	-
Derivative assets	-	-	-	-	-	-	499,772	499,772	-
Other assets	-	-	-	-	-	203,813	-	203,813	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	79,342	-	79,342	-
Property, plant and equipment	-	-	-	-	-	210,647	-	210,647	-
Investment property	-	-	-	-	-	1,000	-	1,000	-
Prepaid lease payment	-	-	-	-	-	20,731	-	20,731	-
Deferred tax assets	-	-	-	-	-	137,896	-	137,896	-
Tax recoverable									
Total assets	**41,301,141**	**3,739,823**	**889,254**	**4,911,932**	**1,109,791**	**2,748,588**	**1,005,429**	**55,705,958**	
Liabilities									
Deposits from customers	21,998,686	7,092,209	7,040,503	1,465,358	767	5,639,410	-	43,236,933	2.28
Deposits and placements of banks and other financial institutions	4,653,307	18,445	250,349	559	-	90,728	-	5,013,388	1.25
Bills and acceptances payable	-	-	-	-	-	281,944	-	281,944	-
Recourse obligation on loans sold to Cagamas	2,300	4,623	256,900	66,165	-	-	-	329,988	4.07
Subordinated term loan / bonds	-	-	-	904,132	600,000	-	-	1,504,132	5.19
Derivative liabilities	-	-	-	-	-	-	485,177	485,177	-
Other liabilities	-	-	-	-	-	472,329	-	472,329	-
Current tax liabilities and zakat	-	-	-	-	-	30,022	-	30,022	-
Total liabilities	**26,654,293**	**7,115,277**	**7,547,752**	**2,436,214**	**600,767**	**6,514,433**	**485,177**	**51,353,913**	
On-statements of financial position interest sensitivity gap	14,646,848	(3,375,454)	(6,658,498)	2,475,718	509,024	(3,765,845)	520,252	4,352,045	
Off-statements of financial position interest sensitivity gap	(680,000)	(690,653)	-	1,212,871	157,782	-	-	-	
Total interest sensitivity gap	**13,966,848**	**(4,066,107)**	**(6,658,498)**	**3,688,589**	**666,806**	**(3,765,845)**	**520,252**	**4,352,045**	

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

38 INTEREST / PROFIT RATE RISK (continued)

Bank

As at 31 December 2010	Non Trading Book								
	Up to 1 Month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	Non-interest sensitive	Trading Book	Total	Effective interest rate
Assets	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**%**
Cash and cash equivalents	10,530,287	-	-	-	-	85,751	-	10,616,038	2.70
Deposits and placements with banks and other financial institutions	-	1,772,590	258,418	138,645	65,961	-	-	2,235,614	2.70
Securities held-for-trading	-	-	-	-	-	-	505,657	505,657	3.13
Securities available-for-sale	401,183	540,384	308,782	3,187,787	350,075	116,568	-	4,904,779	4.02
Loans, advances and financing									
- performing	29,368,653	933,092	164,569	131,316	160,602	1,295,954	-	32,054,186	5.36
- non-performing	-	-	-	-	-	602,237	-	602,237	-
Derivative assets	-	-	-	-	-	-	492,132	492,132	-
Other assets	-	-	-	-	-	395,030	-	395,030	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	52,592	-	52,592	-
Investment in subsidiary companies	-	-	-	-	-	256,611	-	256,611	-
Property, plant and equipment	-	-	-	-	-	202,825	-	202,825	-
Investment property	-	-	-	-	-	1,000	-	1,000	-
Prepaid lease payment	-	-	-	-	-	20,731	-	20,731	-
Deferred tax assets	-	-	-	-	-	127,725	-	127,725	-
Total assets	**40,300,123**	**3,246,066**	**731,769**	**3,457,748**	**576,638**	**3,157,024**	**997,789**	**52,467,157**	
Liabilities									
Deposits from customers	20,107,854	6,613,524	6,747,169	1,415,992	-	5,497,122	-	40,381,661	2.28
Deposits and placements of banks and other financial institutions	4,339,629	144,485	250,311	-	-	-	-	4,734,425	1.25
Bills and acceptances payable	-	-	-	-	-	270,837	-	270,837	-
Recourse obligation on loans sold to Cagamas	2,300	4,623	256,900	66,165	-	-	-	329,988	4.07
Subordinated term loan / bonds	-	-	-	904,132	600,000	-	-	1,504,132	5.19
Derivative liabilities	-	-	-	-	-	-	477,549	477,549	-
Other liabilities	-	-	-	-	-	440,166	-	440,166	-
Current tax liabilities and zakat	-	-	-	-	-	28,124	-	28,124	-
Total liabilities	**24,449,783**	**6,762,632**	**7,254,380**	**2,386,289**	**600,000**	**6,236,249**	**477,549**	**48,166,882**	
On-statements of financial position interest sensitivity gap	15,850,340	(3,516,566)	(6,522,611)	1,071,459	(23,361)	(3,079,226)	520,240	4,300,275	
Off-statements of financial position interest sensitivity gap	(680,000)	(690,653)	-	1,212,871	157,782	-	-	-	
Total interest sensitivity gap	**15,170,340**	**(4,207,219)**	**(6,522,611)**	**2,284,330**	**134,421**	**(3,079,226)**	**520,240**	**4,300,275**	

^ The amount includes allowance for diminution in value of securities in accordance with the Group's accounting policy amounting to RM121,000 for Group and Bank.

* The amount includes collectively assessed allowance (2009:general allowance) for loans, advances and financing in accordance with the Group's accounting policy amounting to RM535,727,000 for Group and RM497,773,000 for Bank.

The amount includes individually assessed allowance (2009:specific allowance) for loans, advances and financing in accordance with the Group's accounting policy amounting to RM389,872,000 for Group and RM358,784,000 for Bank.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

38 INTEREST / PROFIT RATE RISK (continued)

Group

	← Non Trading Book →								
As at 31 December 2009	**Up to 1 month**	**>1-3 months**	**>3-12 months**	**>1-5 years**	**Over 5 years**	**Non-interest sensitive**	**Trading Book**	**Total**	**Effective interest rate**
Assets	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**%**
Cash and cash equivalents	11,092,153	-	-	-	-	119,382	-	11,211,535	2.04
Deposits and placements with banks and other financial institutions	-	1,791,089	228,695	-	-	-	-	2,019,784	2.04
Securities held-for-trading	-	-	-	-	-	-	367,148	367,148	2.83
Securities available-for-sale	1,073,021	1,490,030	643,606	2,536,158	601,878	149,213^	-	6,493,906	3.22
Loans, advances and financing									
- performing	27,016,870	369,072	504,209	859,480	800,689	1,386,371*	-	30,936,691	5.01
- non-performing	-	-	-	-	-	777,388[#]	-	777,388	-
Derivative assets	-	-	-	-	-	-	547,154	547,154	
Other assets	-	-	-	-	-	200,207		200,207	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	43,092	-	43,092	-
Property, plant and equipment	-	-	-	-	-	238,825	-	238,825	-
Investment property	-	-	-	-	-	11,250	-	11,250	-
Prepaid lease payment	-	-	-	-	-	1,036	-	1,036	-
Deferred tax assets	-	-	-	-	-	115,263	-	115,263	-
Tax recoverable	-	-	-	-	-	133	-	133	-
Total assets	**39,182,044**	**3,650,191**	**1,376,510**	**3,395,638**	**1,402,567**	**3,042,160**	**914,302**	**52,963,412**	
Liabilities									
Deposits from customers	20,315,561	5,594,761	10,719,505	766,428	-	4,196,255	-	41,592,510	1.89
Deposits and placements of banks and other financial institutions	4,294,065	150,000	337,040	-	-	40,290	-	4,821,395	1.35
Bills and acceptances payable	-	-	-	-	-	244,983	-	244,983	-
Recourse obligation on loans sold to Cagamas	2,305	4,676	21,440	333,142	-	-	-	361,563	4.11
Subordinated term loan / bonds	-	-	89,648	205,450	1,000,000	-	-	1,295,098	5.61
Derivative liabilities	-	-	-	-	-	-	435,130	435,130	
Other liabilities	-	-	-	40,000	-	440,918	-	480,918	-
Current tax liabilities and zakat	-	-	-	-	-	42,459	-	42,459	-
Total liabilities	**24,611,931**	**5,749,437**	**11,167,633**	**1,345,020**	**1,000,000**	**4,964,905**	**435,130**	**49,274,056**	
On-statements of financial position interest sensitivity gap	14,570,113	(2,099,246)	(9,791,123)	2,050,618	402,567	(1,922,745)	479,172	3,689,356	
Off-statements of financial position interest sensitivity gap	-	(673,934)	68,484	605,450	-	-	-	-	
Total interest sensitivity gap	**14,570,113**	**(2,773,180)**	**(9,722,639)**	**2,656,068**	**402,567**	**(1,922,745)**	**479,172**	**3,689,356**	

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

38 INTEREST / PROFIT RATE RISK (continued)

Bank

As at 31 December 2009	Non Trading Book								
	Up to 1 Month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	Non-interest sensitive	Trading Book	Total	Effective interest rate
Assets	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Cash and cash equivalents	9,863,427	-	-	-	-	82,447	-	9,945,874	2.04
Deposits and placements with banks and other financial institutions	-	2,091,089	228,695	180,000	-	-	-	2,499,784	2.04
Securities held-for-trading	-	-	-	-	-	-	367,148	367,148	2.83
Securities available-for-sale	1,062,852	1,027,134	598,510	2,149,820	593,807	120,132^	-	5,552,255	3.30
Loans, advances and financing									
- performing	26,794,158	32,260	372,846	117,982	97,975	1,423,694*	-	28,838,915	4.95
- non-performing	-	-	-	-	-	763,042#	-	763,042	-
Derivative assets	-	-	-	-	-	-	543,171	543,171	
Other assets	-	-	-	-	-	385,261		385,261	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	19,592	-	19,592	-
Investment in subsidiary companies	-	-	-	-	-	196,611	-	196,611	-
Property, plant and equipment	-	-	-	-	-	232,280	-	232,280	-
Investment property	-	-	-	-	-	11,250	-	11,250	-
Prepaid lease payment	-	-	-	-	-	1,036	-	1,036	-
Deferred tax assets	-	-	-	-	-	103,989	-	103,989	-
Total assets	**37,720,437**	**3,150,483**	**1,200,051**	**2,447,802**	**691,782**	**3,339,334**	**910,319**	**49,460,208**	
Liabilities									
Deposits from customers	18,519,890	4,613,315	10,270,100	712,704	-	3,967,335	-	38,083,344	1.88
Deposits and placements of banks and other financial institutions	4,444,065	-	337,040	-	-	-	-	4,781,105	1.24
Bills and acceptances payable	-	-	-	-	-	225,309	-	225,309	-
Recourse obligation on loans sold to Cagamas	2,305	4,676	21,440	333,142	-	-	-	361,563	4.11
Subordinated term loan / bonds	-	-	89,648	205,450	1,000,000	-	-	1,295,098	5.61
Derivative liabilities	-	-	-	-	-	-	430,809	430,809	
Other liabilities	-	-	-	-	-	578,955	-	578,955	-
Current tax liabilities and zakat	-	-	-	-	-	42,459	-	42,459	-
Total liabilities	**22,966,260**	**4,617,991**	**10,718,228**	**1,251,296**	**1,000,000**	**4,814,058**	**430,809**	**45,798,642**	
On-statements of financial position interest sensitivity gap	14,754,079	(1,467,508)	(9,518,177)	1,196,506	(308,218)	(1,474,626)	479,510	3,661,566	
Off-statements of financial position interest sensitivity gap	-	(673,934)	68,484	605,450	-	-	-	-	
Total interest sensitivity gap	**14,754,079**	**(2,141,442)**	**(9,449,693)**	**1,801,956**	**(308,218)**	**(1,474,626)**	**479,510**	**3,661,566**	

^ The amount includes allowance for diminution in value of securities in accordance with the Group's accounting policy amounting to RM121,000 for Group and Bank.

* The amount includes collectively assessed allowance (2009:general allowance) for loans, advances and financing in accordance with the Group's accounting policy amounting to RM489,927,000 for Group and RM451,197,000 for Bank.

The amount includes individually assessed allowance (2009:specific allowance) for loans, advances and financing in accordance with the Group's accounting policy amounting to RM457,392,000 for Group and RM418,140,000 for Bank.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

38 INTEREST / PROFIT RATE RISK (continued)

The impact on the net interest income is simulated under various interest rate assumptions. The following table sets out the impact on the net interest income based on a 50 bps parallel shift in interest rates at the beginning of the year from 1 January for a period of 12 months, as follows:

	2010	
	Group	**Bank**
	RM'000	**RM'000**
+ 50 bps	1,194,052	1,145,387
- 50 bps	1,110,174	1,037,535

The 50 bps shock impact on the net interest income is based on simplified scenarios, using the Group and the Bank's interest risk profile as at the reporting date. It does not take into account actions that would be taken by the Treasury Division or business units to mitigate the impact of the interest rate risk. In reality, Treasury Division seeks to proactively change the interest rate risk profile to minimise losses and maximise net revenues. The projection assumes that interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on the net interest income of some rates changing while others remain unchanged. The projections also assume a constant balance sheet position and that all positions run to maturity.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

39 LIQUIDITY RISK

The Group and the Bank are exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan drawdowns and guarantees, and from margin and other calls on cash-settled derivatives. The Group and the Bank do not maintain cash resources to meet all of these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Group and the Bank set limits on the minimum level of liquid assets to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The table below provides analysis of financial assets and financial liabilities of the Group and the Bank into relevant maturity tenures based on their remaining contractual profile:

Group

As at 31 December 2010	Up to 3 Months	> 3 -6 Months	>6-12 Months	>1-3 Years	>3-5 Years	Over 5 Years	Total
Financial assets	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash and short-term funds	11,004,041	-	-	-	-	-	11,004,041
Deposits and placements with banks and other financial institutions	1,677,214	258,418	-	-	-	-	1,935,632
Held-for-trading securities	-	-	68,912	203,770	227,760	5,215	505,657
Available-for-sale securities	1,432,443	47,085	276,907	1,801,788	1,987,658	418,427	5,964,308
Loans, advances and financing	9,574,445	1,272,500	2,595,459	7,153,071	2,343,833	12,203,811	35,143,119
Derivative assets	147,517	2,820	68,567	231,524	28,457	20,887	499,772
Other assets	87,398	1,773	6,052	47,218	3,770	-	146,211
Statutory deposits with Bank Negara Malaysia	-	-	-	52,592	-	26,750	79,342
	23,923,058	1,582,596	3,015,897	9,489,963	4,591,478	12,675,090	55,278,082
Financial liabilities							
Deposits from customers	34,730,305	2,988,040	4,052,463	808,786	656,572	767	43,236,933
Deposits and placements of banks and other financial institutions	4,762,480	3,340	247,009	559	-	-	5,013,388
Bills and acceptances payable	281,944	-	-	-	-	-	281,944
Amount due to Cagamas	6,923	-	256,900	66,165	-	-	329,988
Subordinated term loan / bonds	-	-	-	406,076	498,056	600,000	1,504,132
Derivative liabilities	90,767	120	137,450	218,901	30,183	7,756	485,177
Other liabilities	246,011	49,138	30,039	28,390	2,179	-	355,757
Total liabilities	40,118,430	3,040,638	4,723,861	1,528,877	1,186,990	608,523	51,207,319
Net Liquidity gap	(16,195,372)	(1,458,042)	(1,707,964)	7,961,086	3,404,488	12,066,567	4,070,763

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

39 LIQUIDITY RISK (continued)

Bank

As at 31 December 2010	Up to 3 Months	>3 -6 Months	>6-12 Months	>1-3 Years	>3-5 Years	Over 5 Years	Total
Financial assets	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash and short term-funds	10,616,038	-	-	-	-	-	10,616,038
Deposits and placements with banks and other financial institutions	1,772,590	258,418	-	40,000	98,645	65,961	2,235,614
Held-for-trading securities	-	-	68,912	203,770	227,760	5,215	505,657
Available-for-sale securities	941,567	31,875	276,907	1,530,924	1,657,053	466,453	4,904,779
Loans, advances and financing	8,855,091	1,165,235	2,552,988	6,759,773	1,736,643	11,586,693	32,656,423
Derivative assets	141,935	2,694	68,490	229,669	28,457	20,887	492,132
Other assets	89,064	1,685	6,052	40,627	-	200,000	337,428
Statutory deposits with Bank Negara Malaysia	-	-	-	52,592	-	-	52,592
Investment in subsidiaries	-	-	-	-	-	256,611	256,611
	22,416,285	1,459,907	2,973,349	8,857,355	3,748,558	12,601,820	52,057,274
Financial liabilities							
Deposits from customers	32,218,500	2,736,612	4,010,557	800,798	615,194	-	40,381,661
Deposits and placements of banks and other financial institutions	4,484,114	3,328	246,983	-	-	-	4,734,425
Bills and acceptances payable	270,837	-	-	-	-	-	270,837
Amount due to Cagamas	6,923	-	256,900	66,165	-	-	329,988
Subordinated term loan / bonds	-	-	-	406,076	498,056	600,000	1,504,132
Derivative liabilities	85,192	-	137,373	217,045	30,183	7,756	477,549
Other liabilities	243,163	45,201	26,276	9,009	-	-	323,649
	37,308,729	2,785,141	4,678,089	1,499,093	1,143,433	607,756	48,022,241
Net Liquidity gap	(14,892,444)	(1,325,234)	(1,704,740)	7,358,262	2,605,125	11,994,064	4,035,033

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

39 LIQUIDITY RISK (continued)

Group

As at 31 December 2009	**Up to 3 Months**	**> 3 -6 Months**	**>6-12 Months**	**>1-3 Years**	**>3-5 Years**	**Over 5 Years**	**Total**
Financial assets	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash and short-term funds	11,211,535	-	-	-	-	-	11,211,535
Deposits and placements with banks and other financial institutions	1,791,089	228,695	-	-	-	-	2,019,784
Held-for-trading securities	77,121	9,948	20,282	95,005	7,984	156,808	367,148
Available-for-sale securities	2,563,051	190,116	453,490	2,033,211	502,947	751,091	6,493,906
Loans, advances and financing	8,864,838	1,728,055	1,563,636	7,679,604	2,585,604	9,292,342	31,714,079
Derivative assets	105,919	32,375	35,125	373,735	-	-	547,154
Other assets	23,974	5,761	11,172	83,033	-	4,285	128,225
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	43,092	43,092
	24,637,527	2,194,950	2,083,705	10,264,588	3,096,535	10,247,618	52,524,923
Financial liabilities							
Deposits from customers	30,106,577	6,063,417	4,656,088	320,213	446,215	-	41,592,510
Deposits and placements of banks and other financial institutions	4,484,355	337,040	-	-	-	-	4,821,395
Bills and acceptances payable	244,983	-	-	-	-	-	244,983
Amount due to Cagamas	6,981	7,074	14,366	306,815	26,327	-	361,563
Subordinated term loan / bonds	-	68,484	21,164	136,967	68,483	1,000,000	1,295,098
Derivative liabilities	92,124	66,157	40,412	236,437	-	-	435,130
Other liabilities	228,893	50,946	33,177	42,333	40,283	-	395,632
	35,163,913	6,593,118	4,765,207	1,042,765	581,308	1,000,000	49,146,311
Net Liquidity gap	(10,526,386)	(4,398,168)	(2,681,502)	9,221,823	2,515,227	9,247,618	3,378,612

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

39 LIQUIDITY RISK (continued)

Bank

As at 31 December 2009	Up to 3 Months	>3 -6 Months	>6-12 Months	>1-3 Years	>3-5 Years	Over 5 Years	Total
Financial assets	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short term-funds	9,945,874	-	-	-	-	-	9,945,874
Deposits and placements with banks and other financial institutions	2,091,089	228,695	-	180,000	-	-	2,499,784
Held-for-trading securities	77,121	9,948	20,282	95,005	7,984	156,808	367,148
Available-for-sale securities	2,089,986	170,020	428,490	1,828,379	321,441	713,939	5,552,255
Loans, advances and financing	8,317,044	1,651,305	1,497,132	7,315,512	2,194,060	8,626,904	29,601,957
Derivative assets	105,917	31,115	34,837	371,302	-	-	543,171
Other assets	62,332	4,112	6,999	39,909	-	199,927	313,279
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	19,592	19,592
	22,689,363	2,095,195	1,987,740	9,830,107	2,523,485	9,717,170	48,843,060
Financial liabilities							
Deposits from customers	27,100,638	5,783,096	4,487,004	266,487	446,119	-	38,083,344
Deposits and placements of banks and other financial institutions	4,444,065	337,040	-	-	-	-	4,781,105
Bills and acceptances payable	225,309	-	-	-	-	-	225,309
Amount due to Cagamas	6,981	7,074	14,366	306,815	26,327	-	361,563
Subordinated term loan / bonds	-	68,484	21,164	136,967	68,483	1,000,000	1,295,098
Derivative liabilities	92,119	64,562	40,124	234,004	-	-	430,809
Other liabilities	405,820	46,960	26,319	14,189	283	-	493,571
	32,274,932	6,307,216	4,588,977	958,462	541,212	1,000,000	45,670,799
Net Liquidity gap	(9,585,569)	(4,212,021)	(2,601,237)	8,871,645	1,982,273	8,717,170	3,172,261

39 LIQUIDITY RISK (continued)

The table below shows the undiscounted cash outflows of the Group and the Bank's financial liabilities by remaining contractual maturities. Information on cash outflow of gross financing commitments is set in Note 34. The expected cash flows of these liabilities could vary significantly from what is shown in the table.

Group

As at 31 December 2010

Financial liabilities	Up to 3 Months RM'000	>3 -6 Months RM'000	>6-12 Months RM'000	>1-3 Years RM'000	>3-5 Years RM'000	Over 5 Years RM'000	Total RM'000
Deposits from customers	34,857,169	3,056,088	4,208,487	820,024	698,078	1,162	43,641,008
Deposits and placements of banks and other financial institutions	4,763,588	3,340	247,008	560	-	-	5,014,496
Bills and acceptances payable	281,944	-	-	-	-	-	281,944
Amount due to Cagamas	10,249	132,834	132,834	68,062	-	-	343,979
Subordinated term loan / bonds	-	43,950	43,965	581,876	673,856	1,100,321	2,443,968
Other liabilities	149,623	14,266	4,308	28,075	-	-	196,272
Derivative liabilities	89,646	54,231	30,508	176,033	73,266	-	423,684
	40,152,219	3,304,709	4,667,110	1,674,630	1,445,200	1,101,483	52,345,351

Bank

As at 31 December 2010

Financial liabilities	Up to 3 Months RM'000	>3 -6 Months RM'000	>6-12 Months RM'000	>1-3 Years RM'000	>3-5 Years RM'000	Over 5 Years RM'000	Total RM'000
Deposits from customers	32,337,923	2,801,135	4,165,335	811,685	654,487	-	40,770,565
Deposits and placements of banks and other financial institutions	4,484,114	3,328	246,983	-	-	-	4,734,425
Bills and acceptances payable	270,837	-	-	-	-	-	270,837
Amount due to Cagamas	10,249	132,834	132,834	68,062	-	-	343,979
Subordinated term loan / bonds		38,500	38,500	560,076	652,056	889,630	2,178,762
Other liabilities	154,540	12,316	832	8,983	-	-	176,671
Derivative liabilities	89,650	54,237	30,508	174,177	73,266	-	421,838
	37,347,313	3,042,350	4,614,992	1,622,983	1,379,809	889,630	48,897,077

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

40 CURRENCY RISK

Group

As at 31 December 2010

	MYR	USD	SGD	Others	
Financial assets	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash and short term-funds	9,467,563	1,081,379	116,303	338,796	11,004,041
Deposits and placements with banks and other financial institutions	160,034	1,151,373	-	624,225	1,935,632
Held-for-trading securities	505,657	-	-	-	505,657
Available-for-sale securities	5,110,374	224,832	284,401	344,701	5,964,308
Loans, advances and financing	34,304,174	705,480	4,058	129,407	35,143,119
Derivative assets	488,862	8,767	57	2,086	499,772
Other assets	116,861	18,112	5,076	6,162	146,211
Statutory deposits with Bank Negara Malaysia	79,342	-	-	-	79,342
	50,232,867	3,189,943	409,895	1,445,377	55,278,082
Financial liabilities					
Deposits from customers	40,713,569	1,290,432	196,926	1,036,006	43,236,933
Deposits and placements of banks and other financial institutions	2,173,374	2,235,714	179,960	424,340	5,013,388
Bills and acceptances payable	281,944	-	-	-	281,944
Amount due to Cagamas	329,988	-	-	-	329,988
Subordinated term loan / bonds	1,504,132	-	-	-	1,504,132
Derivative liabilities	473,456	9,383	-	2,338	485,177
Other liabilities	378,500	(1,481)	(17,503)	(3,759)	355,757
	45,854,963	3,534,048	359,383	1,458,925	51,207,319
Net financial assets/(liabilities) exposure	4,377,904	(344,105)	50,512	(13,548)	4,070,763

40 CURRENCY RISK (continued)

Bank

As at 31 December 2010

	MYR	USD	SGD	Others	
Financial assets	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash and short term-funds	9,017,300	1,144,949	116,180	337,609	10,616,038
Deposits and placements with banks and other financial institutions	464,640	1,146,749	-	624,225	2,235,614
Held-for-trading securities	505,657	-	-	-	505,657
Available-for-sale securities	4,158,975	140,078	261,025	344,701	4,904,779
Loans, advances and financing	32,062,805	460,153	4,058	129,407	32,656,423
Derivative assets	481,222	8,767	57	2,086	492,132
Other assets	309,450	16,985	4,831	6,162	337,428
Statutory deposits with Bank Negara Malaysia	52,592	-	-	-	52,592
Investment in subsidiaries	256,611	-	-	-	256,611
	47,309,252	2,917,681	386,151	1,444,190	52,057,274
Financial liabilities					
Deposits from customers	37,858,297	1,290,432	196,926	1,036,006	40,381,661
Deposits and placements of banks and other financial institutions	2,180,894	1,973,395	155,796	424,340	4,734,425
Bills and acceptances payable	270,837	-	-	-	270,837
Amount due to Cagamas	329,988	-	-	-	329,988
Subordinated term loan /bonds	1,504,132	-	-	-	1,504,132
Derivative liabilities	465,828	9,383	-	2,338	477,549
Other liabilities	346,584	(1,661)	(17,515)	(3,759)	323,649
	42,956,560	3,271,549	335,207	1,458,925	48,022,241
Net financial assets/(liabilities) exposure	4,352,692	(353,868)	50,944	(14,735)	4,035,033

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

41 CREDIT RISKS

Credit risk management policies is disclosed in Note 37. Credit risk is the risk of a financial loss to the Group and the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The following table presents the Group and the Bank's maximum credit exposure of the financial assets, without taking into account any collateral held or other credit enhancements of the Group and the Bank. For financial assets reported in the statements of financial position, the exposure to credit risk equals their carrying amount. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group and the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

	2010	
	Group	**Bank**
	RM'000	**RM'000**
Cash and cash equivalents	11,004,041	10,616,038
Deposits and placements with banks and other financial institutions	1,935,632	2,235,614
Securities held-for-trading	505,657	505,657
Securities available-for-sale	5,964,308	4,904,779
Loans, advances and financing	35,143,119	32,656,423
Derivatives assets	499,772	492,132
Unquoted Islamic Subordinated Bonds of subsidiary	-	200,000
Contingent liabilities and commitments	31,294,526	30,957,518
	86,347,055	82,568,161

Collaterals

The main types of collateral obtained by the Group and the Bank are as follows:

- For personal housing loans, mortgages over residential properties;
- For commercial property loans, charges over the properties being financed;
- For car loans, charges over the vehicles financed;
- For share margin financing, listed securities of Malaysia; and
- For other loans, charges over business assets such as premises, inventories, trade receivables or deposits.

As at 31 December 2010, the were no assets repossessed by the Group and the Bank as a result of taking possession of collaterals held as security, or by calling upon other credit enhancements.

41 CREDIT RISKS (continued)

Credit quality

i) credit quality of loans, advances and financing

Analysis of loans advances and financing by type, by type of customers and by sector are set out in Note 6.

Gross loans, advances and financing into are analysed as follows :

	2010	
	Group	**Bank**
	RM'000	**RM'000**
Neither past due nor impaired	34,358,071	32,014,254
Past due loans		
- not impaired	704,183	537,706
- impaired	890,471	849,836
	1,594,654	1,387,542
Impaired but not past due	115,993	111,184
Total Loans, advances and financing (net)	36,068,718	33,512,980

Loans, advances and financing neither past due nor impaired

Loans, advances and financing are categorised according to the Group and the Bank's customer classification grades as Passed, Special Mention, Substandard, Doubtful and Bad. Loans classified as Substandard, Doubtful and Bad are impaired loans, advances and financing.

Analysis of loans, advances and financing that are neither past due nor impaired analysed based on the Group and the Bank's internal grading system is as follows:

	2010	
	Group	**Bank**
	RM'000	**RM'000**
Passed	32,853,296	30,607,339
Special mention	1,504,775	1,406,915
	34,358,071	32,014,254

Loans, advances and financing of the Group and the Bank that would have been impaired had they not been rescheduled or restructured amounted to RM276,187,000 and RM233,840,000 respectively for the year ended 31 December 2010.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

41 CREDIT RISKS (continued)

Loans, advances and financing past due but not impaired (continued)

Analysis of loans, advances and financing past due but not impaired:

	2010	
	Group RM'000	**Bank RM'000**
i) By period overdue		
Over 60 days to 90 days	32,635	29,692
Over 30 days to 60 days	671,548	508,014
	704,183	537,706
ii) By geographical distribution		
Malaysia	704,183	537,706
iii) By sector		
Agriculture	141,956	3,955
Mining and quarrying	169	-
Manufacturing	23,012	8,890
Electricity, gas and water	264	264
Construction	5,661	5,235
Real estate	55,308	55,308
Wholesale & retail trade and restaurants & hotels	44,611	43,476
Transport, storage and communication	204,141	203,647
Finance, insurance and business services	2,404	2,325
Community, social and personal services	2,014	1,410
Household sector, of which		
i. Purchase of residential properties	173,294	169,979
ii. Purchase of non-residential properties	5,101	5,048
iii. Others	45,885	37,806
Others	363	363
	704,183	537,706

41 CREDIT RISKS (continued)

Impaired loans, advances and financing

Refer to Note 7 for detailed analysis.

ii) credit quality of securities held-for-trading

In view of the following sound credit rating of counterparties, the Group and the Bank do not expect any counterparty to fail to meet its obligation. Analysis of securities held-for-trading are as follows:

Analysis of securities:

2010	**Group and Bank RM'000**
i) By geography	
Malaysia	505,657
ii) By credit rating	
Malaysian Government issued notes	105,075
Investment grade (AAA to BBB)	283,050
Non-rated	117,532
	505,657
iii) By industry – concentration risks	
Agriculture, mining and quarrying	450
Manufacturing	48,741
Building and construction	95,417
Transport, storage and communication	4,953
Financial institutions, investment and holding companies	176,501
Others	179,595
	505,657
iv) By issuer	
Government	105,075
Banks	3,387
Corporations	397,195
	505,657

41 CREDIT RISKS (continued)

iii) credit quality of securities available-for-sale

In view of the following sound credit rating of counterparties, the Group and the Bank do not expect any counterparty to fail to meet its obligation except for the allowance for impairment loss recognized in respect of available-for-sale securities as disclosed in Note 5. Analysis of securities available-for-sale are as follows:

Analysis of securities

2010	**Group RM'000**	**Bank RM'000**
i) By geography		
Malaysia	5,491,190	4,471,589
Singapore	-	-
Other ASEAN countries	39,928	-
Rest of the world	433,190	433,190
	5,964,308	4,904,779
ii) By credit rating		
Malaysian Government issued notes	3,672,491	3,119,834
Other government securities	39,928	-
Investment grade (AAA to BBB)	1,503,851	1,098,702
Non-rated	748,038	686,243
	5,964,308	4,904,779
iii) By industry – concentration risks		
Agriculture, mining and quarrying	-	-
Manufacturing	70,511	-
Building and construction	96,074	50,695
General commerce	-	-
Transport, storage and communication	15,063	-
Financial institutions, investment and holding companies	1,466,621	1,282,354
Others	4,316,039	3,571,730
	5,964,308	4,904,779
iv) By issuer		
Government	3,119,834	3,119,834
Public sector	664,114	19,137
Banks	679,649	514,519
Other financial institutions	315,108	315,108
Corporations	752,013	502,591
Others	433,590	433,590
	5,964,308	4,904,779

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

41 CREDIT RISKS (continued)

iv) Credit quality of derivatives assets

Analysis of derivatives assets are as follows:

	2010	
	Group	**Bank**
	RM'000	**RM'000**
i) Analysed by counterparty		
Banks	384,038	376,476
Other financial institutions	12,988	12,985
Corporate	98,463	98,388
Individuals	3,595	3,595
Others	688	688
	499,772	492,132
ii) Analysed by geography		
Malaysia	29,675	23,893
Singapore	458,263	458,260
Other ASEAN countries	5	5
Rest of the World	11,829	9,974
	499,772	492,132

The analysis by geography is determined based on where the credit risk resides.

42 Hedging activities

Fair value hedge

The Group and the Bank use fair value hedges to protect the Group and the Bank against the changes in fair value of fixed-rate long-term financial instruments due to movements in the market interest rates. The financial instruments hedged for interest rate risk include the Banks' subordinated term loans, subordinated bonds and investments in certain private debt securities. The Group and the Bank primarily use interest rate swaps as hedges of interest rate risk.

The net gains and losses arising from fair value hedges during the year are as follows:

	Group and Bank	
	2010	2009
	RM'000	RM'000
Losses on hedging instruments	(10,990)	13,223
Gains on the hedged items attributable to the hedged risk	10,826	(13,660)
	(164)	(437)

43 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets, financial liabilities and off-balance sheet financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction.

43 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Quoted and observable market prices, where available, are used as the measure of fair values. However, for a significant portion of the Group's financial instruments, including loans, advances and financing to customers, such market prices do no exist as there is currently no ready market wherein exchanges between willing parties occur.

Accordingly, various methodologies have been used to estimate what the approximate fair values of such instruments might be. These methodologies involve uncertainties and are significantly affected by the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, estimate of future cash flows, future expected loss experience and other factors. Changes in the uncertainties and assumptions could significantly affect these estimates and the resulting fair value estimates. Therefore, for a significant portion of the Group's and the Bank's financial instruments, including loans and advances to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amounts that the Group and the Bank could realise in a sales transaction at the reporting date. The fair value information presented herein should also in no way be construed as representative of the underlying value of the Group and the Bank as a going concern.

In addition, fair value information is not provided for non-financial instruments and financial instruments that are excluded from the scope of FRS 132 which requires fair value information to be disclosed. These include property, plant and equipment, investment property, prepaid lease payment and interests in subsidiaries.

The following table summarises the fair values of the financial instruments, which were presented at carrying value in the reporting institution's statements of financial position :

	2010		2009	
	Fair value	**Carrying value**	**Fair value**	**Carrying value**
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial Assets				
Assets for which fair value approximates carrying value	11,004,041	11,004,041	10,616,038	11,211,535
Deposits and placements with banks and other financial institutions	1,935,632	1,935,632	2,019,784	2,019,784
Securities held-for-trading	505,657	505,657	367,148	367,148
Securities available-for-sale	5,964,308	5,964,308	6,519,318	6,519,318
Loans, advances and financing	35,143,119	35,143,119	31,685,934	31,685,934
Derivative assets	499,772	499,772	547,154	547,154
Other assets	146,211	146,211	128,225	128,225
Statutory deposits with Bank Negara Malaysia	79,342	79,342	43,092	43,092
Financial Liabilities				
Deposits from customers	43,236,933	43,236,933	41,803,048	41,803,048
Deposits and placements of banks and other financial institutions	5,013,388	5,013,388	5,346,947	5,346,947
Derivative liabilities	485,177	485,177	435,130	435,130
Liabilities for which fair value approximates carrying value	281,944	281,944	244,983	244,983
Amount due to Cagamas	329,988	329,988	367,853	367,853
Other liabilities	355,757	355,757	395,632	395,632
Subordinated term loan / bonds	1,738,772	1,504,132	1,301,978	1,295,098

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

43 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	2010		2009	
	Fair value	**Carrying value**	**Fair value**	**Carrying value**
Bank	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial Assets				
Assets for which fair value approximates carrying value	10,616,038	10,616,038	9,945,874	9,945,874
Unquoted Islamic Subordinated Bonds of subsidiary	207,120	200,000	202,840	200,000
Deposits and placements with banks and other financial institutions	2,235,614	2,235,614	2,499,784	2,499,784
Held-for-trading securities	505,657	505,657	367,148	367,148
Available-for-sale securities	4,904,779	4,904,779	5,577,667	5,577,667
Loans, advances and financing	32,656,423	32,656,423	29,576,545	29,576,545
Derivative assets	492,132	492,132	543,171	543,171
Other assets	337,428	337,428	313,279	313,279
Statutory deposits with Bank Negara Malaysia	52,592	52,592	19,592	19,592
Financial Liabilities				
Deposits from customers	40,381,661	40,381,661	38,083,246	38,083,246
Deposits and placements of banks and other financial institutions	4,734,425	4,734,425	4,787,395	4,781,105
Derivative liabilities	477,549	477,549	430,809	430,809
Liabilities for which fair value approximates carrying value	270,837	270,837	225,309	225,309
Amount due to Cagamas	329,988	329,988	367,853	367,853
Other liabilities	323,649	323,649	493,571	493,571
Subordinated term loan / bonds	1,531,652	1,504,132	1,301,978	1,295,098

43 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The fair values are based on the following methodologies and assumptions:

Short term financial instruments

The carrying value of the following financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values:

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Financial Assets				
Cash and short term funds	11,004,041	11,211,535	10,616,028	11,211,535
Financial liabilities				
Bills and acceptances payable	281,944	244,983	270,837	225,309

Securities purchased under resale agreements
The estimated fair values of securities purchased under resale agreements with maturity of less than one year approximate the carrying amounts. For securities purchased under resale agreements with maturity one year or more, the fair value are estimated based on discounted cash flow using prevailing money market interest rates with similar remaining period to maturity.

Deposits and placements with / from banks and other financial institutions
The estimated fair values of deposits and placements with or from banks and other financial institutions with maturity of less than one year approximate the carrying values. For deposits and placements with maturity of one year or more, the fair values are estimated based on discounted cash flow using prevailing money market interest rates for deposits and placements with similar remaining period to maturity.

Held-for-trading and Available-for-sale securities
Fair value of securities that are actively traded is determined by quoted bid prices. For non-actively traded securities, independent broker quotations are obtained or valuation techniques are used to fair value the securities. The fair value of unquoted equity instruments classified under available-for-sale portfolio is estimated using internal valuation technique.

Loans, advances and financing
For variable rate loans, excluding impaired loans, the carrying amount is generally a reasonable estimate of its fair value.

For unimpaired fixed rate loans and advances, fair values have been estimated by discounting the estimated future cash flow using the prevailing market rates of product types with similar credit risks and maturity.

The fair values of impaired loans and advances are represented by their carrying amounts, net of individually assessed allowance (2009:specific allowance), being the expected recoverable amount.

43 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Deposits from customers
For deposits from customers, with maturity of less than one year, the carrying amount is a reasonable estimate of their fair value. For deposits with maturity of one year or more, fair value are estimated using discounted cash flows based on market rates, for similar products and maturity.

Obligations on securities sold under repurchase agreements
The estimated fair values of obligations on securities sold under repurchase agreements with maturity of less than one year approximate the carrying amounts. For obligations on securities sold under repurchase agreements with maturity one year or more, the fair value are estimated based on discounted cash flow using prevailing money market interest rates with similar remaining period to maturity.

Amount due to Cagamas
For floating rate contracts, the carrying amount is generally a reasonable estimate of its fair value. The fair values of fixed rate contracts are estimated based on discounted cash flow using prevailing rates offered by Cagamas Berhad for similar product type and remaining period to maturity.

Subordinated term loan / bonds
Fair values are estimated based on discounted cash flow using prevailing money market interest rates for interest rate swap with similar remaining period to maturity.

Financial derivatives
Fair value of financial derivatives is the estimated amounts which the Group or the Bank would receive or pay to terminate the contracts at the reporting date. The fair value of the financial derivatives is disclosed in Note 8.

44 FINANCIAL ASSETS AND LIABILITIES

The Group's and the Bank's classification of its principal financial assets and financial liabilities is summarised in the table below.

Group	Assets at fair value			Assets at amortisation cost	
2010*	Trading	Derivatives held for hedging	Available-for-sale	Loans and receivables / Other liabilities	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets					
Cash and cash equivalents	-	-	-	11,004,041	11,004,041
Deposits and placements with banks and other financial institutions	-	-	-	1,935,632	1,935,632
Securities held-for-trading	505,657	-	-	-	505,657
Securities available-for-sale	-	-	5,964,308	-	5,964,308
Loans, advances and financing	-	-	-	35,143,119	35,143,119
Derivatives assets	485,308	14,464	-	-	499,772
Other assets – other receivables	-	-	-	146,211	146,211
Statutory deposits with Bank Negara Malaysia	-	-	-	79,342	79,342
	990,965	14,464	5,964,308	48,308,345	55,278,082
Non-financial assets					427,876
					55,705,958
Financial liabilities					
Deposits from customers	-	-	-	43,236,933	43,236,933
Deposits and placements of banks and other financial institutions	-	-	-	5,013,388	5,013,388
Bills and acceptances payable	-	-	-	281,944	281,944
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	329,988	329,988
Subordinated term loan / bonds	-	-	-	1,504,132	1,504,132
Derivative liabilities	483,082	2,095	-	-	485,177
Other liabilities – other payables	-	-	-	355,757	355,757
	483,082	2,095	-	50,722,142	51,207,319
Non-financial liabilities					146,594
					51,353,913

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

44 FINANCIAL ASSETS AND LIABILITIES

Bank	Assets at fair value			Assets at amortisation cost	
2010*	Trading	Derivatives held for hedging	Available-for-sale	Loans and receivables/ Other liabilities	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets					
Cash and cash equivalents	-	-	-	10,616,038	10,616,038
Deposits and placements with banks and other financial institutions	-	-	-	2,235,614	2,235,614
Securities held-for-trading	505,657	-	-	-	505,657
Securities available-for-sale	-	-	4,904,779	-	4,904,779
Loans, advances and financing	-	-	-	32,656,423	32,656,423
Derivatives assets	477,668	14,464	-	-	492,132
Other assets – other receivables	-	-	-	337,428	337,428
Statutory deposits with Bank Negara Malaysia				52,592	52,952
Investment in subsidiaries	-	-	-	256,611	256,611
	983,325	14,464	4,904,779	46,154,706	52,057,274
Non-financial asset					409,883
					52,467,157
Financial liabilities					
Deposits from customers	-	-	-	40,381,661	40,381,661
Deposits and placements of banks and other financial institutions	-	-	-	4,734,425	4,734,425
Bills and acceptances payable	-	-	-	270,837	270,837
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	329,988	329,988
Subordinated term loan / bonds	-	-	-	1,504,132	1,504,132
Derivative liabilities	475,454	2,095	-	-	477,549
Other liabilities – other payables	-	-	-	323,649	323,649
	475,454	2,095	-	47,544,692	48,022,241
Non-financial liabilities					144,641
					48,166,882

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

45 CAPITAL ADEQUACY

Capital Management
It is OCBC's objective to maintain a strong capital position to support business growth, and to maintain investor, depositor, customer and market confidence. In line with this, the Group manages its capital actively to ensure that its capital adequacy ratios are comfortably above the regulatory minima through accessing and holding different forms of capital. Over the years, the Group had issued non-cumulative perpetual preference shares, innovative Tier 1 capital and Tier 2 subordinated term loan/bonds. There are no significant impediments on the transfer of capital within the Group.

We plan and monitor capital usage primarily through the annual operational planning process, as well as the quarterly management reporting process. The annual operational plan is reviewed and approved by the Board of the Bank.

Capital Initiatives
On 4 November 2010, the Bank issued redeemable subordinated bonds of RM500 million on a 10-year non-callable 5-years basis at a coupon rate of 4.20% per annum up to (but excluding) the date of early redemption or the maturity date of the subordinated bonds. The subordinated bonds qualify as Tier 2 capital for the purpose of determining the capital adequacy ratios of the Bank. Refer to Note 19 for further disclosure.

Capital Adequacy Ratios
The Group and the Bank are required to comply with core capital ratio of 4% and risk-weighted capital ratio of 8% prescribed by BNM. The Group was in compliance with all prescribed capital ratios throughout the period.

The Group's and Bank's capital adequacy ratios remained strong. The table below shows the composition of the regulatory capital and capital adequacy ratios as of 31 December 2010, determined according to the requirements of BNM Guidelines - Risk Weighted Capital Adequacy Framework (Basel II), which defines the regulatory capital and deductions required, including the cost of investment in subsidiaries and other capital investments.

A description of the key terms and conditions of all capital instruments included as Tier 1 and Tier 2 capital can be found in Note 19 of the financial statements.

45 CAPITAL ADEQUACY

The capital adequacy ratios of the Group and the Bank are as follows:

	Group		Bank	
	Basel II	**Basel I**	**Basel II**	**Basel I**
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Tier-1 capital				
Paid-up share capital	287,500	287,500	287,500	287,500
Paid-up non-cumulative perpetual preference shares	4,000	4,000	4,000	4,000
Share premium	858,500	858,500	858,500	858,500
Retained profits	2,688,851	2,023,141	2,704,217	2,062,029
Other reserves	330,660	330,660	322,000	322,000
Innovative Tier 1 capital	400,000	400,000	400,000	400,000
Capital reserves	56,619	56,619	-	-
	4,626,130	3,960,420	4,576,217	3,934,029
Less: Deferred tax assets	(144,999)	(122,215)	(134,795)	(111,031)
Eligible Tier-1 capital	4,481,131	3,838,205	4,441,422	3,822,998
Tier-2 capital				
Collectively assessed allowance (2009:General allowance) on unimpaired loans, advances and financing computed under standardised approach	105,078	489,289	97,102	450,559
Subordinated debt capital	1,096,117	871,739	896,117	671,739
Surplus of total Eligible Provisions, subject to limit	73,544	-	67,628	-
Total Tier-2 capital	1,274,739	1,361,028	1,060,847	1,122,298
Less:				
Investment in subsidiaries	-	-	(256,617)	(196,617)
Valuation adjustments	-	(7,547)	-	(7,547)
Eligible Tier-2 capital	1,274,739	1,353,481	804,230	918,134
Capital base	5,755,870	5,191,686	5,245,652	4,741,132
Before payment of dividend				
Core capital ratio	12.78%	11.55%	13.62%	12.37%
Risk-weighted capital ratio	16.42%	15.63%	16.09%	15.34%
After payment of dividend				
Core capital ratio	11.83%	11.40%	12.61%	12.20%
Risk-weighted capital ratio	15.47%	15.47%	15.07%	15.18%

45 CAPITAL ADEQUACY (continued)

Breakdown of risk-weighted assets (“RWA”) in the various categories of risk-weights:

	Group		Bank	
	Basel II	**Basel I**	**Basel II**	**Basel I**
	Risk-weighted 2010 RM’000	Risk-weighted 2009 RM’000	Risk-weighted 2010 RM’000	Risk-weighted 2009 RM’000
Credit risk RWA	29,783,175	32,238,300	27,068,410	29,947,579
Market risk RWA	1,016,271	967,643	1,007,869	941,525
Operational risk RWA	3,037,280	-	2,929,398	-
Large Exposure for Equity Holdings RWA	28,849	-	28,849	-
Additional RWA due to Capital Floor	1,191,876	-	1,563,163	-
Total RWA	35,057,451	33,205,943	32,597,689	30,889,104

The core capital ratio is a ratio of eligible Tier 1 capital over Total RWA, while the risk-weighted capital ratio is a ratio of capital base over Total RWA. The Total RWA of the Group is derived from the consolidated balances of the Bank and all its banking subsidiaries. There are no other banking subsidiaries that are not included in the consolidation for regulatory purposes and for those consolidated, there are no differences in the basis of consolidation for accounting and regulatory purposes.

With effect from 1 January 2010, the capital ratios are computed in accordance with Bank Negara Malaysia’s Risk Weighted Capital Adequacy Framework (RWCAF-Basel II) which is based on the Basel Committee on Banking Supervision’s “International Convergence of Capital Measurement and Capital Standards”, commonly known as Basel II. The Group and the Bank have adopted the Internal Ratings-Based Approach for Credit Risk for the major credit portfolios whilst the other credit portfolios are on Standardised Approach. For market risk and operational risk, the Group and Bank have adopted the Standardised Approach and the Basic Indicator Approach, respectively.

Comparative figures are computed in accordance with Bank Negara Malaysia’s Risk Weighted Capital Adequacy Framework (RWCAF-Basel I) and have not been restated.

The capital adequacy ratios of the banking subsidiary company of the Group are as follows:

	OCBC Al-Amin Bank Berhad	
	2010 RM’000	2009 RM’000
Core capital ratio	10.00%	7.74%
Risk-weighted capital ratio	15.55%	13.12%

The capital adequacy ratios of OCBC Al-Amin Bank Berhad are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (CAFIB), which is based on the Basel II. OCBC Al-Amin Bank Berhad has adopted the Internal Ratings Based Approach for Credit Risk for its major credit portfolios, the Standardised Approach for Market Risk and the Basic Indicator Approach for Operational Risk.

46 Significant changes in accounting policies

Retained Earnings	**Group**	**Bank**
	RM’000	RM’000
At 1 January 2010, as previously stated	2,023,141	2,062,029
- impairment loss of loans, advances and financing	20,427	20,427
At 1 January 2010, as restated	2,043,568	2,082,456

Adoption of FRS 139, *Financial Instruments: recognition and Measurement*
The adoption of FRS139 has resulted in several changes to accounting policies relating to measurement of financial instruments. Significant changes in accounting policies are as follows:

Impairment allowance of loans, advances and financing

Prior to adoption of FRS 139, impairment loss on loans, advances and financing were guided by BNM/GP3 Guidelines on Classification of Non-Performing Loans and Allowance for Substandard, Bad and Doubtful Debts. The Group also adopted the previous Revised Guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) issued by BNM on 5 October 2004, where impaired loans, advances and financing are measured at their estimated recoverable amount. Based on these, prior to 1 January 2010, the Bank reduced the value of collaterals in the assessment of recoverable amounts if the loan, advance and financing has been considered as non-performing for more than 5 years. In addition, for specific loans, the Bank also considered the period in arrears of loan, advance and financing in determining the level of allowance to be made.

As a result of the above, an allowance of RM20,427,025 (gross individual assessment allowance of RM27,236,034 less tax) was written back to restate the retained earnings of the Group and the Bank as at 1 January 2010. The change above has been accounted for prospectively, in line with the transitional arrangements under para 103AA of FRS 139, with adjustments to the carrying values of financial assets affecting income statements as at the beginning of the current financial period being adjusted to opening retained earnings.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (continued)

46 Significant changes in accounting policies (continue)

Adoption of FRS 101(revised), Presentation of Financial Statements

The Group applies revised FRS101 (revised) which became effective as of 1 January 2010. As a result, the Group presents all non-owner changes in equity in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it is in conformity with the revised standard. Since the change only affects presentation aspects, there is no impact on earnings per share.

Adoption of FRS 7, Financial Instruments : Disclosure

The adoption of FRS 7 has resulted in changes to the disclosure of financial instruments, whereby the disclosures are now made by categories of financial assets and financial liabilities. The disclosure of comparative figures in the statement of financial position and the income statement have been restated to conform with the current year's presentation except for the following comparative figures in the following notes as allowed in FRS 7:

Note 7	Impaired Loans, Advances and Financing
Note 38	Interest/Profit Rate Risk
Note 40	Currency Risk
Note 41	Credit Risk
Note 44	Financial Assets and Liabilities

Adoption of FRS 117, Leases

The Group has adopted the amendment to FRS117. The Group has reassessed and determined that all leasehold land of the Group are in substance, finance leases and has reclassified the leasehold land to property, plant and equipment. The change in accounting policy has been made retrospectively in accordance with the transitional provision of the amendment.

The reclassification does not affect the basic earnings per ordinary share for the current and prior periods.

47 COMPARATIVE FIGURES

Arising from the adoption of FRS101(revised), income statements for the year ended 31 December 2009 have been re-presented as statement of comprehensive income. All non-owner changes in equity that were presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. Consequently, components of comprehensive income are not presented in the statement of changes in equity.

Following the adoption of the amendment to FRS117, FRS139 and changes made to conform with current year's presentation, certain comparatives have been re-presented as follows:

	Group		Bank	
	As previously reported RM'000	As restated RM'000	As previously reported RM'000	As restated RM'000
Statements of financial position				
Deposits and placements with banks and other financial institution	-	-	2,459,784	2,499,784
Derivatives assets	-	547,154	-	543,171
Other assets	747,361	200,207	968,432	385,261
Derivative liabilities	-	435,130	-	430,809
Other liabilities	917,806	480,918	1,009,862	578,955
Property, plant and equipment	236,984	238,825	230,439	232,280
Prepaid lease payments	2,877	1,036	2,877	1,036
Securities available for sale	6,519,318	6,493,906	4,930,191	5,552,255
Loans, advance and financing	31,688,667	31,714,079	29,576,545	29,601,957
Deposits from Customers	41,590,752	41,592,510	38,083,246	38,083,344
Income Statements				
Net fee and commission income	-	243,239	-	284,146
Net trading income	-	128,551	-	128,551
Other operating income	-	43,058	-	43,092
Interest income	1,952,561	1,963,195	1,970,543	1,981,177
Impairment allowance on loans, advances and financing	184,678	195,448	157,340	168,024
Non-interest income	415,285	-	456,226	-
Income from Islamic banking operations	143,949	144,085	-	-
Cash Flow Statements				
Cash flows from operating activities:				
Adjustments for:-				
Net (gains)/losses from disposal of				
- securities available-for-sale	(30,345)	(31,481)	-	-
- trading derivatives	-	(10,303)	-	(10,303)
- hedging derivatives	-	437	-	437
Depreciation of property, plant and equipment	43,735	43,751	42,340	42,356
Amortisation of prepaid lease payments	52	36	52	36
Allowance for losses on loans, advances and financing	184,678	195,448	157,390	168,024
Equity compensation benefits	5,199	5,281	-	-
Unrealised (gains)/losses on revaluation of:				
- securities held-for-trading	-	(9,227)	-	(9,227)
- trading derivatives		16,805	-	16,805
Unrealised losses on revaluation	208,672	-	208,672	-
Operating profit before working capital changes	1,239,141	1,037,896	1,189,243	988,917

47 COMPARATIVE FIGURES (continued)

	Group		Bank	
	As previously reported RM'000	As restated RM'000	As previously reported RM'000	As restated RM'000
Cash Flow Statements (continued)				
Cash flows from operating activities (continued):				
Decrease in operating assets:				
Securities held-for-trading	203,078	221,090	203,078	221,090
Loans, advances and financing	(1,698,912)	(1,735,094)	(1,689,765)	(1,725,811)
Derivative assets	47,509	482,954	51,166	486,060
Other assets	-	424,794	-	452,917
Statutory deposits with Bank Negara Malaysia	-	894,516	-	834,016
Other assets and statutory deposits with Bank Negara Malaysia	1,792,398	-	1,763,665	-
(Decrease)/ Increase in operating liabilities:				
Deposits from customers	4,946,693	4,948,451	4,115,972	4,116,070
Derivatives liabilities	-	(265,540)	-	(268,984)
Other liabilities	(583,193)	(150,071)	(248,582)	189,726
Cash generated from operations	4,796,621	4,756,412	4,058,965	4,019,355
Net cash from operating activities	4,566,256	4,526,407	3,832,740	3,793,130
Cash flows from investing activities:				
Proceeds from disposal of securities available-for-sale	2,009,216	2,035,764	2,128,192	2,153,604
Proceeds from disposal of property, plant and equipment	99	100	100	638
Net Cash from investing activities	1,988,979	2,015,528	2,113,469	2,139,419
Cash flows from financing activities:				
Proceeds from subordinated term loans / bonds	300,276	313,936	300,276	313,936
Net Cash from financing activities	282,236	295,896	282,236	295,896

48 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 25 February 2011.